



Status of SHG-Bank Linkage Programme in India

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INTRODUCTION

In a developing country like India where majority of the population still live in rural areas and formal credit facilities are limited in most of the rural parts microfinance provides financial services to the poor. Microfinance is regarded as an useful tool for economic development by uplifting the poor section of the society and it is working in this direction. Microfinance as a mechanism for poverty alleviation is well recognized all over the world. If used properly it is an efficient and effective tool. In India still a significant proportion of the population lives under poverty. So microfinance is a perfect match for addressing this problem. Microfinance is basically financing for the poor so that they can engage themselves in various income generating activities and improve their social and economic status.

Microfinance is not a new concept in India. After Mohammad Yunus introduced commercial large scale microfinance in Bangladesh, NABARD in 1992 adopted microfinance through their SHG model. After widespread SHG model activities started in India it has been successful in incorporating many aspects into the programs.

Concept of SHGs

The concept of a self-help group was developed by non-governmental organizations (NGOs) and institutions working towards poverty alleviation and community development. It was designed to empower individuals, particularly women, and provide them with financial support and a platform for social change. To form a self-help group, interested individuals need to gather a small group of like-minded people, define the group's purpose, establish rules and regulations, and contribute a regular amount of money for savings and loan activities. The number of members in a self-help group typically ranges from 15 to 20 individuals. However, the exact number can vary based on the specific needs and dynamics of the group.

SHG-Bank Linkage

Bank linkage refers to a program initiated by the National Bank for Agriculture and Rural Development (NABARD) in India. Under this program, self-help groups that have accumulated their own

capital can borrow funds from banks. It aims to facilitate access to formal financial services and micro-credit for self-help groups, promoting financial inclusion and empowering marginalized communities.

History of SHGs Bank Linkage Program in India

In India after nationalization of commercial banks in 1969, a multi-agency Rural credit delivery structure comprising of commercial banks, Regional Rural Banks (RRBs) and co-operative banks, with a large network of more than 1,53,000 retail credit outlets has been established. Apart from massive expansion of branch network in rural areas, mandatory directed credit to priority sectors at subsidized rates of interest has been also undertaken. These measures resulted in impressive gains in rural outreach and volume of credit. As a result between 1969 and 1991, the average population per bank branch has decreased from 64,000 to 14,000 and share of institutional agencies in rural credit has increased from 7.3% in 1951 to 66% in 1991.

However, these impressive progresses made by the Indian banking sector in achieving its social goals were not without a cost. The problem at the start of 1990s were two-fold i.e. institutional structure was neither profitable in rural lending nor serving the needs of the poorest. In short, it had created a structure 'quantitatively impressive but qualitatively weak' (Mishra, Alok, 2006). Reaching the poorest, whose credit requirements were very small, frequent and unpredictable, was found to be difficult. Further, the emphasis was on providing credit rather than financial products and services including savings, insurance, etc. to poor to meet their simple requirements (Krishnamurthy and Makarand Ratnaparkhi, 2002).

As a result, National Bank for Agricultural and Rural Development (NABARD) launched a pilot phase of SHG-Bank linkage programme in 1992. The programme is designed to integrate informal savings and credit groups with the mainstream banking system. Under the programme, NABARD refinances bank loans to SHGs, that is, it provides financing to banks at a below-market interest rate, though banks continue to carry the risk for their loans. SHGs are mostly informal groups which are formed with the assistance of self-help promotion institutions (SHPIs).

SHGs collect periodic savings and make loans to their members. Savings are usually compulsory with the amount and frequency of savings collections decided by the groups. Initial loans are small ranging from Rs.100-200 and used for consumption or to repay existing debt. Overtime SHGs mobilize more savings, retain earnings and often borrow external funds enabling larger loans for consumption and business purposes. In addition to financial services some SHGs also provide health care facilities and social empowerment activities etc. Most SHGs have 10-20 members with similar socioeconomic background and from the same locality. These SHGs came to be recognized as bank clients under the pilot phase. Subsequently, bank credit is also made available to the group to augment its resources for lending to its members. It should be noted that NABARD sees the promotion and bank linkage of SHGs not as a credit programme but as part of an overall arrangement for providing financial services to the poor in a sustainable manner and also an empowerment process for the members of these SHGs.

REVIEW OF LITERATURE

Ackerly(1995) conducted a survey of loans to women borrowers in the Grameen Bank, save the Children Fund and BRAC registered a loss of direct control over loan use and also observed that increased control

over loan transactions is likely a shift of cutting back on support services, such business management, skills training and education and information provision in order to cover costs.

Ajay Kumar Panda et.al (1996) attempted to examine conceptual analysis of SHGs and their implications as a development alternative. The paper depicts how, in spite of several structural weakness and bottlenecks, the SHG movement has taken a definite step towards sustainable development by pooling locally available resources.

Ahmad (1999) examined through a case study on Thrift Groups in Assam, highlighted that women are coming to the administration directly for their just rights and to address their grievances boldly. It proved that Self Help Groups are successful in North East India even in the midst of insurgency.

V.M. Rao (2002) maintain that a review of the genesis and development of SHG's in India reveals that the existing formal financial institutions have failed to provide finances to landless, marginalized and disadvantaged groups. The origin of SHG's could be traced to mutual aid in Indian village community. SHG's encourage savings and promote income generating activities through small loans. The experience available in the country and elsewhere suggests that SHG's are sustainable to have replicability, stimulate savings, and in the process help borrower to come out of vicious circle of poverty.

Rupa(2015) studied one aspect of microfinance performance i.e. the financial performance of MFIs with the help of multiple regression analysis and concluded that many variables such as average loan amount against each borrower, profit margin, cost associated per borrower among many to be key indicators of Microfinance performance in India. In this study regression analysis was used to understand the impact of selected parameters on the performance of MFIs.

Sharif(2018) concluded in this study that microfinance is essential for upliftment of the rural poor. In his study various indicators were studied in order to find the performance of Microfinance institutions in India. The data was collected from various secondary sources that included data from 2012-2013 to 2016-2017. It was found that deposits, clients, saving etc. were increasing on year to year basis in the study period.

Wondirad (2020) examined the interrelation between MFIs social and financial performance. In this paper data from 183 MFIs were collected from the period 2005 to 2014. The underlying question apart from relationship between social and financial aspects was whether as a result of competition there is any kind of distortion in the performance. The study concluded that not only there is a positive relationship exists between social and financial performance of MFIs, evidence confirms that as a result of MFI involvement the profitability as well as sustainability of the poor increased.

Khan, Ahmed and Shireen (2021) conducted a study to examine the differences in ownership composition

of MFIs in India in terms of efficiency. In their study they concluded that the efficiency parameters for microfinance institutions were met during 2005-2006 to 2017-2018 in India irrespective of regulatory changes. In this paper regression equation was used and it is found that NBFC –MFI out performed their counter parts. This study suggested that introducing advanced technologies by outsourcing from fintech (Financial Technology) could further improve efficiency.

Muthu (2021) conducted a study on Progress of SHG-Bank linkage Programme in India SHGs have changed the life of many individuals or groups for the better. This is considered not only a tool for poverty alleviation but also has proved to be relevant in offering women the possibility to gradually break away from the exploitation and isolation in India. The SHG-Bank linkage program has provided a more favorable environment for enhancing India's potential for greater equitable growth with empowerment while considering the positive signs in their performance.

Abdullah et al (2021) A novel conceptual framework for investigating the impact of various microfinance services on families' socioeconomic performance will be developed utilizing moderated mediation analysis of many important components. To this end, a thorough literature review and focus group interviews with management of the microfinance institution, Amanah Ikhtiar Malaysia (AIM), were undertaken, and a novel research paradigm was devised.

Objectives of the study

1. To study the concept, need of SHGs and Microfinance
2. To analyse the Progress of SHG-Bank Linkage in India.

Methodology

This study is conceptual in nature and completely relies on the secondary data only which mainly focused on concept, need, history and progress of SHG-Bank Linkage in India the data collected from NABARD Status of Microfinance in India, various articles, journals, Reports and official websites which provided as a supporting evidence for this study.

Table-1: Total number of SHGs savings linked with banks from 2018-19 To 2022-23

Sl. No	Particulars	2018-19		2019-20		2020-21		2021-22		2022-23	
		Physical (No in Lakhs)	Financial (₹in crore)	Physical (No in Lakhs)	Financial (₹in crore)	Physical (No in Lakhs)	Financial (₹in crore)	Physical (No in Lakhs)	Financial (₹in crore)	Physical (No in Lakhs)	Financial (₹in crore)
1	Total number of SHGs savings linked with banks as	100.14	23,324.48	102.43	26,152.05	112.23	37,477.61	118.93	47,240.48	134.03	58,892.68
a	Out of total SHGs - exclusive Women SHGs	85.31	20,473.55	88.32	23,320.55	97.25	32,686.08	104.00	42,104.77	112.92	52,455.48
b	Out of total SHGs- under NRLM/SGSY	55.80	12,867.18	57.89	14,312.70	64.78	19,353.70	71.84	27,576.94	82.01	37,424.80
c	Out of total SHGs -under NULM/SJSRY	4.39	1,614.42	4.69	1,523.57	5.29	1,954.09	5.81	260.19	7.39	3,547.12

Source: Status of Micro Finance in India, 2018-19 to 2022-23, NABARD

Growth of SHGs with Savings Linked with Banks

The table-1 shows the total number of SHGs savings linked with banks during the period between 2018-19 and 2022-23. As on 31 March 2023, 33.19 crore rural households were covered under the SHG-BLP. A total of 134.03 lakh SHGs were savings linked to the banking sector with savings of Rs. 58,892.67 crore, registering growth of 34% and 152% over the 2018-19 and 2022-23 period. Of these, 112.92 lakh were all women SHGs with savings of Rs. 52,455.48 crore accounting for 84% and 89% of total SHGs and savings, respectively. Of these, 82.01 lakh SHGs were under NRLM/SGSY all SHGs with savings of Rs. 37,424.80 and under NULM/SJSRY savings of Rs. 3,547.12 crore savings in 2022-23.

Table-2: Total number of SHGs credit linked during the year from 2018-19 To 2022-23

Sl. No	Particulars	2018-19		2019-20		2020-21		2021-22		2022-23	
		Physical (No in Lakhs)	Financial (₹in crore)	Physical (No in Lakhs)	Financial (₹in crore)	Physical (No in Lakhs)	Financial (₹in crore)	Physical (No in Lakhs)	Financial (₹in crore)	Physical (No in Lakhs)	Financial (₹in crore)
2	Total number of SHGs credit linked	26.98	58,317.63	31.46	77,659.35	28.87	58,070.68	33.98	99,292.2	42.96	14,520.23

a	Out of total SHGs - exclusive Women SHGs	23.65	53,254.04	28.84	73,297.56	25.90	54,423.13	31.50	93817.21	41.42	139315.69
b	Out of total SHGs – under NRLM/SGSY	16.49	33,398.93	20.49	52,183.73	15.84	29,643.04	22.91	63100.77	34.87	116479.07
c	Out of total SHGs – under NULM/SJSRY	1.29	3,419.57	1.59	3,406.22	1.13	2,112.04	1.84	5816.10	1.98	8627.25

Source: Status of Micro Finance in India, 2018-19 to 2022-23, NABARD

Growth of SHGs Credit Linked

Table-2 shows Credit amounting to Rs. 1,45,200 crore was disbursed by banks to 43 lakh SHGs during 2022-23 as against Rs. 58,317.63. crore to 27 lakh SHGs during 2018-19, registering a growth of 148% and 59% in quantum of credit disbursed and number of SHGs credit linked during the year, respectively. Of these, 41.42 lakh were all women SHGs, Credit amounting to Rs. 1,39,315.69 crore, respectively. The comparative analysis of bank loans disbursed to SHGs for the last five financial years given in table-2.

Table-3: Total number of SHGs having loans outstanding during the year from 2018-19 To 2022-23

Sl. No	Particulars	2018-19		2019-20		2020-21		2021-22		2022-23	
		Physical (No in Lakhs)	Financial (₹ in crore)	Physical (No in Lakhs)	Financial (₹ in crore)	Physical (No in Lakhs)	Financial (₹ in crore)	Physical (No in Lakhs)	Financial (₹ in crore)	Physical (No in Lakhs)	Financial (₹ in crore)
3	Total number of SHGs having loans outstanding	50.77	87,098.15	56.77	108,075.07	57.80	103,289.71	67.40	151,051.30	69.57	188078.80
a	Out of total SHGs - exclusive Women SHGs	44.61	79,231.98	51.12	100,620.71	53.11	96,596.60	62.65	142,288.61	65.15	179468.42
b	Out of total SHGs - under NRLM/SGSY	32.85	54,320.91	36.89	67,717.07	33.78	57,336.62	44.54	94231.52	55.45	150506.71
c	Out of total SHGs - under NULM/SJSRY	2.25	4,110.73	2.67	5,466.87	2.23	4,056.45	3.27	7608.57	3.42	11077.18

Source: Status of Micro Finance in India, 2018-19 to 2022-23, NABARD

Status of SHGs had Loans Outstanding

Table-3 shows a total of 69.57 lakh credit linked SHGs had loans outstanding of Rs. 1,88,078.80 crore during 2022-23 as against Rs. 87,098.15 crore to 50.77 lakh SHGs during 2018-19 with loan outstanding per SHG amounting to Rs. 2.70 lakh at the all-India level. A similar increasing trend can be observed in the number and amount of SHGs with loans outstanding with banks over the period except 2020-21. Loans disbursed to SHGs have consecutively increased over the last two years of the period in both physical and financial terms recovering from a dip in the FY 2021 due to the pandemic.

Table-4: Average loan amount outstanding, Average loan amount disbursed, Estimated number of families covered and Number of Banks and Financial Institutions submitted MIS during the year from 2018-19 To 2022-23

Sl. No	Particulars	2018-19		2019-20		2020-21		2021-22		2022-23		
		Physical (No in Lakhs)	Financial (₹ in crore)	Physical (No in Lakhs)	Financial (₹ in crore)	Physical (No in Lakhs)	Financial (₹ in crore)	Physical (No in Lakhs)	Financial (₹ in crore)	Physical (No in Lakhs)	Financial (₹ in crore)	
1	Average loan amount outstanding/SHG (in ₹ lakh)	-----	171,543.15	-----	190,371.18	-----	178,694.37	-----	2,24,000	-----	2,70,000	1
2	Average loan amount disbursed/SHG (in ₹ lakh)	-----	216,119.29	-----	246,850.92	-----	201,117.96	-----	2,93,000	-----	3,38,000	2
3	Estimated number of families covered	1224	-----	1241	-----	1388	-----	1419.44	-----	1618.97	-----	3
4	No of Banks and Financial Institutions submitted MIS (in number)	459	-----	470	-----	399	-----	344	-----	419	-----	4

Source: Status of Micro Finance in India, 2018-19 to 2022-23, NABARD

The table-4 indicates the the average amount outstanding, average loan amount disbursed, estimated number of families covered and No of Banks and Financial Institutions submitted MIS (in number) consecutively increased over the period except 2020-21 shows number of SHGs having loans.

Conclusion:

The Reserve Bank of India and NABARD have tried to promote the existing relationship between the poor and the bankers with the social intermediation of the NGOs. The SHG-bank linkage program in India is rapidly expanding its outreach under the pioneering initiative of NABARD, the monitoring and supervision of RBI, and the promotional policies of the government of India. Present study reveals that the total number of SHGs savings linked with banks during the period very progressive growth, Credit amounting was disbursed by banks to SHGs during the period it is registering a growth, the loan outstanding per SHG amounting to Rs. 2.70 lakh at the all-India level. A similar increasing trend can be observed in the number and amount of SHGs with loans outstanding with banks over the period except the period of 2020-21. It also indicates the average amount outstanding, average loan amount disbursed, estimated number of families covered and No of Banks and Financial Institutions submitted MIS (in number) consecutively increased over the period except 2020-21 shows number of SHGs having loans. The SHG-Bank linkage program has provided a more favorable environment for enhancing India's potential for greater equitable growth with empowerment while considering the positive signs in their performance. Finally in this paper concludes very positive growth on SHGs savings amount and number of SHGs with bank linkage and credit amounting was disbursed by banks to SHGs. In this regard the Government must take necessary steps for widespread acceptance of SHG-Bank Linkage in the country and with proper awareness services will be available for more needy and poor rural individuals and it will be able to help them become financially independent and self-sufficient.

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