

PROGRESS OF SELF HELP GROUPS (SHGs) AND MICRO FINANCE IN INDIA

Dr.N.Muthu

Assistant Professor, Department of Economics, Devanga Arts College, Aruppukottai -626 101

Abstract

This study attempted to examine the progress in the number of SHGs, amount of savings of SHGs with banks and amount of bank loans disbursed to SHGs during the year between 2007-08 and 2011-12. During the period under review the total number of savings linked SHGs has increased by 58.91 per cent while credit linked SHGs registered a decline of 3.58 per cent. As on March 2012, a total of 79.60 lakh SHGs were having a savings bank account with banking sector with outstanding savings of Rs.6,551 crores against 50.09 lakh SHGs with savings balance of Rs.3,785 crores at the end of the March 2008, showing a growth rate of 58.91 per cent and 73.07 per cent respectively. Among the financial institutions, the commercial banks accounted 63 per cent of total saving balance of SHGs as on March 2012. Among the various regions, the southern region accounted for 56.67 per cent of the total saving balance of SHGs as on March 2012. Banks financed the SHGs with loans of Rs.16,535 crores as on March 2012 as against the loans of Rs.8,849 crores as on March 2008, registering a growth of 86.9 per cent. Commercial banks led in disbursement of loans to SHGs with 60.13 per cent share as on March 2012. Among the various regions, the southern region has recorded the highest in the disbursement of bank loans accounting 76.57 per cent of the total loans disbursed to SHGs as on March 2012.

Keywords: *Number of SHGs, savings of SHGs with banks and bank loans disbursed to SHGs*

Introduction

Ever since Independence in 1947, the Government of India and the Reserve Bank of India (RBI) have made concerted efforts to provide the poor with access to credit. Despite the phenomenal increase in the physical outreach of formal credit institutions in the past several decades, the rural poor continue to depend on informal sources of credit. Institutions have also faced difficulties in dealing effectively with large number of small borrowers, whose credit needs are small and frequent and their ability to offer collaterals is limited. Besides cumbersome procedures and risk perceptions of the banks left a gap in serving the credit needs of the rural poor.

This led to search for alternative policies, systems and procedures, saving and loan products, other complementary services and new delivery mechanisms that would fulfill the requirements of the poor. It is in this context that micro credit has emerged as the most suitable and practical alternative to the conventional banking in reaching the unreached

poor population. Micro credit enables the poor people to be thrifty and helps them in availing the credit and other financial services for improving their income and living standards.

With a view to bring the banking services to the reach of unbanked rural poor through micro credit mechanism, the Self-Help Group-Bank linkage programme was formally launched in the year 1992 as a flagship programme by National Bank for Agricultural and Rural Development (NABARD) and aptly supported by the RBI through its policy support. The programme envisages organization of the rural poor into SHGs for building their capacities to manage their own finances and then negotiate bank credit on commercial terms. The poor are encouraged to voluntarily come together to save small amounts regularly and extend micro loans among themselves. Once the group attains required maturity of handling larger resources, the bank credit follows.

Growth in number of SHGs, savings of SHGs with banks and banks loans disbursed to SHGs are the main indicators to judge the success of the SHGs-Bank linkage programme. In this concern, this study attempted to examine the progress of number of SHGs, amount of savings of SHGs with banks, and amount of loans disbursed to SHGs during the year between 2007-08 and 2011-12. For this purpose, the required data have been collected from status of Micro Finance in India, NABARD.

Progress of SHGs

A self-help group is a group of like-minded people especially women, who come together to pool their small savings to a common fund and agree to meet their emergency need on mutual help basis . The group decides whom the loan should be given to, for which purposes, on what terms and at what schedule of recovery. According to RBI “SHG is a registered or unregistered group of micro entrepreneurs having homogenous, social and economic background voluntarily, coming together to save small amounts regularly, to mutually agree to contribute to a common fund and to meet their emergency needs on mutual help basis”. The progress of SHGs movement in India can be explained with help of growth in number of SHGs and savings of SHGs with banks.

Growth in Number of SHGs

The SHGs have emerged as a popular method of working with people in recent years. This movement comes from the people’s desire to meet their needs and determine their own destinies through the principle “by the people, for the people and of the people.” Ordinarily self help refers to the provision to aid self, but here self is also taken internally. Self help emphasizes self - reliance, self production, and self employment by mobilizing internal resource of the persons, the group or the community. SHGs in social change imply not only the change of outer form of a community or a society but also in the social institutions as well as ideas of the people living in that society. The details of growth

in the total number of SHGs savings linked with banks and credit linked during the year between 2007-208 and 2011-12 are given in the table-1

Table 1 Growth of SHGs during the year between 2007-08 and 2011-12

(Number in lakh)

Year	Total No. of SHGs savings linked with Banks	Total No. of SHGs credit linked
2007-08	50.09	12.28
2008-09	61.21	16.09
2009-10	69.53	15.87
2010-11	74.62	11.96
2011-12	79.60	11.84

Source: SHGs - Bank linkage programme, status of Micro Finance in India, NABARD.

It may be seen from the table that the total number of SHGs savings linked with banks has increased from 50.09 lakh as on march 2008 to 79.60 lakh as on March 2012, showing a growth rate of 58.91 per cent. However, the total number of SHGs credit linked has declined to 11.84 lakh as on March 2012 from 12.28 lakh as at the end of the march 2008.

Savings of SHGs with Banks

An SHG in general, consists of persons from a homogeneous class so that they can think together as to how basic problems can be solved. As the name itself indicates the numbers of SHGs are required to contribute small amount of savings to form a pooled fund out of which members can take loans with a very low interest rate. Such activities by the members help them to have first hand experience of small scale financial managements including the knowledge of priority in offering financial assistance. The total amount of savings of SHGs with banks during the year between 2007-08 and 2011-12 is given in the table -2

Table 2 Savings of SHGs with Banks during the Year 2007-08 to 2011-12

Year	No. of SHGs (in lakh)	Amount of savings (Rs. in crores)	Savings per SHG
2007-08	50.09	3,785	7,556
2008-09	61.21	5,546	9,060
2009-10	69.53	6,199	8,915
2010-11	74.62	7,016	9,402
2011-12	79.60	6,551	8,230

Source: SHGs - Bank linkage programme, status of Micro Finance in India, NABARD.

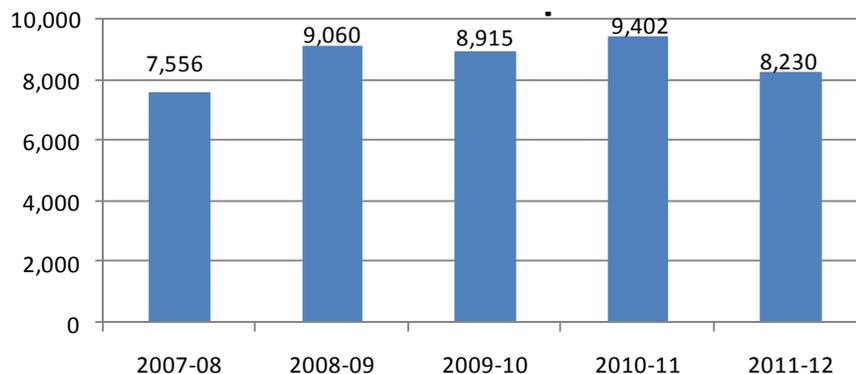


Figure 1 Saving per SHG (2007-08 to 2011-12) Amount in rupees

The table -2 reveals that as on march 2012, a total of 79.60 lakh SHGs were having savings banks accounts with the banking sectors with outstanding savings of Rs.6,551 crores as against 50.09 lakh SHGs with savings of Rs.3,785 crores as at the end of the march 2008, showing a growth rate of 58.91 per cent and 73.07 per cent respectively.

During the year under review, the average savings per SHG with all banks has increased from Rs.7,556 as on march 2008 to Rs.8,230 at the end of the march 2012

The savings of SHGs is not uniform in all financial institutions associated with the SHGs -Bank linkage programme. The savings of SHGs with agency -wise position at the end of March 2012 is shown in the table -3

Table -3
Savings of SHGs with Banks
(Agency -wise position as on March 2012)

S. No	Name of the Agency	No. of SHGs	Amount of savings (Rs. in lakh)	Savings per SHG
1.	Commercial Banks	46,18,086 (58.01)	4,15,298.04 (63.39)	8,992
2.	Regional Rural Banks (RRB)	21,27,368 (26.72)	1,30,013.93 (19.85)	6,111
3.	Co-operative Banks	12,14,895 (15.27)	1,09,829.49 (16.76)	9,040
	Total	79,60,349 (100.00)	6,55,141.46 (100.00)	8,230

Note: Figures in parenthesis indicate the percentage to total

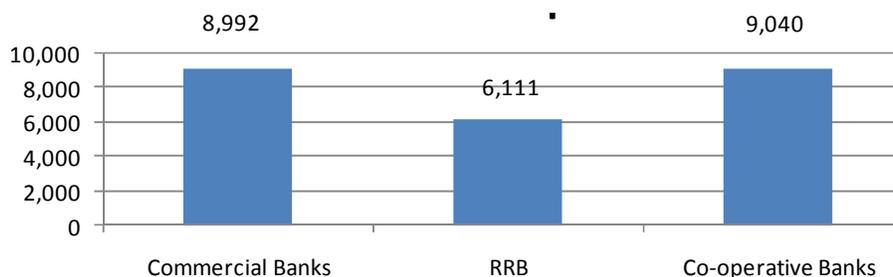


Figure 2 Saving per SHG (2011-12) Agency wise Amount in rupees

It may be seen from the table-3 that as on march 2012, the commercial banks lead with the savings accounts of 46.18 lakh SHGs (58.01%) with savings amount of Rs.4,152.98 crores (63.39%) followed by Regional Rural Banks having savings bank accounts of 21.27 lakh SHGs (26.72%) with savings amount of Rs.1,300.13 crores (19.85%) and co-operative banks having savings bank accounts of 12.14 lakh SHGs (15.27) with savings amount of Rs.1,098.29 crores (16.76%)

Among the financing institutions, the co-operative banks is highest having the saving balance of Rs.9,040 per SHG followed by commercial banks having the savings balance of Rs.8,992 per SHG. Savings balance per SHG with Regional rural banks is Rs.6,111 at the end of the march -2012. On average, the all financial institution maintain a savings balance of Rs.8,230 at the end of the march 2012.

The balance in the savings accounts of the banks at the end of the march 2012 stood at Rs.6,551.41 crores in India. Among the regions, southern region is the higher at Rs. 10,080 per SHG and north eastern region recorded the lowest balance of RS.4,159 per SHG . On an average, the SHGs maintain a balance of Rs.8,230. The region wise position of savings of SHGs is shown in the table -4

Table 4 Savings of SHGs with banks (Region-wise position as on march -2012)

S. No	Region	No. of SHGs	Savings amount (Rs. in lakh)	Amount of savings per SHG
1	Northern Region	4,09,326 (5.15)	25,276.88 (3.89)	6,175
2	North Eastern Region	3,66,718 (4.61)	15,251.75 (2.33)	4,159
3	Eastern Region	16,25,714 (20.43)	94,726.20 (14.44)	5,827
4	Central Region	8,12,767 (10.19)	61,358.23 (9.37)	7,549
5	Western Region	10,62,087 (13.35)	87,193.68 (13.30)	8,209
6	Southern Region	36,83,737 (46.27)	3,71,334.70 (56.67)	10,080
	Total	79,60,349 (100.00)	6,55,141.46 (100.00)	8,230

Note: Figure in parenthesis indicates the percentage to total.

Northern Region - Chandigarh, Haryana, Himachal Pradesh, Jammu & Kashmir, New Delhi, Punjab & Rajasthan

North Eastern Region - Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim & Tripura
Eastern Region - A&n Islands (UT), Bihar, Jharkhand, Odisha & West Bengal
Central Region - Chhattisgarh, Madhya Pradesh, Uttar Pradesh & Uttarakhand
Western Region - Goa, Gujarat & Maharashtra
Southern Region - Andhra Pradesh, Karnataka, Kerala, Lakshadweep, Pondicherry & Tamil Nadu

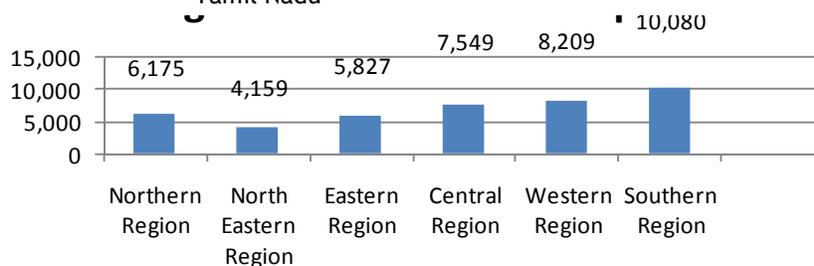


Figure 3 Saving per SHG (2011-12) Regionwise Amount in rupees

The table-4 shows that among the various region, the southern region is highest in having savings bank account of 36.83 lakh SHGs with saving balance of Rs.3,713.34 crores accounting the 46.27 per cent and 56.67 per cent respectively as on march 2012. At the lower end of the scale the north-eastern region has recorded the lowest savings accounts of 3.67 lakh SHGs with saving balance of Rs.152.51 crores accounting only 4.61 per cent and 2.33 per cent of the total respectively.

III. Micro Finance to SHGs

Microfinance sector has traversed a long journey from micro savings to micro credit and then to micro enterprises and now entered the field of micro insurance, micro remittance and micro pension. This gradual and evolutionary growth process has given a great opportunity to the rural poor in India to attain reasonable economic, social and cultural empowerment, leading to better living standard and quality of life for participating households. Microfinance means providing very poor families with very small loans to help them engage in productive activities and small business. Over time microfinance has come to include a border range of services as we have come to realize that the poor and the very poor that lack access to traditional formal financial institutions require a variety of financial products. There are two models of microfinance involving credit linkage with Banks.

(i) SHGs -Bank Linkage Model.

This model involves the SHGs financed directly by the banks viz., commercial banks (public and private sector), Regional Rural Banks and co-operative Banks.

(ii) MFI - Bank Linkage Model

This model covers financing of Micro Finance Institutions (MFIs) by banking agencies for on-lending to SHGs and other small borrowers.

The SHGs -Bank linkage programme was formally launched in the year 1992 as a flagship programme by the NABARD and aptly supported by the RBI through its policy support. The programme envisages organization of rural poor into SHGs for building their capacities to manage their own finances and then negotiate bank credit on commercial terms. The SHGs -Bank linkage model has emerged as the dominant model of micro finance delivery in India. The SHGs are self managed homogeneous group of economically backward people that promote savings among themselves and pull the savings for their use. Once the group shows matured financial behaviour, banks are encouraged to make loans to SHGs in certain multiples of the accumulated savings of the SHGs. The bank loans are given against group dynamics without any collateral and at market interest rates. The total number of credit linked SHGs and amount of loans disbursed to SHGs under SHGs -Bank linkage programme during the period from 2007-08 to 2011-12 are shown in the table -5

Table 5 Bank loans disbursed to SHGs during the year 2007-08 to 2011-12

Year	No. of SHGs (in lakh)	Loans disbursed (Rs. in crores)	Loans per SHG
2007-08	12.28	8,849	72,060
2008-09	16.09	12,254	76,159
2009-10	15.87	14,453	91,071
2010-11	11.96	14,548	1,21,638
2011-12	11.48	16,535	1,44,033

Source: SHGs - Bank linkage programme, status of Micro Finance in India, NABARD

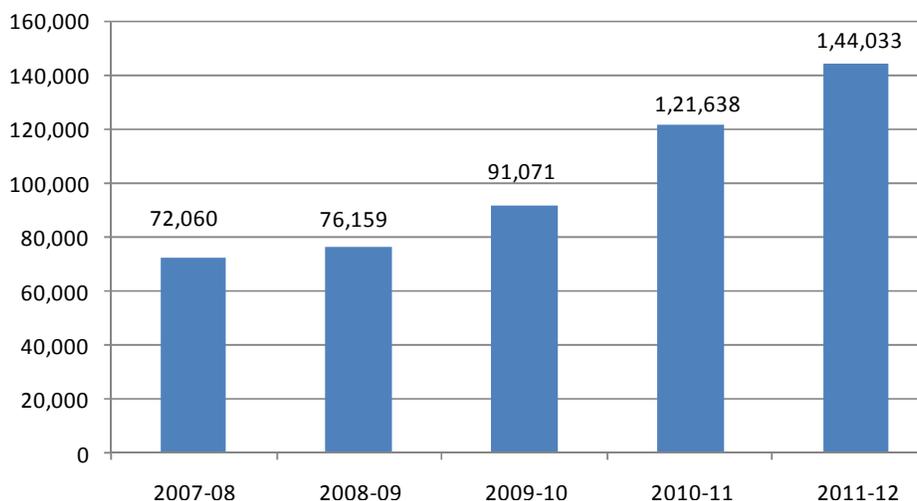


Figure 4 Bank Loans per SHG (2007-08 to 2011-12) Amount in rupees

The table -5 reveals that at the end of the march 2012 the banks financed 11.48 lakh SHGs with bank loans of Rs.16,535 crores as against 12.28 lakh SHGs with bank loans of Rs.8,849 crores as on march 2008, registering a increasing trend of bank loans disbursed but decline trend of number of SHGs credit linked with banks. As on March 2012 average bank loans disbursed per SHGs was Rs.1.44 lakh as against Rs.0.72 lakh at the end of the march 2008.

India has adopted multi-agency approach for the development of its microfinance programme. All the major credit institutions, viz., commercial banks, Regional rural banks and co-operative banks along with Non -Governmental Organizations (NGOs) have been associated with the microfinance programme. As on march 2012, the commercial banks led in disbursement of loans to SHGs with loans accounts of more than 6 lakh SHGs (52.34%) with the loans amount of Rs. 9,942.04 crores (60.13%) followed by Regional rural banks having loans accounts of 3.04 lakh SHGs (26.55%) with loans amount of Rs. 5,026.05 crores (30.40%) and co-operative banks having loans account of 2.42 lakh SHGs (21.11%) with loans amount of Rs.1,566.67 crores (9.47%). Among the financing banks, commercial banks and Regional rural banks extended loans of Rs.1.65 lakh on an average per SHG while co-operative Banks lent Rs.0.65 lakh only per SHG. On an average, the financing banks lent Rs.1.44 lakh per SHG. This is shown in table-6.

Table 6 Loans Disbursed to SHGs Agency - wise position as on March - 2012

S. No.	Name of the agency	No. of SHGs	Loans disbursed (Rs. In lakh)	Loans disbursed per SHG
1.	Commercial Banks	6,00,807 (52.34)	9,94,204.49 (60.13)	1,65,478
2.	Regional Rural Banks	3,04,809 (26.55)	5,02,605.15 (30.40)	1,64,892
3.	Co - operative Banks	2,42,262 (21,11)	1,56,667.23 (9.47)	64,668
	Total	11,47,878 (100.00)	16,53,476.87 (100.00)	1,44,046.

Note: Figure in parenthesis indicates percentage to total.

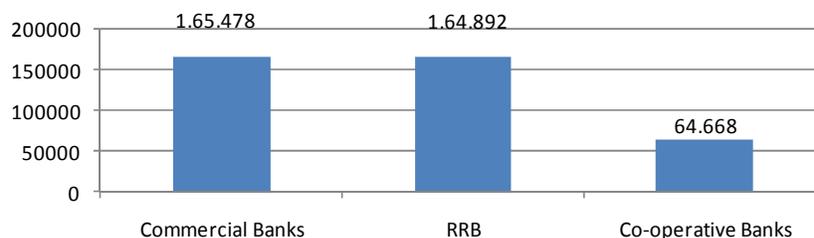


Figure 5 Loans per SHG (2011-12) Agencywise Amount in rupees

Bank loans disbursed to SHGs at the end of the march 2012 stood at Rs.16,534.76 crores in India. Among the various regions in India, the southern region has recorded the

highest in the disbursement of loans having the loans account of 7.05 lakh SHGs with loans amount of Rs.12,661.76 crores accounting 61.45 per cent and 76.57 per cent in the total respectively. As on March 2012, average bank loans disbursed per SHG was Rs.1.44 lakh. Among the various regions, the southern region has recorded the highest in the disbursement of banks loans of Rs.1.79 lakh per SHG and western region has recorded the lowest in the disbursement of loans of 0.75 lakh per SHG. This is shown in the table -7.

Table 7 Loans disbursed to SHGs (Region - wise position as on March -2012)

S. No	Region	No. of SHGs	Loans disbursed (Rs. In lakh)	Loans disbursed Per SHG
1	Northern Region	30,751 (2.68)	33,543.20 (2.03)	1,09,080
2	North Eastern Region	51,003 (4.44)	45,128.74 (2.74)	88,483
3	Eastern Region	2,01,201 (17.53)	1,62,406.15 (9.82)	80,718
4	Central Region	58,460 (5.10)	70,936.83 (4.29)	1,21,343
5	Western Region	1,01,044 (8.80)	75,285.69 (4.55)	74,508
6	Southern Region	7,05,419 (61.45)	12,66,176.27 (76.57)	1,79,493
	Total	11,47,878 (100.00)	16,53,476.87 (100.00)	1,44,046

Note: Figures in parenthesis indicates percentage to total

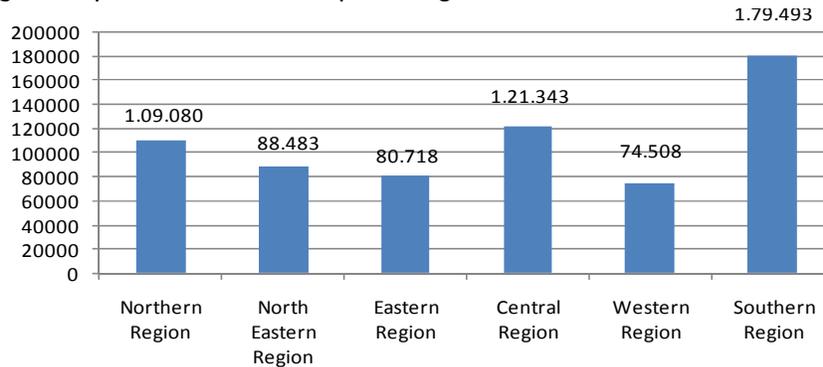


Figure 6 Loans per SHG (2011-12) Regionwise Amount in rupees

IV. Conclusion

In this study an attempt has been made to analyze the growth in the number of SHGs, amount of savings of SHGs with banks and bank loans disbursed to SHGs, during the period from 2007-08 to 2011-12 in India. For this purpose, the necessary data required for the study have been collected from the status of micro finance in India, published by NABARD. The study reveals that during the period under review the total number of saving linked SHGs has increased by 58.91 per cent while credit linked SHGs registered a decline of 3.58 per cent during the period of study.

As on march 2012, a total of 79.60 lakh SHGs were having a savings bank account with the banking sector with outstanding savings of Rs.6,551 crores against 50.09 lakh SHGs with saving balance of Rs.3,785 crores at the end of the march 2008, showing a growth rate

of 58.91 per cent and 73.07 per cent respectively. Savings per SHG with all banks has increased from Rs.7,556 as on march 2008 to Rs.8,230 at the end of the march 2012. Among the financial institutions, the commercial banks accounted for 63 per cent of the total saving balance of SHGs whereas RRB accounted for 20 per cent and co-operative banks registered 17 per cent of the total saving balance of SHGs as on march 2012. Among the financial institutions, the co-operative banks having the saving balance of Rs.8,992.per SHG. As on March 2012. Among the region, southern region accounted for 56.67 per cent of the total saving balance of SHGs. At the lower end of the scale North eastern region accounted for only 2.33 per cent of total savings balance of SHGs as on March 2012. Southern region is the highest at Rs.10,080 per SHG whereas north eastern region the lowest saving balance of Rs.4,159 per SHG.

The study shows that the banks financed the SHGs with loans of Rs.16,535 crores as on march 2012 as against the loans of Rs.8,849 crores as on march 2008, registering a growth of 86.9 per cent. Bank loans disbursed per SHG has increased from Rs.0.72 lakh in 2008 to 1.44 lakh in 2012. Among the financing banks, the commercial banks led in disbursement of loans to SHGs with 60.13 per cent share followed by RRB with a share of 30.40 per cent and co-operative banks with a share of 9.47 per cent. The commercial banks and Regional rural banks extended loans of Rs.1.65 lakh on an average per SHG while co-operative banks lent Rs.0.65 lakh only per SHG. On an average, the financial banks lent Rs.1.44 lakh per SHG. Among the regions, the southern region has recorded the highest in the disbursement of bank loans accounting 76.57 per cent of the total loans disbursed to SHGs while Northern region accounted only 2.03 per cent of the total loans disbursed to SHGs as on March - 2012. Southern region recorded the highest in the disbursement of loans of Rs.1.79 lakh per SHG whereas Western region registered lowest in the disbursement of loans of 0.75 lakh per SHG at the end of the March 2012.

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