



Role of Self Help Group-Bank Linkage Programme

Harsimran Singh

Assistant Professor, Department of Commerce, GGN Khalsa College, Civil Lines, Ludhiana, Punjab, India

Abstract

A large portion of Indian population has limited access to formal banking. The credit needs of this segment, which is primarily low income, are largely met by informal channels such as money lenders, traders, family and friends, etc, which has its own limitations and micro finance refers to such a particular sub set of financial services which provides small loans to very poor families, most often without any collateral. One of the models designed to provide access to formal sources of finance to this segment of under-banked population is the Self Help Group - Bank Linkage Program (SBLP) which was formally launched in India in 1992 by NABARD. The aim was to improve rural poor's access to formal credit system in a cost effective manner by making use of SHGs. Under this program, group of 10-20 individuals are organized into groups known as Self Help Groups (SHGs) by NGOs, commonly known as Self Help Promoting Institutions (SHPIs). The SHGs are also encouraged to take up livelihood activities for which skill training is provided by certain NGOs. The members of SHG are encouraged to save and internally lend the savings to members at the time of need.

Keywords: Indian population, formal banking, NABARD, SHGs, SBLP

Introduction

Role of finance is critical for the development of large, medium and small enterprises. However, India has an extensive banking structure but in spite, of this the formal banking sector has not lived up to social responsibility of meeting the financial needs of the poor due to various reasons as

- Lack of adequate branch network in the rural areas,
- The inability of the poor to offer satisfactory collaterals for the loans and
- Lack of education and awareness among the poor.

According to sample survey conducted by the World Bank and NCAER in 2003, in Andhra Pradesh and Uttar Pradesh, around 87% of marginal farmers/ landless labourers do not access credit from the formal banking sector. "Access to financial markets is important for poor people. Like all economic agents, low-income households and micro enterprises can benefit from credit, savings and insurance services. But financial markets, because of their special features, often serve poor people badly. Since poor people often have insufficient traditional forms of collateral (such as physical assets) to offer, they are often excluded from traditional financial markets. And in areas where population density is low, physical access to banking services can be very difficult."

World Bank, World Development Report 2000-2001

Thus, micro finance is a tool, which bridges the gap of demand and supply of funds by lower income strata. The term Micro Finance refers to a particular sub set of financial services, which provides small loans to very poor families, most often without any collateral. The loan can be for

consumption, production activities or for small business. The characteristic of microfinance are that the financial service is small in magnitude and those, who avail the services are poor or very poor. The proposed Microfinance Services Regulation Bill defines microfinance services as "providing financial assistance to an individual or an eligible client, either directly or through a group mechanism for.

- An amount, not exceeding rupees fifty thousand in aggregate per individual, for small and tiny enterprise, agriculture, allied activities (including for consumption purposes of such individual) or
- An amount not exceeding rupees one lakh fifty thousand in aggregate per Individual for housing purposes.

There are mainly two delivery channels for micro finance sector in India.

1. Self Help Groups
2. Micro Finance Institutions.

Self Help Groups

The promotion of SHGs in India began more formally in 1992 with the launch of the SHG-Bank Linkage Programme by NABARD. 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 realize some common goals based on the principles of self-help and collectively responsibility. SHGs have also federated into larger organizations. Typically, about 15 to 50 SHGs make up a Cluster / VO with either one or two representatives from each SHG. Depending on geography, several clusters or VOs come together to form an apex body or an SHG Federation. For example, In Andhra Pradesh, the Village Organizations, SHG Clusters and SHG Federations are

registered under the Mutually Aided Co-operative Society (MACS) Act, 1995.

SHGs become relevant because of two reasons: First, a SHG, working on the principle of solidarity helps the poor to come together to pool their savings and access credit facilities. The second major role of SHGs sees in terms of their potential to empower the women members. The access to savings and credit helps a woman member to take care of her family’s financial needs for consumption purpose and production purpose.

Based on the savings accumulated, SHGs are borrowing from banks and SHG federations to meet bigger credit needs of the members for production purposes. Thus, the dependence of SHG households on informal sources of credit like moneylenders has been reduced largely. A study on SHGs reported a decline in the share of moneylender’s loan from 66% to 15% for the members.

SHG - Bank Linkage Programme

The SHG – Bank Linkage Programme started as an Action Research Project in 1989. The pilot project was designed as a partnership model between three agencies, viz., the SHGs, banks and Non-Governmental Organizations (NGOs).

- SHGs were to facilitate collective decision-making by the poor and provide 'doorstep banking';
- Banks as wholesalers of credit, were to provide the resources and
- NGOs were to act as agencies to organize the poor, build their capacities and facilitate the process of empowering them.

Initially there was a slow progress in the programme up to 2010 but after that, rapidly growth is there. The Self Help Group – Bank Linkage programme, in the past years has become a well-known tool for bankers, developmental agencies and even for corporate houses.

Table 1

Year	No. of SHGs financed during the year (in lakh)	Cumulative no. of SHGs financed (in lakh)
2011-12	1.98	4.61
2012-13	2.56	7.17
2013-14	3.62	10.79
2014-15	5.39	16.18
2015-16	6.20	22.38
2016-17	6.87	29.25

Features of the SHG Bank Linkage Programme

Given these quantitative achievements, it has been observed that.

- Microfinance has reduced the incidence of poverty through increase in income, enabled the poor to build assets and thereby reduce their vulnerability.
- It has enabled households that have access to it to spend more on education than non-client households do. Families participating in the programme have reported better school attendance and lower dropout rates.
- It has empowered women by enhancing their contribution to household income, increasing the value of their assets and generally by giving them better control over decisions that affect their lives.
- In certain areas, it has reduced child mortality, improved maternal health and the ability of the poor to combat disease through better nutrition, housing and health – especially among women and children.

- It has contributed to a reduced dependency on informal moneylenders and other non-institutional sources.
- It has facilitated significant research into the provision of financial services for the poor and helped in building “capacity” at the SHG level.
- Finally, it has offered space for different stakeholders to innovate, learn and replicate. As a result, some NGOs have added micro-insurance products to their portfolios, a couple of federations have experimented with undertaking livelihood activities and grain banks have been successfully built into the SHG model in the eastern region. SHGs in some areas have employed local accountants for keeping their books; and almost all for better MIS, accounting and internal controls are now exploring IT applications.

The following table shows the amount of savings and loans taken by SHGs as per this programme.

SHG-Bank Linkage Model

Table 2: Amount in Rs. 000 Crores /Number in Lakh)

	20014-15		2015-16		2016-17	
	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
Savings of SHGs with Bank as on 31 st March	76.97	11.06	79.03	13.69	85.71	16.11
Bank Loan disbursed to SHGs during the year	16.26	27.58	18.32	37.29	18.98	38.78

The programme, over the year, has become the common vehicle in the development process, converging in important development programmers.

State wise outreach of SHGS

As on 2017, 76, 97,946 SHGs have saving bank accounts with

banking sector. Andhra Pradesh accounted for the largest number of SHGs as on March 31,2017 (19.65% of total (12.64%),Maharashtra(10.19%),WestBengal(8.93%),Karnatka (7.57),Odissa(6.98%) and Kerala(6.61),while it is less than 1% in some of the states like H.P., Panjab, Haryana, Jammu and Kashmir, New Delhi, Chandigarh which shows the

regional inequality in the spread of SHGs in the country.

Regional spread of SHGS

As per NABARD publication, it is observed that southern region occupied a major share of spread of SHGs (46.76%) while the smallest share is of North –Eastern (4.35%).

Table 3: Region Wise Spread of Shg Bank Linkage Programme
(Number of SHGs with banks as on March 31, 2017)

S. No.	Region	No. of SHGs	Percentage of total
1.	Northern	322772	5.00
2.	Northern -Eastern	324739	4.35
3.	Eastern	1527618	20.47
4.	Central	786436	10.54
5.	Western	960921	12.88
6.	Southern	3489460	46.76
		7461946	100.00

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

Conclusion

Therefore, it is observed that number of SHGs has increased manifold in India. But regional inequality is still prevailing in the country. The share of northern and northern –eastern states is less than 8% collectively as compared to southern states. Therefore, the Govt. of these states should take initiative measures to make this move of making easy availability of finance to poor section of the country a success.

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