

AN ANALYSIS ON PROGRESS OF MICROFINANCE UNDER SHG-BANK LINKAGE PROGRAMME IN INDIA

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ABSTRACT

In the development paradigm, micro-finance has evolved as a need-based programme for women empowerment and alleviation of poverty. Micro-finance has become one of the most effective interventions for economic empowerment of the poor. The main objective of this paper is to discuss the progress of microfinance under SHG-Bank linkage programme in India; the aim of the microfinance programme is to provide income generating activity by reducing the unemployment and to eradicate poverty. NABARD provides capital support to various MFIs which in turn provides financial assistance to SHG'S .Further, this study also helps to know the present status and operating system of SHGs (Self Help Groups) for mobilization of saving, loans disbursement and outstanding loans, delivery of credit to the needy, establishing linkage with banks and examines the social benefits derived by the members. Secondary data was gathered from various sources.

Key Words: Self-help Group, Micro-finance, Bank linkage Programme.

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INTRODUCTION

Self Help Groups

A self-help group (SHG) is a village-based financial intermediary committee usually composed of 10–20 local women or men. Most self-help groups are located in India, though SHGs can be found in other countries, especially in South Asia and Southeast Asia. Members make small regular savings contributions over a few months until there is enough capital in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose. In India, many SHGs are 'linked' to banks for the delivery of micro-credit. Microfinance is not just about giving micro credit to the poor rather it is an economic development tool whose objective is to assist poor to work their way out of poverty. Banks have leveraged the Self-Help Group (SHGs) channel also to provide direct credit to group borrowers.

Self Help Groups were conceived as informal groups of 10-20 members having homogeneous socio-economic background coming from a small contiguous area, to operate on the principle of self-help, solidarity and mutual interest. They were encouraged to make compulsory thrift of the uniform amount as decided by them and pool resources so created to extend interest bearing loans to its members to meet their emergent needs. SHGs were given the freedom by RBI/NABARD of charging interest from their members at the rate as decided by group consensus. Recovery was to be done by a mechanism of peer pressure.

Microfinance

The history of micro financing can be traced back as long to the middle of the 1800s when the theorist Lysander Spooner was writing over the benefits from small credits to entrepreneurs and farmers as a way getting the people out of poverty. But it was at the end of World War II with the Marshall plan the concept had a big impact. The today use of the expression micro financing has its roots in the 1970s when organizations, such as Grameen Bank of Bangladesh with the microfinance pioneer Mohammad Yunus, where starting and shaping the modern industry of micro financing. Another pioneer in this sector is Akhtar Hameed Khan.

Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial

services to such clients are: (1) relationship-based banking for individual entrepreneurs and small businesses; and (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group. In some regions, for example Southern Africa, microfinance is used to describe the supply of financial services to low-income employees, which is closer to the retail finance model prevalent in mainstream banking. For some, microfinance is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers." Many of those who promote microfinance generally believe that such access will help poor people out of poverty, including participants in the Microcredit Summit Campaign. For others, microfinance is a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses.

OBJECTIVES OF THE STUDY

- To analyze the progress of SHG-Bank linkage Programme.
- To find out agency-wise progress under microfinance towards SHG's in India.
- To analyze the total loan disbursement and outstanding of SHG's towards banks.

STATEMENT OF THE PROBLEM:

Women are the vital part of the Indian economy, both national and households level. They make one-third of the national labour force. Compared with their men folk, In India women contributing large share of their income to meet the basic requirements of the family. Women's are economically empowered through microfinance. SHG's are playing a major role in microfinance, which leads towards economic development of our country. Further this study is undertaken to identify progress of microfinance, the savings amount of SHG's? How much loans disbursed by agency to SHG's? How much loan amount outstanding against SHG's? For what purpose the members join in SHGs? The above raised questions make the author to undertake this study to examine the progress of microfinance and performance of SHG's.

Delivery Models of Microfinance in the World

The concept of microfinance involves informal and flexible approach to the credit needs of the poor. No single approach or model can fits in all the circumstances. Therefore, a number of microfinance models emerged in different countries/states according to the suitability to their local conditions. These models can be classified into five groups as follows:

1. Grameen and Solidary Model.
2. The group Approach.
3. Individual Credit.
4. Community Banking.
5. Credit Unions and Cooperatives.

Microfinance Models in India

Micro finance in India is dominated by two operational approaches viz. Self-help Groups (SHGs) and Micro Finance Institutions (MFIs) in addition to a few co-operative forms. **The first approach** is popularly known as SHG-Bank linkage model. This model is the dominant model, initiated by the NABARD through the SHG-Bank linkage programme in the early 1990s. Today this programme has the largest outreach to micro financial clients in the world.

The **second approach** also called financing through MFIs is the emerging model. This model emerged in the late 1990s to harness social and commercial funds available for open lending to clients. Today there are over 1,000 Indian MFIs. These institutions assume the responsibility of making available much needed micro credit to the poor section of the society.

REVIEW OF LITERATURE

B. Revathy & M. Kailash (2012): The study conducted in Guntur district of Andhra Pradesh revealed that micro finance has positive impact on the respondents' self confidence and courage whereas self esteem and asset creation require attention. **This study revealed that microfinance improves the socio-economic conditions of members in self help groups.**

Sivasubramanian (1999) in his study had stressed the elimination of poverty as one of the principle objectives of Indian development strategy. In 1993, the below poverty line was 36 per

cent. The BPL data which worked out of 320 million people, 224 million live in rural areas. The incidence of poverty had declined from 54.9 per cent in 1973-74 to 36 per cent in 1993-94. The salient features of antipoverty programmes are framed under various schemes to bring growth. In 1999, the reformed scheme of Swarnajayanti Gram Swarozgar Yojana (SGSY) would be centered on the concept of SHGs and cluster approach for reaching out the poor as an effective vehicle. Poverty can be attentively eradicated only when the poor start contributing to the growth process through a process of social mobilization, participatory approach and empowerment of the poor. **He concludes that microfinance substantially contributes to reduction of poverty, when it is given appropriate attention in the rural areas.**

Silvia (2004) studied Self Help Groups in Tumkur district (Karnataka) covering 245 respondents. She reported that 19 per cent women said that increase in income is about 25 per cent, 35 per cent women said increase in income is about 50 per cent and 4 per cent women said there was no change in income. **This study shows that majority of the women are earning income through self help groups and they have awareness about microfinance.**

Raghurama and Shakira Irfana (2013) States that intervention of Self-Help Group Bank Linkage Programme (SBLP) has brightened lives of the rural poor. **The Self-Help Group Bank Linkage Programme (SBLP) has come to improve the socio-economic status of the rural poor. After joining SHGs, the member have to make regular saving and avail loans, by this women members reduce their loan portfolio.**

Murlidhar A. Lokhande (2013) explored the view of 654 members after joining the SHGs; their confidence level had increased to a great extent. **With the help of field survey the author's concluded that formation of Self Help Groups brings positive changes among group members and easy access of financial services to the needy .**

RESEARCH METHODOLOGY

Research design adopted in this study is analytical research .The data collected for this paper based on secondary data. Data have been collected through various books and publications of recent research papers available in different websites and magazines.

ANALYSIS OF THE STUDY**Table- 1: Progress under SHG - Bank linkage programme**

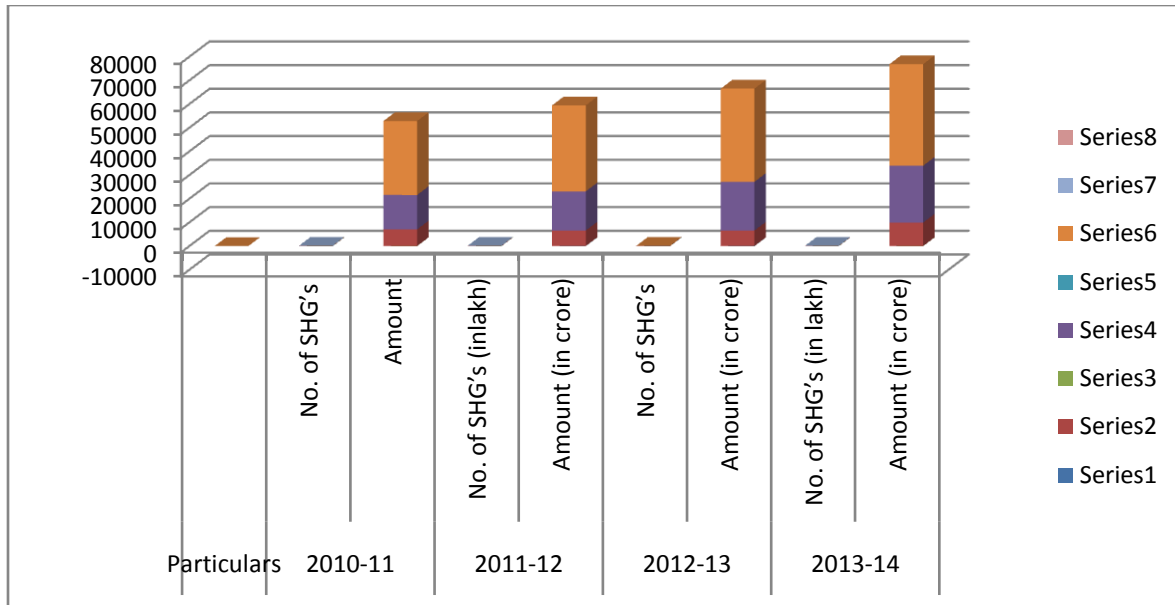
(Amount ` in crore/ Numbers in lakhs)

Particulars	2010-11		2011-12		2012-13		2013-14	
	No. of SHG's (in lakh)	Amount (in crore)	No. of SHG's (in lakh)	Amount (in crore)	No. of SHG's (in lakh)	Amount (in crore)	No. of SHG's (in lakh)	Amount (in crore)
Saving of SHG's with Banks	74.62 (7.3%)	7016.3 (13.2%)	79.60 (6.7%)	6551.41 (-6.7%)	73.18 (-8.15%)	6551.41 (-6.7%)	74.30 (1.53%)	9897.42 (20.45%)
Loan disbursed to SHG's by banks	11.96 (-24.6%)	14547.7 (0.01%)	11.48 (-4%)	16534.77 (13.7%)	12.20 (6.3%)	20585.36 (24.5%)	13.66 (12.02%)	24017.36 (16.67%)
Loans outstanding against SHG's	47.87 (-1.3%)	31221.17 (11.4%)	43.54 (-9.0%)	36340.00 (16.4%)	44.51 (2.2%)	39375.30 (8.4%)	41.97 (-5.71%)	42927.52 (9.02%)

SOURCE: (NABARD) STATUS OF MICROFINANCE

(Figures in the parenthesis indicates growth/decline over the previous year)

Inference: From the above table, it has been identified that the saving's of SHG's has been fluctuating and there is a slight increase in the year 2013-14, there is gradual increase in the amount of loan disbursed to SHG's for the past years which shows a positive sign of the banks towards SHG's but at the same time the loan outstanding against SHG's seems to be high where the bank has to face the problem while sanctioning the loan to SHG's.

**Table- 2: Progress under MFI-Bank Linkage Programme**

(in crore)

Particulars	2010-11		2011-12		2012-13		2013-14	
	No .of mFIs	Amount	No .of mFIs	Amount	No .of mFIs	Amount	No .of mFIs	Amount
Loans disbursed by banks to MFIs	471 (-39.5%)	8448.96 (21.3%)	465 (-1.3%)	5205.29 (-38.39%)	426 (-8.4%)	7839.51 (50.6%)	545 (27.9%)	10282.49 (31.16%)
Loans outstanding against MFIs	2315 (39.51%)	13730.62 (-2.0%)	1960 (-15.3%)	11450.29 (-16.6%)	2042 (4.2%)	14425.84 (26%)	2422 (18.6%)	16517.43 (14.5%)

SOURCE: (NABARD) STATUS OF MICROFINANCE

(Figures in the parenthesis indicates growth/decline over the previous year)

Interpretation: The above table shows the progress of MFIs-Bank linkage Programme for the past years, the loans disbursed by banks to MFIs has shows a drastic change from negative sign to positive sign of in the year 2013-14. At the same time the loan outstanding against SHG's shows the positive sign, The number of MFIs has been increased from 426 to 545 (-8.4% to

27.9%) which seems there will be a better improvement in the near future, it is observed from the table that compared to the previous years the progress is good.

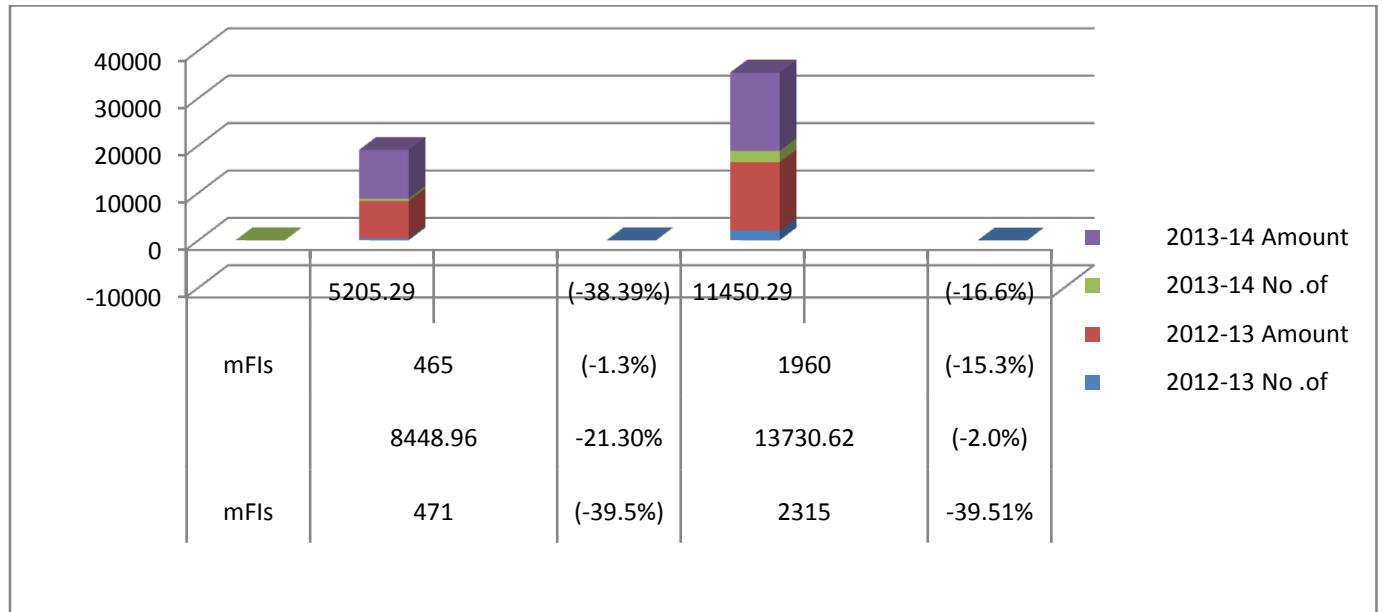


Table-3: Progress under Microfinance - Savings of SHGs with Banks

Agency-wise position for the past 3 years

(Amount in lakh)

Name of agency	2011-12		2012-13		2013-14	
	No of SHG	Saving Amount	No of SHG	Saving Amount	No of SHG	Saving Amount
Commercial banks	4618086	415298.04	4076986	553257.05	4022810	663145.63
Regional rural banks	2127368	130013.93	2038008	152710.20	2111760	195985.73
Co-operative banks	1214895	109829.49	1202557	115758.22	1294930	130610.18

SOURCE: (NABARD) STATUS OF MICROFINANCE

Interpretation: It has been identified that the number of SHG's and savings of SHG's is high in commercial bank when compared to RRB's and co-operative banks. The commercial banks shows that there is an increasing trend in saving amount compared to the past 3 years ,it shows that CBs plays a major role in developing of SHG's , the number of SHG's fluctuates year by year. In RRBs and co-operative banks the number of SHG's and savings of the SHG's seems to be gradually increase, which shows that it creates a savings habit among SHG's members .

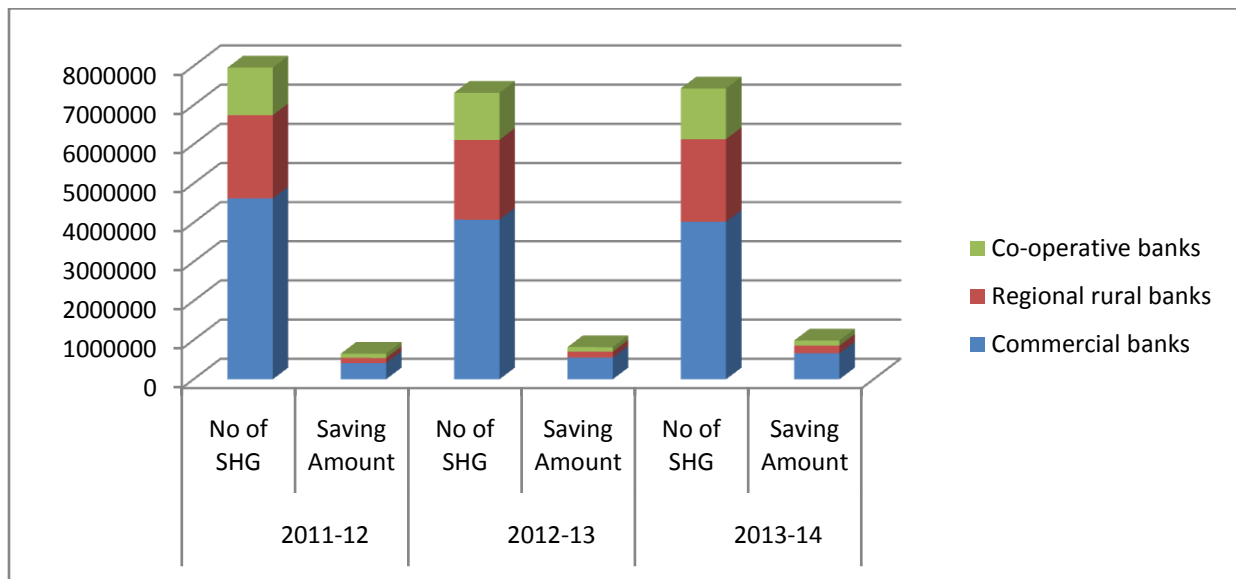


Table- 4: Progress under Microfinance - Bank Loans disbursed to SHGs

Agency-wise position for the past 3years

(Amount in lakh)

Name of agency	2011-12		2012-13		2013-14	
	No of SHG	Loans disbursed	No of SHG	Loans disbursed	No of SHG	Loans disbursed
Commercial banks	600807	994204.49	735577	1338500.70	767253	1603749.35
Regional rural	304809	502605.15	312010	562652.22	333420	628813.35

banks						
Co-operative banks	242262	156667.23	172234	157383.52	265748	169173.14

SOURCE: (NABARD) STATUS OF MICROFINANCE

Interpretation: From the above table it has been identified that the amount of loan disbursement among the banks shows an increasing trend compared to the previous years. Further it has found out that the number of SHG's and loans disbursed is high in commercial bank when compared to RRB's and co-operative banks.

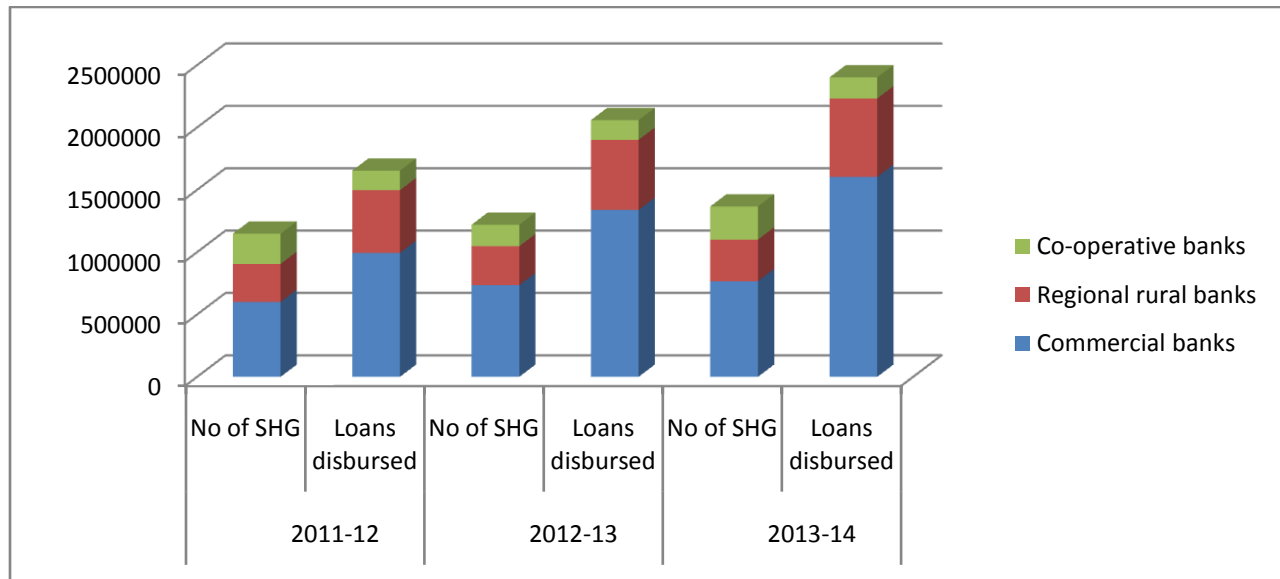


Table-5: Progress under Microfinance - Bank Loans outstanding against SHGs Agency-wise position for the past years.

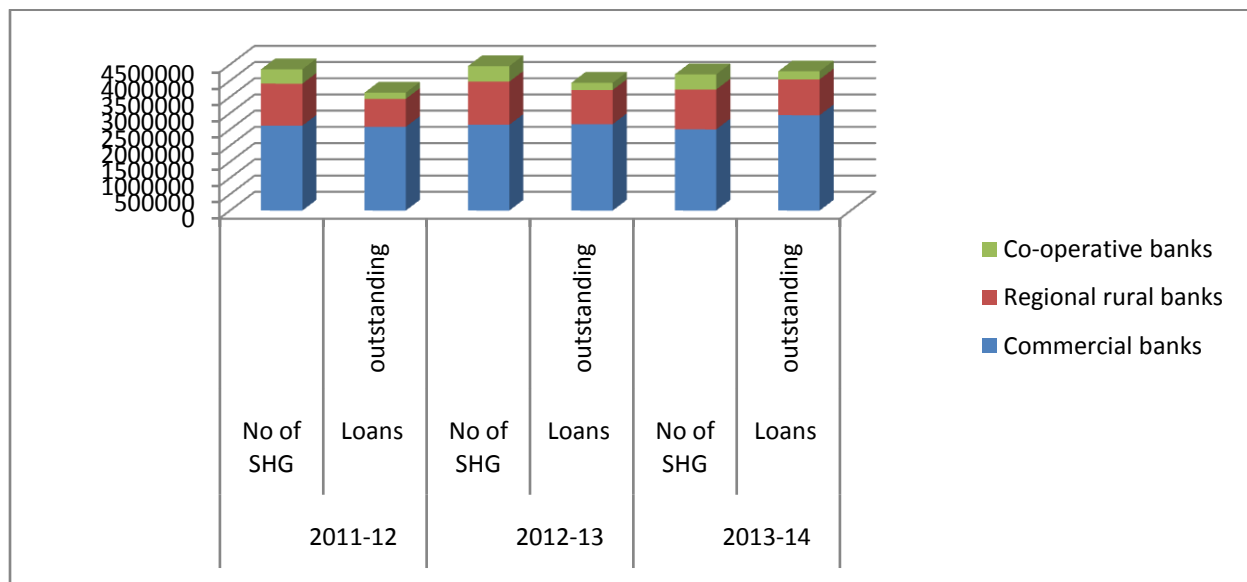
Name of agency	2011-12		2012-13		2013-14	
	No of SHG	Loans outstanding	No of SHG	Loans outstanding	No of SHG	Loans outstanding
Commercial	2617199	2581028.86	2643971	2663944.38	2501264	2938841.31

banks						
Regional rural banks	1293809	861357.81	1327367	1052122.91	1227563	1104894.99
Co-operative banks	443434	191613.51	480096	221462.43	468511	249016.10

(Amount ` lakh)

SOURCE: (NABARD) STATUS OF MICROFINANCE

Interpretation: It has been inferred from the above table that the outstanding loan amount tends to be gradually increasing in all the agencies, which is not a positive sign, the banks has to take necessary steps to reduce the loan outstanding.

**Findings**

- It has been found that the savings of SHG's with banks have enhanced gradually year by year and the loan disbursed to SHG's by banks seems to be fluctuating. This indicates the positive sign towards the savings habit's of SHG members.
- It has been observed that the progress of BLP under MFI has been enhanced for the past 5 years, which indicates the growth of MFI-BLP.

- It has been identified that the saving's of SHG's with banks agency wise is comparatively more in commercial banks than RRBs and co-operative banks for the past 5 years. This shows that the major role played by commercial banks for the development of SHG's which leads to economic development.
- The bank loans disbursed to SHG's agency –wise position for past years is high in commercial banks than RRBs and co-operative banks.

Conclusion

Microfinance interventions through SHG-BANK Linkage Programme are well- recognized world over as an effective tool for poverty alleviation and improving socio-economic status of rural poor. This study helps to found out the good saving habit among the SHG's members as maximum amount were in saving account .Even though the savings of the SHG members is good they are finding it difficult to avail the loan due to middlemen interruption the government should take necessary steps to prevent the members of SHGs. Further, the analysis helps to know that loans disbursed by the banks (Commercial banks, RRBs Co-operative banks)to SHG's and MFIs seems to be good but still there are many obstacles faced by banks in loans outstanding against SHG's. The study helps to know the overall progress of microfinance and SHG-Bank linkage seems to be a positive trend in the upcoming future. India should value woman as human resource and not has liabilities. Women empowerment to a great extent depends upon the economic empowerment of women and microfinance can prove to be a very powerful instrument for the economic development of our country. No doubt, microfinance has been effectively contributing to women empowerment. From this study, it is concluded that the progress of microfinance seems to be fine at present and in the upcoming years.