

---

## Regional Spread of Self Help Groups (SHGs) And Bank Linkage Programme in India

S. Sundara Ram<sup>1</sup>, Dr. R. Rupa Kalpana<sup>2</sup>, S. Varun Kashyap<sup>3</sup>

<sup>1</sup>working as Senior Statistical Officer, NSSO(FOD), GOI, Anantapur, AP,

<sup>1</sup>working as D.M., United India Insurance Co., Ltd., Hyderabad, AP

<sup>1</sup>Student pursuing M.S., in Adelaide, Australia

### ABSTRACT

While the country is experiencing faster growth in its GDP, a major concern is the balanced growth to bridge the gap between the rich and the poor. Till recently many Indians remained unbankable as they have neither savings accounts nor access to credit. It is in this context that one needs to appreciate the role played by micro finance institutions in collaboration with the governments, non-governmental organizations (NGOs), social organizations, etc in alleviation of poverty, employment generation, improvement of health and national status, women empowerment and the human development. This study concludes that the spread of SHGs in India is more skewed towards the southern region of the country.

**Key words:** SHGs, NGOs, NSSO, NABARD, Microfinance, Bank Linkage.

### INTRODUCTION

Access to social security is a fundamental right. While the country is experiencing faster growth in its GDP, a major concern is the balanced growth to bridge the gap between the rich and the poor. According to Reserve Bank of India, over 40 per cent of Indians do not even have a bank account. The National Sample Survey Organization (NSSO) estimates reveal that of the total cultivating households, only 27% have received credit from formal sources, 22 per cent have received credit from informal sources and the remaining 51 per cent mostly marginal farmers have virtually no access to credit. It is in this context that one needs to appreciate the role played by micro finance institutions in collaboration with the governments, non-governmental organizations (NGOs), social organizations, etc in alleviation of poverty, employment generation, improvement of health and national status, women empowerment and the human development.

Asian Development Bank defined Micro finance as “the provision of a broad range of services such as deposits, loans, payment services, money transfers and insurance to poor and low income households and their micro enterprises”. (ADB, 2000).

Micro finance, by definition, refers to the entire range of financial and non-financial services including skill up-gradation and entrepreneurial development rendered to the poor for enabling them to overcome poverty.

Over the past decade, NABARD’s “SHG-Bank Linkage Programme” which is aimed at connecting Self Help Groups of poor people with banks, in fact, has created the largest microfinance network

in the world. The Self Help Groups approach has won enthusiastic supporters among influential policymakers. Even the central government has recognized the advantages of group lending and has adopted the approach in its battle against poverty. The SHG-Bank Linkage Programme, in the past eighteen years, has become a well-known tool for bankers, developmental agencies and even for corporate houses. With the small beginning as Pilot Programme launched by NABARD by linking 255 SHGs with banks in 1992, the programme has reached to linking of 1832323 SHGs as on 31.03.2016, envisaging synthesis of formal financial system and informal sector. The total number of SHGs savings linked with banks is 79.03 lakh and the total number of SHGs having loans outstanding as on 31st March 2016 is 46.73 lakh with an estimated number of families covered at 1010 lakhs. The total savings amount of SHGs with banks as on 31st March 2016 are estimated at 13691.39 crore with the amount of loan outstanding at Rs.57119.23 crore. The average loan amount outstanding per SHG as on 31st March 2016 is Rs. 122242.39. It is in this context that a very important need is felt to know the spread of micro financing through SHG-bank linkage in the entire Indian Union.

### Literature Overview

[1] Dr. A.N. Sarkar (2003) observed that the origin of micro finance could be traced back to the beginning of the cooperative movement in Germany, where the movement was started in 1944 in the field of cooperation – based credit system by the Raiffeisen societies as well as Rochbale Pioneers in England. Similarly, the enactment of the Cooperative Credit Societies Act 1904 could be considered as the beginning of micro finance in India.

[2] Dr.K.G.Karmakar (2002) in a study observed that these SHGs offer the easiest and most economical method of enabling the rural poor to contribute their mite to the rural economy.

[3] Prasenjit Bujar Baruah (2002) in his study pointed out that the NABARD sponsored SHG - Bank linkage programme is the single largest microfinance programme in the world.

[4] Pallavi Chavan, R. Rama Kumar (2002) in their study referred to the Indian policy on microfinance as “Relationship Banking” against “Parallel Banking” in other countries. Public banks adopt the approach of group lending and peer monitoring for lending to the Self Help Groups.

[5] Our former Prime Minister Dr. Manmohan Singh said, “The setting up of the Bharatiya Mahila Bank is a small step towards the economic empowerment of our women and it is also a reflection of the government’s commitment to this cause. It will particularly benefit women from the less privileged sections of our society. It will be run largely by women will serve as an example that given the opportunity, women are capable of taking on challenging tasks”.

[6] N. Mohanan (2000) observed that the Government of India restructured all the poverty alleviation programmes under one umbrella scheme “Swarna jayanthi Grama Swarojgar Yojana (SGSY)” from April 1999. The focus of scheme, among other things, is on group approach and organizing the poor into Self Help Groups (SHGs).

[7] Tara S.Nair (2000) studied the rural financial intermediation and commercial banks and the role of banks in the newly emerging institutional forms with a thrust on microfinance. The researcher felt that healthy rural financial sector must be developed to meet the needs of agriculture, infrastructure, and the rural poor such as agricultural labourers, artisans and self-employed persons.

[8] Kishanjit Basu, Krishan Jindal (2000) in their book put forth the point that microfinance revolution is increasingly demand-led as contrasted to the supply-led, state-sponsored rural credit and that microfinance can be a profitable business only if banks of MFIs adopt a profit-centre approach with customer friendly savings and loan products.

[9] Das et al (2001) assessed the performance of self-help groups in Sonitpur district of Assam and opined that more grants and aids would help to build adequate infrastructure which would eventually streamline the various activities of the SHGs resulting ultimately in economic prosperity and social stability

[10] Deb Narayan Sarkar (2001) found out that micro financing of SHG-NGO model was not only more popular but productive in terms of mobilization of savings and disbursement of credit.

[11] Ramijaim Mousumi Das (2004) in his study concluded that microfinance through SHGs has now become a modern economical weapon for the poor to fight against poverty. Many big and small institutions are taking part in this revolution of micro finance vigorously. Still it has a long way to become successful. Many programmes from “Garibi hatao” to IRDP were started by the government enthusiastically but they were not able to achieve their objectives.

[12] Smt. Pratibha Devi Singh Patil, ex-president of India expressed her opinion that “Our full potential as a nation will only be realized when women who constitute about half of our population, can fully realize their potential. As long as that does not happen, half the talent, half the progress, half the development would be lost. We cannot afford to do this.”

[13] Vivek Kumar Tripathi (2013) in his study revealed the research point that “Lijjat papad” is a well-known brand, but is a result of seven women who have thought of enhancing their income. They organize few women and everyone works passionately to manufacture papads. Few members are involved in distribution and incomes are generated. Likewise, there are many SHGs that are manufacturing indigenous products. They are deficient of skills, capital and technology. Companies in similar line may identify these groups.

[14] Anupam Hazra (2011), in his study felt that expanded policy interventions with effective implementation; awareness building at family, institution and community levels; better follow up and intensified efforts for integrating gender dimensions in policy formulation are needed to reduce constraints and to facilitate the participation of women in the mainstream of every societal affair.

[15] Y.V. Singh and Jyoti Nayak (2011) in their study observed that major decision makers in agricultural activities were men even though women performed more in agricultural related activities than men. An average woman spends 14 hours a day working in and outside the home. During harvesting seasons, she spends about 16 hours a day. In such a situation the question arises why the woman's role in the economy is not recognized and has given such an inferior position

[16] Arpita Sharma (2011) in her study concluded that indisputably India is committed to the cause of empowerment of women. However, the journey towards progress is long and arduous. India has witnessed great change in the last two decades. Age old prejudices and gender based biases are giving way to gender equality and harmonious development

[17] R.Rupa Kalpana and Dr.N.Ravishankar (2017) in their study analysed the significant growth of SHGs in the erstwhile Andhra Pradesh and suggested that the Governments of both the States of Andhra Pradesh and Telangana, even after their division, should continue their support to the growth momentum of SHGs

[18] R.Rupa Kalpana and Dr.N.Ravishankar (2017) in their study highlighted the point that Public Sector Banks have shown a better performance than the Private Sector Banks in SHG-Bank Linkage.

[19] R. Rupa Kalpana (2018) in her thesis submitted concluded that the growth of SHGs in Tamil Nadu and Andhra Pradesh is highly impressive and other states should follow and try to excel the achievement.

[20] S. Sundara Ram (2012) in a seminar paper expressed the opinion that in the absence of male heads due to separation, death, etc., the women who are leading the households are finding the difficulty due to ignorance, low confidence levels and lack of awareness in spite of having sufficient movable and immovable property. For such women the SHG movement can give a helping hand.

### **Objectives of the study**

This main focus of the study is to analyse the spread of the SHG movement in different geographical regions of India viz., Northern, Central, Western, Eastern, Southern and North Eastern.

### **Methodology**

#### **Sources of Data**

Since the study is based on the secondary data, the required data is collected from the annual reports of NABARD for the period 1997-98 to 2015-16.

#### **Statistical tools**

Percentages, ratios, mean, variance and ANOVA are used to analyse the data

### Hypotheses

H<sub>1</sub>: There are no differences between the regions at national level as to the number of SHGs linked with banks

H<sub>2</sub>: There are no differences within the regions as to the number of SHGs linked with banks

H<sub>3</sub>: There are no differences between the regions at national level as to the linked SHGs to Bank loans granted

H<sub>4</sub>: There are no differences within the regions as to the linked SHGs to Bank loans granted

### Results

**Table 1. ANOVA test for Regional Differences in SHG-Bank Linkage:**

Source of Variation	Sum of Squares	d.f.	Mean Squares	F-ratios
Between Regions	3378619381299	5	675723876260	26.93933**
Within Regions	1180326092744	17	69430946632	0.361268*
Residual	2132069835046	85	25083174530	
Total	6691015309088	107		

\*\* Significant at 1 percent level

\*Not significant at 1 percent level

**Table 2. ANOVA test for Regional Differences in Bank Loans to SHGs:**

Source of Variation	Sum of Squares	d.f.	Mean Squares	F-ratios
Between Regions	921817509	5	184363502	14.50396**
Within Regions	359187906	17	21128700	1.662205*
Residual	1080456144	85	12711249	
Total	2361461559	107		

\*\* Significant at 1 percent level

\*Not significant at 1 percent level

### **Discussion**

An analytical study of regional spread of Bank- linked SHGs and loans by Banks to SHGs reveal that the percentage shares of Northern Region, North Eastern Region., Eastern Region, Central Region, Western Region and Southern Region in fresh SHGs in the initial year 1997-98 were 2.48, 0.09, 11.33, 9.76, 16.01 and 60.33 respectively whereas in the terminal year 2015-16, the corresponding percentage shares were 2.08, 1.42, 22.52, 4.60, 6.14 and 63.24 respectively. Percentage shares of regions in the fresh and renewal /repeat loans of the regions were 3.77, 0.12, 4.18, 10.48, 9.98 and 71.47 respectively for the initial year 1997-98 whereas the corresponding percentage shares in the terminal year 2015-16 were 1.30, 0.59, 9.37, 3.19, 5.06 and 80.49 respectively.

From the above analysis it can be concluded that all the regions witnessed increase in the shares in number of SHGs except Northern Region., Central Region and Western Region. With regard to percentage shares in fresh and renewal loans, North Eastern Region. Eastern Region and Southern Region experienced an upward trend whereas Northern Region, Central Region and Western Region experienced a downward trend. On the whole, it can be analyzed that the SHG-Bank linkage is skewed more towards the Southern Region than other regions.

F-test results reveal that differences between regions as to number of SHGs and Bank loans to SHGs are statistically significant at 1 per cent level. The null hypotheses i.e.  $H_1$  and  $H_3$  are rejected; whereas the differences within the regions as to the number of SHGs and Bank Loans to SHGs are not statistically significant at 1 per cent level. Hence the null hypotheses i.e.  $H_2$  and  $H_4$  are accepted.

### **Conclusions**

From the above discussions it is clear that at national level there are differences between the regions as to number of SHGs linked and the amount of loans granted and within the regions there are no differences as to the number of SHGs linked and the amount of loans granted to SHGs by banks. With regard to regional spread of SHG-Bank linkage, Southern Region dominates in SHGs linked and bank loans to SHGs. It is inferred that the movement of micro financing through SHGs is more skewed towards the southern region than other regions. Therefore, keeping in view the numerous socio-economic benefits that accrue from this movement to the poor particularly rural, it is suggested that the Governments of other states of other regions should follow the steps adopted by their counterparts in the southern region, so as to ensure an inclusive growth in the country through this movement.

### **References**

1. Dr. A.N. Sarkar, “Innovations in SHG–led Microfinance Development Programmes: Sharing of Global Experience, Indian Co-operative review”, Vol. 41, No.1, July 2003, pp. 12-31.
2. K.G. Karmakar, “Rural Credit and Self Help Groups Microfinance Needs and Concepts in India”, Sage Publications, New Delhi, 2002, pp. 170 – 178.
3. Prasenjit Bujar Baruah “Impact of Micro Finance on Poverty: A Study of Twenty Self Help Groups in Nalbari district, Assam”. Journal of Rural Development, Vol. 31, No. 2, pp. 223 – 234, 2003, NIRD, Hyderabad
4. Pallavi Chavan, R. Rama Kumar, “Micro-credit and rural poverty, An Analysis of Empirical Evidence”, Economic and Political Weekly, Vol. 37, No. 10, March 9th, 2002, pp. 955 – 965.
5. [www.bmb.co.in](http://www.bmb.co.in)
6. N. Mohanan, “Micro Credit and Enterprise Development”, Workshop Background papers, NIRD, Hyderabad, 2000
7. Tara S Nair, “Rural Financial Intermediation and Commercial Banks; Review of recent trends”, Economic and Political Weekly, Vol.35, No.5, January 29, 2000, PP. 299-306
8. Kishanjit Basu, Krishan Jindal, “Micro finance Emerging Challenges”, Tata McGraw Hill Publishing Company Ltd., New Delhi, 2000.
9. Das R, Barman R.N. and Baruah P.K., “Performance of Self Help Groups In Sonitpur District of Assam”, Indian Journal of Agricultural Economics, Vol. 56, No. 3, 2001, pp. 466.
10. Deb Narayan Sarkar, “A Study of SHG – NGO And SHG – Non-NGO Models of Rural Micro financing in West Bengal”, Indian Journal of Agricultural Economics, Vol. 56, No. 3, 2001, pp. 454 – 456.
11. Rimjhim Mousumi Das, “Micro finance through SHGs: A Boon For the Rural Poor”, Kurukshetra, Vol. 52, No. 4, February 2004, pp. 43 -45
12. Smt. Pratibha Devi Singh Patil, ex-president of India, in the inauguration speech of new scheme “Mukhya Mantri Kanya Vivah Yojana” at Patna
13. Vivek Kumar Tripathi , “Corporate SHG linkages for rural markets”, , Kurukshetra, June 2013, pp. 5. 38
14. Anupam Hazra, “Empowering women in Rural India; Exploring the Current Dynamics”, Kurukshetra, Vol. 59, No. 11, September 2011, pp.3 – 5
15. Y.V. Singh and Jyoti Nayak, “Status of Rural Women in Agriculture”, Kurukshetra, Vol. 59, No. 11, September 2011, pp 6 – 9

16. Arpita Sharma, “Women Empowerment: Milestones and Challenges”, Kurukshetra, Vol. 59, No. 11, September 2011, pp. 10 – 15.

17. R.Rupa Kalpana and Dr.N.Ravishankar, “Growth of Self Help Groups in Andhra Pradesh”, International Journal of Scientific Research, ISSN No. 2277-8179, Volume-6, Issue-4, April-2017, pp. 46, 47

18. R.Rupa Kalpana and Dr.N.Ravishankar, “Financing SHGs – Commercial Banks Public vis-à-vis Private”, International Journal of Scientific Research, ISSN No. 2277-8179, Volume-6, Issue-5, May-2017, pp. 27, 28

19. R. Rupa Kalpana, thesis on “Micro financing through Self help groups in Anantapur District – A study”, submitted to the Dravidian university, Kuppam, 2018.

20. S. Sundara Ram, “Socio-economic conditions of the women headed households – a case study of Garladinne Village of Anantapur District”, seminar paper submitted at the Two Day UGC National Seminar on Women Empowerment, 28,29 March 2012, Department of Economics and Applied Economics, Sri Krishnadevaraya University, Anantapur

21 NABARD annual reports