

PROGRESS OF SELF-HELP GROUPS IN INDIA: OVERALL AGENCY WISE ANALYSIS

Author's Name: Nikita Sharma

Affiliation: PhD Research Scholar

E-Mail: nikitaasha04@gmail.com

DOI No. – 08.2020-25662434

Abstract

Access to credit has been the key agenda of the government at all the levels. Poor people being highly underprivileged remain deprived of the access to financial markets. Microfinance facility has solved this problem by giving the poor an opportunity to get credit from the formal sources and use it to their full potential and earn a decent living for themselves, thus giving an impetus to concept of banking with poor. In India microfinance works effectively under various models. One of the most popular model is Self Help Group- Bank Linkage Programme (SHG-BLP) under NABARD, serving efficiently to the needs of the poor. SHG-BLP model working effectively from more than 25 years has a widespread network spread across the nation. This paper aims at analyzing the growth of the SHG-BLP model in India with focus on the different regions of the country and thus highlights the contribution of the formal agencies of credit like commercial bank, regional rural bank and cooperative banks in doing so for a period of five years i.e. 2015-2020. It was thus seen that the SHG-BLP works immensely for the women development as the WSHGs constitute a major share in the total numbers. Overall positive growth is witnessed in the performance of this programme but little disparities are noticed on the regional fronts with southern region being way ahead of other. Further the commercial banks contribution in spreading the network of this programme is immensely high.

Keywords: Poverty, Financial inclusion, SHG-BLP, Microfinance

INTRODUCTION

One of the finest ways to break the vicious circle of poverty is to adhere to the credit needs of the poor. It is often seen that timely credit available, if utilized for productive activity can work wonders for an individual. Timely and affordable credit availability is the basic problem for poor in India. Poor have two choices to avail the credit: one is the formal source of credit and other is the informal source of credit. Often it is seen that poor have little access to formal sources of credit like banks since formal sources demand collateral to keep in the form of security which the poor do not possess. Often deprived from the formal institutions, poor have to look up to informal sources of credit, moneylenders being the most popular ones. Money lenders knowing the weakness of the poor use it to their benefits and charge higher rate of interest and are able to grab exorbitant amount from them. As such poor not able to pay both the principle and the interest amount gets entangled into what is called the debt trap. Finance is one of the most crucial inputs for economic activity, growth and development. If finance through own accumulated resource or equity is neither available, nor sufficient, debt assumes a major significance. Financial institutions (FIs) play an important role in this regard by channelizing funds from surplus sector (savers) to deficit sectors (investors) (Dasgupta 2001)

According to the All India Rural Credit Survey, 1951-52 informal sources and money lenders accounted for about 90 per cent of the rural credit needs with share of the formal source being just 1 per cent. The picture is no different even after years of planned efforts by the government.

As revealed by the “ALL India Debt and Investment Survey”, 2013 conducted by NSSO, non institutional sources still play a prominent role in advancing credit to poor especially in the rural areas. Thus it can be seen that poor are excluded from the formal sources and have to largely be dependent upon the informal sources of credit as formal institutions neglect them due to possibilities of no or low returns from them.

From the very beginning of the planning era in the early fifties, the government and the policy makers have kept their primary focus on the objective of the inclusiveness of the poor in every segment of the society. Every plan had a separate base for improving the lives of the poor. Thus to provide poor the access to financial markets, rural cooperative banks were set up in fifties. Further a big step by the government was the nationalizations of the banks in 1969 which was considered necessary step at that time. Therefore with government intervention, soon the banks started working upon the concept of subsidized credit schemes, Integrated Rural Development Programme (IRDP) in 1980s. Soon the repayments rate under IRDP started to decline. Thus it was in 1999 that the government launched Swarjyanti Gramin Swarozgar Yojana (later restructured as National Rural Livelihood Mission in 2011) by integrating various schemes targeting poor in India. Therefore era of 1990s saw the government efforts of deregulating the interest rates, development of new approaches, completion among banking sectors etc.

Therefore owing to the inefficiencies in the formal credit markets and their poor efforts in giving impetus to the concept of banking with poor, a new approach of microfinance was introduced in the nation. Microfinance is an umbrella term that includes micro-credit, micro-savings and micro-insurance and a host of other financial services (Mallika 2016) Among the microfinance models, one of the most popular being the Self Help Group- Bank Linkage programme (SHG-BLP) launched by NABARD in 1992 as a pilot project in the country. SHG-BLP started just as a programme based on the concept of financial inclusion now has widened its areas including not only poverty alleviation, women empowerment but also the skill development. It is considered as the largest community based microfinance programme in terms of outreach in the world and many other countries are keen to replicate this model. This is also recognized as a part of priority sector lending and normal banking business by the Reserve Bank of India.(Reddy and Malik 2011). Self help groups can prove viable solution for raising the economic status of women as they are small voluntary association of people from the same socio-economic background with a purpose of solving their common problems through self help and mutual help (Kashyap 2020).

SELF HELP GROUP-BANK LINKAGE PROGRAMME

Owing to the prevailing inequalities in the demand and supply of credit to the poor, NABARD set up Action research programme to identity the reasons behind it. Based on the Action plan sanctioned by NABARD to Mysore Resettlement and Development Agency (MYRDA), pilot project was launched in 1992 to link 500 SHGs by 1994. Self Help Groups (SHGs) is a voluntary group consisting of 10-20 members probably of same interest and background coming together to solve their problems through mutual help and self help. SHGs have a number of advantages over the traditional banking system. In the traditional banking system, there has been a strong focus on issues like economic feasibility and loan size, collateral and guarantees, productiveness of a loan, structured loans, unit costs, scheduled assets, strict schedule for recovery, and recovery rates among others (Chandran and Sandhya 2012)SHGs provide an opportunity to individuals to come together and work in consonance to one another and take benefit of

combined efforts in solving their problems. SHG is a best medium for the social and economic empowerment reason being it inculcates the habits of saving and banking among the members of the group (Udai Bhan and Tanushree 2017). The SHGs comprise very poor people who do not have access to formal financial institutions. They act as the forum for the members to provide space and support to each other. It also enables the members to learn and cooperate and work in a group environment. The SHGs provide savings mechanism, which suits the needs of the members. The SHGs comprise very poor people who do not have access to formal financial institutions. They act as the forum for the members to provide space and support to each other. It also enables the members to learn and cooperate and work in a group environment. The Self-Help Group–Bank Linkage Programme (SHG–BLP) was designed with the objective of bridging the prevailing gap in the financial network and spreading banking facilities to the poor in rural and urban areas (Tripathi 2014). The SHGs provide savings mechanism, which suits the needs of the members. The programme uses SHGs as an intermediation between the banks and the rural poor to help in reducing transaction costs for both the banks and the rural clients. Banks provide the resources and bank officials/NGOs/ government agencies organise the poor in the form of SHGs (Kumra and Sharma 2018). The SHG-BLP model became primarily popular in India due to the contribution of Commercial banks, Regional Rural Banks and Cooperative Banks. This programme also grabbed the attention of various state governments who through various departmental initiatives launched it in their state. With completion of almost more than 25 years, the progress of SHG-BLP is remarkable. As per NABARD report, “Status of Microfinance in India 2020”, the number of SHGs has increased to 2.29 lakhs with increase in saving by Rs. 2,827.57 crore as on March 2020. During 2019-20, the banks have disbursed loans of Rs. 77659 crore making an increase of 33.17 per cent from previous year.

GROWTH OF SELF HELP GROUP-BANK LINKAGE PROGRAMME

SHG-BLP model has been working tremendously on the target of inclusiveness in the nation. The model which was started in 1992 by NABARD to fill the gap between the credit demand and supply of the poor has now been evolved into a model with wider opportunities for the poor which large focus on not only the savings but also on the skill development which can be further converted into a source of livelihood.

Table 1: Growth of Indian Microfinance as on 31st March 2020

S.No.	Dimensions	No. of SHGs (in lakhs)	Rupees (in crore)
1.	SHGs savings- linked with banks	102.43	26152.05
2.	Exclusive Women SHGs (Out of total)	88.32	23320.55
3.	SHGs credit- linked during 2019-20	31.46	77,659.35
4.	Exclusive Women SHGs (Out of Total)	28.84	73297.56
5.	SHGs having loans Outstanding as on 31 st March 2020	56.77	108,075.07
6.	Exclusive Women SHGs (Out of Total)	51.12	100620.71
7.	Average SHG loan disbursed per SHG during 2019-20 (in Rupees)	-	246,850.92

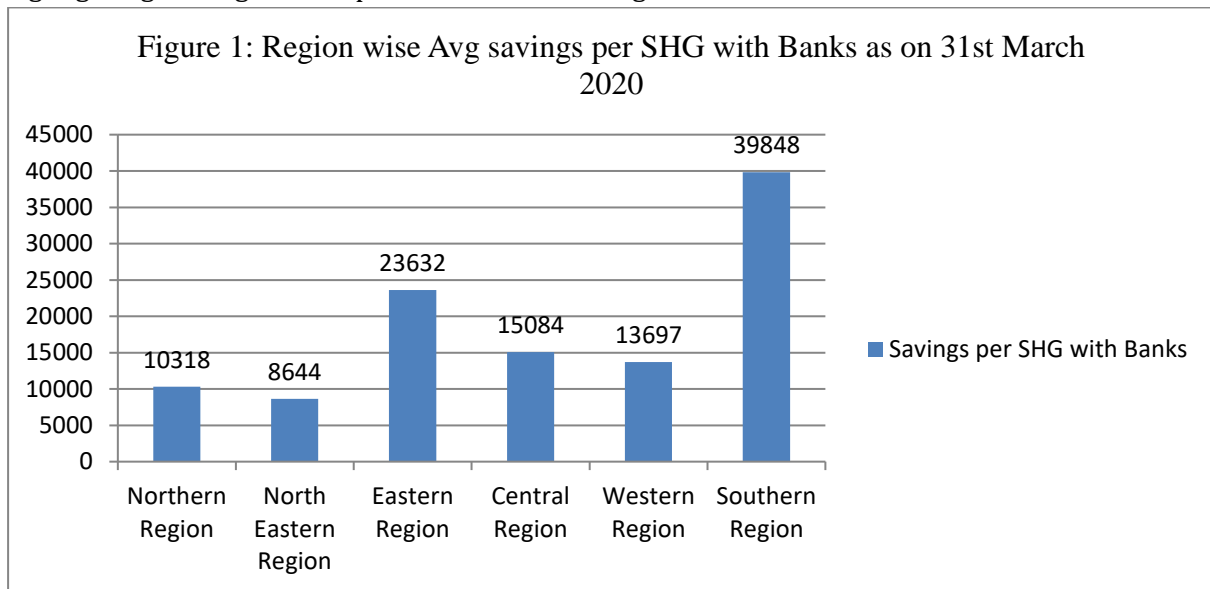
Source: NABARD status report of microfinance, 2019-20

Table 1 shows the growth of SHG-BLP as far as savings linked, credit linked, loan outstanding and loan disbursed to the self help group is concerned. The data is taken from the NABARD

status report of microfinance 2020 which highlights that the total SHGs savings linked with banks accounts for 102.43 lakh with corresponding amount to be 26152.05 crore. The table clearly highlights the fact that the scheme has focused immensely on the women development with exclusive Women SHGs (WSHGs) savings linked to be 88.32 lakh and amount being 23320.55 crore respectively. Further SHGs credit linked accounts for 31.46 lakh with amount as 77659.35 crore as on 31st March 2020. Here also WSHGs have a major share of 28.84 lakh SHGs in numbers and corresponding amount to be 73297.56 crore. Similar trend can be seen in case of the loans outstanding where in the WSHGs have a major chunk in the total number of groups as well as in total amount. As such the average SHG loan disbursed accounts for an amount of 246850.92 crore. The linkage with banks has provided the members of the groups the facility of not only pooling their thrift/savings and access to credit from the banking system, but also created a platform through which they could launch a number of livelihood initiatives and also facilitate the empowerment(Das 2013)

REGION WISE PERCEPTIVE OF SHG-BLP IN INDIA

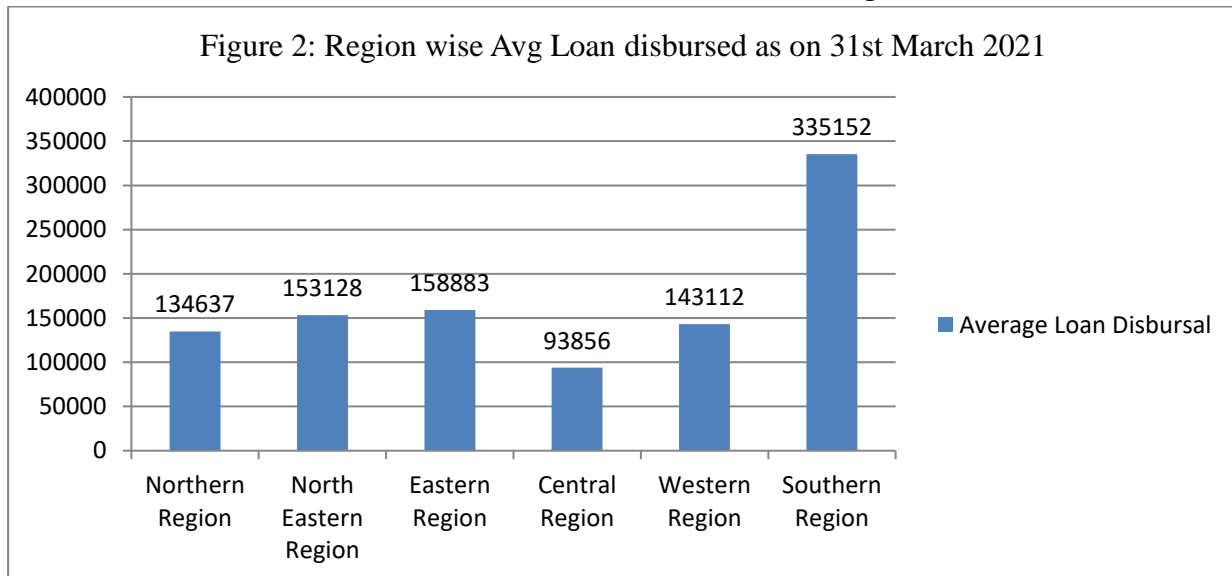
In the above segment growth of SHGs as on 31st March 2020 is shown. The increased numbers in the above section shows that this model is working effectively. From the beginning of the planning era removal of regional disparities has been of most fundamental aspect of the policy makers. Spread of SHG-BLP in wide area throughout the country is an effort in achieving the regional equality. This section deals with the region wise perspective of the spread of SHG-BLP model. As such taking into consideration the average savings per SHG and bank loan per SHGs in the six different regions, it can be concluded that the spread of this model seems to be skewed; highlighting the regional disparities as far as savings and bank loans is concerned.



Note: Author compilation by taking the data from NABARD. The name of data series is Status of Microfinance Programme in India, 2019-20.

Figure 1 thus highlights the average savings per SHG for six different regions of the country. It can be clearly seen that the southern region outshines other regions with maximum savings per SHG i.e. Rs. 39848 followed by eastern region (Rs. 23632), Central region (Rs. 15084), Western region (Rs. 13697), Northern region (Rs. 10318), North Eastern region (Rs. 8664) respectively. Thus north eastern region is seen to perform low in comparison to other regions. As per

NABARD status report of microfinance 2019-20, the southern region accounts for major share of 36 percent followed by Eastern Region (27.4 per cent), Western Region (14.4 per cent), Central Region (11.1 per cent) and Northern Region (5.6 per cent). Thus both for the average savings per SHG and total regional share of the savings of SHGs, the North Eastern region perform the lowest. As such it can be concluded that some regions perform better than the other regions as far as the SHG-BLP model is concerned. Therefore to remove the regional disparities and enhance financial inclusion, due attention is needed for all the regions.



Note: Author compilation taking the data from NABARD. The name of data series is Status of Microfinance Programme in India, 2019-20.

Figure 2 highlights the average loan disbursed by the banks in various regions. The bar diagram clearly highlights that as far as loan disbursement is concerned, the southern region performs most efficiently with average loan amount as Rs. 335152 (52.01%), followed by Eastern region with an amount of Rs. 158883, North Eastern region (Rs. 153128), Western region (Rs. 143112), Northern region (Rs. 134637), Central Region (Rs. 93856) respectively. Thus the southern region maintains its dominance in loan disbursement as well with its share being more than 50 per cent of the total. It is noteworthy to mention here that even though the North eastern regions performed the lowest in case of average saving per SHGs with banks, the Central region performs the lowest in case of average loan disbursement.

SHG-BLP AGENCY WISE DISTRIBUTION

The primary reason for the success and popularity of the SHG-BLP is the contribution made by the formal institutions like commercial banks, Regional rural Banks and the Cooperative banks of the country. Understanding the need and importance of the financial inclusion aspect, the banking sector with their widespread network has been very active in doing so. This section thus highlights the contribution of the commercial banks, regional rural banks and cooperative banks in spreading the SHG-BLP in the nation. Thus agency wise distribution is shown in three categories: first being SHGs savings, second being loan disbursement and third being loan outstanding.

Table 2: BANK Agency-Wise Shg Savings In India: From 2015 To 2020

Year	Particular	Bank Agencies			Total	Year on Year % Growth Savings
		CBs	RRBs	Cooperative Banks		
2015	NO. OF SHGS	4135821 (53.7)	2161315 (28.1)	1400333 (18.19)	7697469 (100)	-
	Amount (in Rs. Crores)	663067 (59.95)	234657 (21.2)	208250 (18.8)	1105974 (100)	-
2016	NO. OF SHGS	4140111 (52.6)	2256811 (28.56)	1506080 (19.1)	7903002 (100)	2.60
	Amount (in Rs. Crores)	903389 (66.0)	248428 (18.1)	217322 (15.9)	1369139 (100)	23.79
2017	NO. OF SHGS	4444428 (51.8)	2586318 30.2	1546129 18.0	8576875 100	8.5
	Amount (in Rs. Crores)	1017002 (63.1)	363176 22.5	231244 14.4	1611423 100	17.69
2018	NO. OF SHGS	4633712 (52.99)	2807744 32.11	1302981 14.90	8744437 100	1.9
	Amount (in Rs. Crores)	4633712 (59.54)	580735 29.64	212054 10.82	1959211 100	21.58
2019	NO. OF SHGS	5476914 54.69	3078473 30.74	1458856 14.57	10014243 100	14.52
	Amount (in Rs. Crores)	1324023.23 56.77	769201.27 32.98	239223.65 10.25	2332448.15 100	19
2020	NO. OF SHGS	54,73,833 53.44	32,61,879 31.84	15,07,611 14.72	102,43,323 100	2.2
	Amount (in Rs. Crores)	15,66,217.93 59.89	7,81,127.17 29.87	2,67,859.79 10.24	26,15,204.89 100	12.12

Source: NABARD status report of microfinance

Table 1 shows the agency wise distribution of the SHGs savings for a period of five year i.e. 2015 to 2020. The table shows both the physical numbers of SHGs as well as monetary aspect related to it. Further year on year growth is highlighted to see overall growth of the SHGs both in numbers as well as in amount. It can be seen from the table that in 2015, the share of the commercial bank is 53.7 per cent, share of the regional rural banks (RRBs) is 28.1 percent and share of the cooperative banks is 18.19. Further the share of commercial banks in 2020 accounts for about 53.44 per cent, RRBs accounts for 31.84 per cent and Cooperative banks have a share of only 14.72 percent. Comparing the values of 2015 with 2020, it can be concluded that the commercial banks have maintained their robust share throughout the study period whereas in case of cooperative banks, the share has fallen in 2020. As far as year on year growth is concerned the growth in physical numbers has been highest in 2019 as 14.52 with drastic fall in 2020 to just 2.2 per cent. In monetary terms highest growth is witnessed in 2016, falling immensely in 2020.

**Table 3: Bank Agency Wise Disbursement Of Loan Amounts To Shgs:
Cumulative Progress In India From 2015 To 2020**

Year	Particular	Bank Agencies			Total	Year on Year % Growth Savings
		CBs	RRBs	Cooperative Banks		
2015	NO. OF SHGS	855724 (52.61)	522139 (32.10)	248375 (15.27)	1626238	-
	Amount (in Rs. Crores)	1733412.66 (62.84)	772522.19 (28)	252296.21 (9.16)	2758231	-
2016	NO. OF SHGS	1132281 (61.8)	470399 25.7	229643 12.5	1832323 100	12.67
	Amount (in Rs. Crores)	2518497 67.5	916493 24.6	293700 (7.9)	3728690 100	35.18
2017	NO. OF SHGS	1116442 58.8	557540 29.4	224138 11.8	1898120 100	3.5
	Amount (in Rs. Crores)	242902 62.7	1161300 29.9	287113 7.4	3878116 100	4.0
2018	NO. OF SHGS	1272886 56.29	782563 34.61	205683 9.10	2261132 100	16.05
	Amount (in Rs. Crores)	2870762 60.84	1511934 32.04	335892 7.12	4718588 100	21.6
2019	NO. OF SHGS	1512907 56.07	940818 34.87	244675 9.07	2698400 100	19.33
	Amount (in Rs. Crores)	3449246.74 59.15	1955264.43 33.53	427251.71 7.32	5831762 100	23.59
2020	NO. OF SHGS	17,96,099 57.09	10,93,788 34.77	2,56,115 8.14	31,46,002 100	16.58
	Amount (in Rs. Crores)	48,43,108.56 62.36	24,23,162.23 31.20	4,99,664.05 6.43	77,65,934 100	33.16

Source: NABARD status report of microfinance

Table 2 highlights the agency wise loan disbursement to the SHGs in the study period of five years ranging from 2015-2020. The table shows both the physical numbers of SHGs as well as monetary aspect related to it. Further year on year growth is highlighted to see overall growth of the SHGs both in numbers as well as in amount. As such in 2015, the commercial Bank had a major share of about 52.61 per cent which almost more than 50 per cent of the total share, followed by RRBs and cooperative banks. On making a comparison with year 2020, it can be seen that commercial banks have maintained their share of 57.09 per cent, the lowest share being contributed by cooperative banks. Year on year growth for no. of SHGs is highest in 2019 i.e. 19.33 per cent, whereas in monetary terms year on year growth is highest in 2016 i.e. 35.18 per cent.

Table No 4: Bank Agency Wise Loan Outstanding From 2015 To 2020

Year	Particular	Bank Agencies			Total	Year on Year % Growth Savings
		CBs	RRBs	Cooperative Banks		
2015	NO. OF SHGS	2602484 (58.24)	1272274 (28.47)	593422 (13.28)	4468180	-
	Amount (in Rs. Crores)	3440700.57 (66.75)	1382453.69 (26.82)	331391.89 (6.4)	5154546	-
2016	NO. OF SHGS	2626364 56.2	1445476 30.9	293700 12.9	4672621 100	4.57
	Amount (in Rs. Crores)	3714562 65.0	1610935 28.2	600781 6.8	5711923 100	10.81
2017	NO. OF SHGS	267030 55.1	161184 33.2	566141 11.7	4848281 100	3.7
	Amount (in Rs. Crores)	3866847 62.8	1911991 31.0	379292.2 6.2	6158130 100	7.8
2018	NO. OF SHGS	2904086 57.85	1658221 33.03	458051 9.12	5020358 100	3.54
	Amount (in Rs. Crores)	4874805 64.48	2273864 30.08	411176 5.44	7559845 100	22.76
2019	NO. OF SHGS	2901209 57.14	1695534 33.39	480589 9.47	5077332 100	1.13
	Amount (in Rs. Crores)	5564111.05 63.88	2619598.85 30.08	526105.53 6.04	8709815 100	15.21
2020	NO. OF SHGS	32,94,643 58.03	18,49,225 32.57	5,33,203 9.39	56,77,071 100	11.81
	Amount (in Rs. Crores)	71,21,582.37 65.89	30,32,101.28 28.06	6,53,823.59 6.05	108,07,507 100	24.08

Source: NABARD status report of microfinance

Table No.4 depicts agency-wise loan outstanding against SHGs at the end of March each year for five years period from 2015 to 2020. As on 31st March 2015 the relative share of Commercial Banks, RRBs and Co-operative banks in loan amounts outstanding against SHG was 58.24 per cent, 28.47 percent and 13.28 per cent respectively. At the end of March 31st, 2020, the relative shares of these bank agencies were 58.03 per cent, 32.57 per cent and 9.39 per cent respectively. Year on year growth for no of SHGs is 2020 which accounts for 11.81 per cent and as far as amount is concerned, highest growth rate is witnessed for year 2018 which is 22.76 per cent.

CONCLUSION

Realizing the timely need for financial inclusion in the country, the SHG-BLP model was launched by NABARD in 1992. Growing success of this model attracted the state governments to utilize the various departmental initiatives to work on the lines of this model. As such this initiative has progressed in last 25 years and adopted a holistic approach of development of the poor by giving them access to the financial markets. Timely availability of the credit as well as skill development support under this model helps the people to utilize the potential to the fullest and earn a decent standard of living for themselves. On the nation front this model has shown an overall positive trend in terms of both the number of SHGs as well as in monetary terms. But slightest of the disparities can be seen when it comes to region wise performance of the SHG-BLP model. Whereas on one side the southern region of the nation outshines other regions in the performance, the northern and the central region requires more attention.

Further as far as the bank agency distribution is concerned, it can be concluded that the commercial banks with their wide spread network has contributed significantly in the spread of this scheme with their share being almost more than half of the total whereas the cooperative banks need to enhance their performance. Nonetheless this model has evolved into a fully fledged support system catering to the needs of the poor.

REFERENCES

1. Chandran, K., and P. Sandhya. 2012. "Progress of SHG-Bank Linkages in India: An Assessment of Key Issues." *Economic Affairs* 57(3):301–8.
2. Das, Tiken. 2013. "An Analysis of Non-Performing Assets and Recovery Performance of Self Help Group Bank Linkage Programme Unique Preference to North Eastern Region of India." *IOSR Journal of Economics and Finance* 1(1):05–14.
3. Dasgupta, Rajaram. 2001. "An Informal Journey through Self-Help Groups." *Indian Journal of Agricultural Economics* 56(3):370–86.
4. Kashyap, Tandrileem. 2020. "Role of Micro-Finance & Self-Help Groups in Women Empowerment." *International Journal of Advanced Science and Technology* 29(4):1411–16.
5. Kumra, Kavita, and Vijay Kumar Sharma. 2018. "Progress of Microfinance in India under SHG-Bank Linkage Model." *International Journal of Management Studies* 5(1(4)):120.
6. Mallika, V. 2016. "A Study on Self-Help Group Bank Linkage Programme in India." 3(9):23–26.
7. Reddy, Amarender, and Dharm Malik. 2011. "A Review of SHG-Bank Linkage Programme in India." *Indian Journal of Industrial Economics and Development* 7(2):1–10.
8. Tripathi, Ashutosh Kumar. 2014. "Spread of the Self-Help Group-Bank Linkage Programme in India: Potential Vis-à-Vis Achievements." *Journal of Asian and African Studies* 49(2):215–33.
9. Udai Bhan, Singh, and Gupta Tanushree. 2017. "Does SHG - Bank Linkage Programme Lead to the Women Empowerment." *International Journal of Scientific and Research Publications* 7(7):121–25.

Reports

- [1] Government of India (2013), Debt and Investment Survey (2013), NSSO (70th Round), Government of India, New Delhi
- [2] NABARD (2015). Status of Microfinance in India 2014-15, Mumbai [3] NABARD (2015). Status of Microfinance in India 2015-16, Mumbai
- [4] NABARD (2015). Status of Microfinance in India 2016-17, Mumbai
- [5] NABARD (2015). Status of Microfinance in India 2017-18, Mumbai
- [6] NABARD (2015). Status of Microfinance in India 2018-19, Mumbai
- [7] NABARD (2015). Status of Microfinance in India 2019-20, Mumbai