



A REVIEW ON PERFORMANCE OF SHG- BANK LINKAGE PROGRAMME IN INDIA

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ABSTRACT

Today, the SHG - Bank Linkage Programme (SHG - BLP) is the largest microfinance programme in the world because of its sheer size and population it touches. SHG - Bank Linkage Programme has traversed twenty-five years of unabated journey towards empowering the rural poor, in general and rural women in particular. Taking a big leap from a pilot in 1992, SHG Bank Linkage Programme has now become the largest community based microfinance initiative with 85.77 lakh SHGs as on 31 March 2017 covering more than a hundred million rural households. There was a net addition of 6.73 lakh savings linked SHGs during 2016-17, a major portion (70.4%) from priority States indicating the urge for connecting the poor households in less developed States with the development process through SHG-BLP. The present study aims primarily to review the performance of SHG-Bank linkage programme in India. The study also focuses on SHG-Bank linkage programme in various regions of India.

Keywords: Self-Help Groups, SHG-Bank Linkage Programme, Performance, Regions, Loans.

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1. INTRODUCTION

Microfinance services in India are provided mainly by two different models viz., SHG-bank linkage model and MFI-bank model. Out of these two models, SHG-bank linkage model has emerged as the more dominant model due to its adoption by formal financial institutions namely, Commercial Banks, Regional Rural Banks and Cooperative Banks. Today, the SHG - Bank Linkage Programme (SHG - BLP) is the largest microfinance programme in the world because of its sheer size and population it touches. What is equally remarkable is that it is also the most widely participated developmental programme in the country and perhaps in the world for the large number of channel partners, their grass root workers, Government agencies and banking outlets involved. After extensive trial and research the pilot programme was launched Twenty Five years ago in 1992. The Self Help Group - Bank Linkage

Programme (SHG-BLP) was an innovation harnessing the synergy of flexibility of informal system with the strength and affordability of formal system.

NABARD's experiment in SHG-BLP established the credibility of groups as a bankable proposition and rural people capable of financial discipline. It created a new set of clientele with untapped appetite leading to several NGOs acting as financial intermediaries for on-lending to groups buoyed by the success of SHG-BLP. A new breed of micro lenders was born, the Micro Finance Institutions. As per Micro Finance Institutions Network (MFIN), as on 31.03.2017, the Microfinance industry has a total loan portfolio of ₹106,916 crore.

2. OBJECTIVES OF THE STUDY

The broad objective of the study is to review the performance of SHG-Bank linkage programme in India. The following are the specific objectives of the study:

- To understand the concept of SHG movement.
- To discuss about the development of SHG- Bank Linkage Program.
- To review the performance of SHG-Bank Linkage Programme in India

3. RESEARCH METHODOLOGY

This study is based on secondary data and data has been collected from various reports published by NABARD and RBI, research papers, journals, and various websites etc.

3.1. ORIGIN AND CONCEPT OF SHG MOVEMENT

The concept of SHG serves the principle "by the poor of the poor and for the poor". It took off from the Grameen Bank of Bangladesh, founded by the famous economist, Professor Muhammad Yunus of Chittagong University in the year 1975. This was exclusively established for the poor. Self Help Group is a small economically homogeneous and affinity group of rural poor, which is voluntarily ready to contribute to a common fund to be lent to its members as per group decision, which works for group's solidarity, self-group awareness, and social and economic empowerment in the way of democratic functioning. "All for all" is the principle behind the concept of Self Help Groups (SHGs). It is mainly conceived with the poor and it is for the people, by the people and of the people. SHGs, a mini voluntary agency for Self Help at the micro level have been a focus on the weaker sections, particularly women, for their social defence. SHGs has got great potential in creating awareness on day to day affairs, promoting savings habit, developing self and community assets, increasing the income level, social power, etc. Further, the concept of SHGs generates confidence, self-scrutiny and self-reliance.

Self Help Groups (SHGs) formed in rural India usually consists of fifteen to twenty members hailing from a certain locality with similar socio-economic backgrounds. The unregistered groups operate on the principles of mutual trust, cooperation and interdependence. The leaders are selected from members of the group. The basic philosophy underlying the concept of the Self Help Group was the belief that the poor are bankable entities. The saving or the thrift and credit groups are mostly informal, who pool savings and re-lend them within the group on rotational or need basis. These groups have a common perception of need and impulse towards collective action. Many of these groups got formed around production activity, promoted savings among members and used the pooled resources to meet the emergent need of the members including consumption needs. Sometimes the internal savings generated were supplemented by external sources loaned/donated by the voluntary agency, which promoted the SHGs.

3.2. SHG- BANK LINKAGE PROGRAMME IN INDIA

The SHG-Bank Linkage Programme, initiated by the NABARD is the largest micro financing programme in the world. With an objective of combating poverty, unemployment and to empower the women of country side, a formal linkage of bank lending to SHGs made the new momentum sustainable. A formal structure with wider acceptability made SHGs to take-up viable business ventures with member's participation. An increase in income, assets, savings, borrowing capacity of the group members are found to be the end result of such a formal linkage. A most notable milestone in the SHG movement was when NABARD launched the pilot phase of the SHG-Bank Linkage programme in February 1992. This was the first instance of mature SHGs that were directly financed by a Commercial bank. The informal thrift and credit groups of poor were recognised as bankable clients. Soon after, the RBI advised Commercial banks to consider lending to SHGs as part of their rural credit operations thus creating SHG-Bank Linkage. The linking of SHGs with the financial sector was good for both sides. The banks were able to tap into a large market, namely the low-income households, transactions costs were low and repayment rates were high. The SHGs were able to scale up their operations with more financing and they had access to more credit products.

4. PERFORMANCE OF SHG- BANK LINKAGE PROGRAMME IN INDIA

SHG - Bank Linkage Programme has traversed twenty-five years of unabated journey towards empowering the rural poor, in general and rural women in particular. Taking a big leap from a pilot in 1992, SHG Bank Linkage Programme has now become the largest community based microfinance initiative with 85.77 lakh SHGs as on 31 March 2017 covering more than a hundred million rural households. There was a net addition of 6.73 lakh savings linked SHGs during 2016-17, a major portion (70.4%) from priority States indicating the urge for connecting the poor households in less developed States with the development process through SHG-BLP.

Table 1 Progress of SHG-Bank Linkage Programme during 2014-15 to 2016-17
(No. of SHGs in Lakh, Amount in r'000 crore)

Year	No. of SHGs with savings Linkage	Amount of savings outstanding	No. of SHGs disbursed with loan	Amount of loan disbursed	No. of SHGs with loan outstanding	Amount of loan outstanding
2014-15	76.97 (3.59)	11.06 (11.74)	16.26 (19.03)	27.58 (14.84)	44.68 (6.46)	51.55 (20.06)
2015-16	79.03 (2.68)	13.69 (23.79)	18.32 (12.67)	37.29 (35.18)	46.93 (4.59)	57.12 (10.81)
2016-17	85.77 (8.53)	16.11 (17.69)	18.98 (3.60)	38.78 (4.01)	48.48 (3.74)	61.58 (7.81)

Source: Status of Micro Finance in India 2016-17, NABARD.

Note: Figures in parentheses indicate increase/decrease over the previous year

The table-1 shows the progress of SHG-BLP during 2104-15 to 2016-17. It reveals that the number of savings linked SHGs has shown a huge jump of 8.53 percent during the year 2016-17. The increase is highest during this decade. The savings outstanding of SHGs as on 31 March 2017 has reached all-time high of ₹ 16.11 crores, about 17.69 percent more than that a year back. During 2016-17, banks provided loans to 18.98 lakh SHGs (i.e. 22% of total SHGs) as against to 18.32 lakh SHGs (23.2% of total SHGs) during 2015-16. There was a net

addition of 6.74 lakh SHGs during the year increasing the number of SHGs having savings linkage to 85.77 lakh as on 31 March 2017. During the year, banks have disbursed loan of ₹ 38.78 crores, recording 4 percent increase over the last year despite the impact of demonetization which slowed down loan disbursement post October 2017. The total bank loan outstanding to SHGs also increased by 7.81 percent and stood at ₹ 61.58 crore against ₹ 57.12 crore as on 31 March 2016.

Table 2 Agency-Wise Distribution of SHG-Bank Linkage Programme in 2016-17
(Amount in Lakh Rupees)

Sl.No	Name of the Agency	Total Savings of SHGs with Banks as on 31 March 2017		Loans disbursed to SHGs by Banks during the year		Total Outstanding Bank Loans against SHGs	
		No.of SHGs	Saving Amount	No.of SHGs	Loans disbursed	No.of SHGs	Loans outstanding
1	Commercial Banks	4444428 (51.8)	1017002 (63.1)	1116442 (58.8)	2429702 (62.7)	267030 (55.1)	3866847 (62.8)
2	Regional Rural Banks	2586318 (30.2)	363176 (22.5)	557540 (29.4)	1161300 (29.9)	161184 (33.2)	1911991 (31.0)
3	Cooperative Banks	1546129 (18.0)	231244 (14.4)	224138 (11.8)	287113 (7.4)	566141 (11.7)	379292.2 (6.2)
Total		8576875 (100.00)	1611423 (100.00)	1898120 (100.00)	3878116 (100.00)	484828 (100.00)	6158130 (100.00)

Source: Status of Micro Finance in India 2016-17, NABARD

Note: Figures in the brackets indicate percentage to the total

Savings of SHGs with different banks as on 31st March, 2017, loans disbursed and total outstanding bank loans are shown in the Table-2. It is visible from the table that the number of SHGs having savings bank account with the banking sector stood at 85,76,875. The amount of savings made by the SHGs to the banks also increased much during the year 2016-17. Out of the total SHGs, Commercial Banks alone contributes 44,44,428 SHGs with 51.8 percent. The Regional Rural Banks and Co-operative Banks contribute 25,86,318 SHGs (30.2%) and 15,46,129 SHGs (18%) respectively. In case of savings also Commercial Banks contributes 63.1% which highest amount of savings (₹10,17,002 lakhs) compared to the Regional Rural Banks with 22.5 percent (₹3,63,176 lakhs) and Cooperative Banks with 14.4 percent (₹2,31,244 lakhs). This is because of the wide spread of the branches of commercial banks in the every corner of India. The branches of the Regional Rural Banks and Co-operative Banks are restricted and not much well-spread like the branches of Commercial Banks. It can be seen from the table that a total of ₹ 38,78,116 lakh amount of loan was disbursed to 18,98,120 SHGs during the year 2016-17. In which commercial banks disbursed the loan amount of ₹24,29,702 lakhs (i.e. 62.7% of the total) and this amount is much higher compared to the same in the earlier year. Here also Commercial Banks shows highest number of SHGs and highest amount of loan disbursement compared to the Regional Rural Banks with 29.9 percent and Cooperative Banks 7.4 percent only. The table also reveals that a total of 4,84,828 SHGs were having outstanding bank loans of ₹ 61,58,130 lakhs as on 31st March 2017. The Commercial Banks have highest number of SHGs i.e. 2,67,030 as well as loans outstanding i.e. ₹ 38,66,847 lakhs (i.e. 62.8 % of the total) in comparison to the Regional Rural Banks (31%) and Co-operative Banks (6.2%) as on 31st March, 2017.

Table 3 Region- wise position of savings of SHGs with Banks as on 31st March 2017
(Amount in Lakh Rupees)

Sr.No	Region	Commercial Banks		Regional Rural Bank		Co-operative Bank		Total	
		No.of SHGs	Saving Amount	No.of SHGs	Saving Amount	No.of SHGs	Saving Amount	No.of SHGs	Saving Amount
1	Northern	204550	23815.44	131341	17508.60	121308	8352.24	457199	49676.28
2	North Eastern	111759	8851.93	287855	12143.67	53273	1960.10	452887	22955.70
3	Eastern	775716	110651.63	718617	136662.97	458743	89223.97	1953076	336538.57
4	Central	330737	44449.86	472645	33025.14	45132	6423.12	848514	83898.12
5	Western	567381	73014.82	162737	15388.43	410483	50293.02	1140601	138696.27
6	Southern	2454285	756218.78	813123	148447.34	457190	74991.58	3724598	979657.70
Grand Total		4444428	1017002.46	2586318	363176.15	1546129	231244.03	8576875	1611422.64

Source: Status of Micro Finance in India 2016-17, NABARD.

Region- wise position of savings of SHGs with Banks as on 31st March 2017 is shown in Table-3. It is seen from the table that so far as the region wise position of savings of SHGs with banks is concerned, Southern Region tops the list with a total number of 3724598 SHGs having bank account and the total group savings of ₹ 979657.70 lakh followed by Eastern, Western, Central and Northern regions. North-Eastern Region has occupied the last spot with 452887 SHGs having bank account and a total group savings of ₹ 22955.70 lakh. The lowest number of SHGs with the lowest saving amount in the North-Eastern Region is mainly due to the late start of SHG-Bank linkage programme in the region. The SHGs are doing well in Southern Region in terms of accumulated savings mainly because of the well-functioning of the NGOs which are taking lots of care in the capacity building of the SHGs. Regarding bank wise savings of SHGs, majority of the SHGs and saving amount with commercial banks followed by RRBs and Cooperative banks.

Table 4 Region- wise position of Bank Loan Disbursed to SHGs during the year 2016-17
(Amount in Lakh Rupees)

Sr.No	Region	Commercial Banks		Regional Rural Bank		Co-operative Bank		Total	
		No.of SHGs	Loans Disbursed	No.of SHGs	Loans Disbursed	No.of SHGs	Loans Disbursed	No.of SHGs	Loans Disbursed
1	Northern	26755	38184.53	15864	14955.91	3948	4273.75	46567	57414.19
2	North Eastern	7941	7013.79	20162	20128.64	858	1278.24	28961	28420.67
3	Eastern	209766	185623.83	173470	200902.73	113827	86645.43	497063	473171.99
4	Central	41584	41775.18	27958	21663.12	12470	4520.16	82012	67958.46
5	Western	67541	115881.99	20826	19857.83	18458	13078.78	106825	148818.60
6	Southern	762855	2041222.54	299260	883792.17	74577	177317.02	1136692	3102331.73
Grand Total		1116442	2429701.86	557540	1161300.40	224138	287113.38	1898120	3878115.64

Source: Status of Micro Finance in India 2016-17, NABARD.

Region- wise position of bank loan disbursed to SHGs during the year 2016-17 shown in table-4. It is seen from the table, Southern Region secured the first position in respect of the number of SHGs linked to bank (i.e. 11,36,692 SHGs) as well as the loans disbursed (i.e. ₹31,02,331.73 lakhs). The North-Eastern Region had the lowest number of SHGs linked to bank credit (i.e. 28,961 SHGs) with a loan amount of ₹28,420.67 lakhs. Bank loan disbursement to SHGs in North-East is very small because of lack of concentrated efforts by banks, the inability of banks to identify NGOs with savings and credit groups, lack of

motivation among bankers, lack of large size NGOs with previous background of working with SHGs and the social configurations prevailing in the region. On the other hand, Southern region has done well in this regard primarily due to the presence of leading NGOs and well developed banking sector.

Table 5 Region wise position of Bank Loans Outstanding against SHGs As on 31st March 2017
(Amount in Lakh Rupees)

Sr.No	Region	Commercial Banks		Regional Rural Bank		Co-operative Bank		Total	
		No.of SHGs	Loan Outstanding	No.of SHGs	Loan Outstanding	No.of SHGs	Loan Outstanding	No.of SHGs	Loan Outstanding
1	Northern	75660	50848.85	39248	23354.89	28997	16963.33	143905	91167.07
2	North Eastern	41191	29180.99	89595	48664.43	12436	5314.87	143222	83160.29
3	Eastern	488385	329560.57	296665	441837.49	258246	117163.55	1343296	888561.61
4	Central	132830	112379.03	253485	104019.63	12096	4969.93	398411	221368.59
5	Western	160199	150184.83	53095	39076.69	64803	19646.30	278097	208907.82
6	Southern	1772039	3194692.56	579754	1255038.17	189563	215234.25	2541356	4664964.98
Grand Total		2670304	3866846.83	1611842	1911991.30	566141	379292.23	4848287	6158130.36

Source: Status of Micro Finance in India 2016-17, NABARD.

Region- wise position of bank loans outstanding against SHGs as on 31st March 2017 is shown in table-5. As shown in the table, out of a total of 48,48,287 SHGs, 26,70,304 SHGs are under Commercial Banks with an outstanding loan of ₹ 38,66,846.83 lakhs. The Regional Rural Banks and Co-operative Banks have 16,11,842 and 5,66,141 SHGs with a loan outstanding of ₹19,11,991.30 lakhs and 3,79,292.23 lakhs respectively. The region-wise picture again shows that Southern Region has highest number of SHGs i.e. 25,41,356 with a loan outstanding of ₹ 46,64,964.94 lakhs. On the other hand, The North Eastern Region has lowest number of SHGs i.e. 1,43,222 with a loan outstanding of ₹ 83,160.29 lakhs. The low performance of North-eastern region is mainly because of lack of concentrated effects by banks, the inability of banks to identify NGOs with savings and credit groups, lack of motivation among bankers, lack of large size NGOs with previous background of working with SHGs and the social configurations prevailing in the region.

5. FINDINGS & CONCLUSION

It can be derived from the above study the number of savings linked SHGs has shown a huge jump of 8.53 percent during the year 2016-17. The increase is highest during this decade. The savings outstanding of SHGs as on 31 March 2017 has reached all-time high of ₹ 16.11 crores, about 17.69 percent more than that a year back. During the year, banks have disbursed loan of ₹ 38.78 crores, recording 4 percent increase over the last year despite the impact of demonetization which slowed down loan disbursement post October 2017. The amount of savings made by the SHGs to the banks also increased much during the year 2016-17. This is because of the wide spread of the branches of commercial banks in the every corner of India. The branches of the Regional Rural Banks and Co-operative Banks are restricted and not much well-spread like the branches of Commercial Banks. Commercial Banks shows highest number of SHGs and highest amount of loan disbursement as well as loans outstanding compared to the Regional Rural Banks and Cooperative Banks as on 31st March, 2017. Southern Region tops the list regarding savings of SHGs with banks, number of SHGs linked to bank as well as the loans disbursed, and also has highest number of SHGs with a loan outstanding. North-Eastern Region has occupied the last spot in all the facilities through SHGs-Bank Linkage Programme. The low performance of North-eastern region is mainly

because of lack of concentrated effects by banks, the inability of banks to identify NGOs with savings and credit groups, lack of motivation among bankers, lack of large size NGOs with previous background of working with SHGs and the social configurations prevailing in the region. The lowest number of SHGs with the lowest saving amount in the North-Eastern Region is mainly due to the late start of SHG-Bank linkage programme in the region. The SHGs are doing well in Southern Region in terms of accumulated savings mainly because of the well-functioning of the NGOs which are taking lots of care in the capacity building of the SHGs.

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