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PERFORMANCE OF SHGS-BANK LINKAGE PROGRAMME FOR FINANCIAL INCLUSION IN INDIA

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ABSTRACT

The study presents the Performance of SHGs-Bank Linkage Programme for Financial Inclusion in India. The Self Help Group-Bank Linkage Programme (SHG-BLP) was launched twenty-five years ago in 1992. This programme was an innovation harnessing the synergy of flexibility of informal system with the strength and affordability of formal system. Three radical innovations were introduced through the RBI/NABARD guidelines on SHG-BLP. The study found that there is an increase of 13% in the number of SHGs savings linked and 25% in the savings amount during 2022-23 as compared to 2021-22. Both the number and amount of SHG savings with banks show a positive trend over the last three years. A similar increasing trend can be observed in the number and amount of SHGs with loans outstanding with banks over the last two years. Loans disbursed to SHGs have consecutively increased over the last two years in both physical and financial terms recovering from a dip in the FY 2021 due to the pandemic. A comparison of the share of banks in the amount of SHG savings and loans outstanding indicates that commercial banks had a major share at 59% and 69%, followed by RRBs at 31% and 26 % respectively.

KEYWORDS: *Financial, Inclusion, SHGs, Bank Linkage Programme, Development.*

INTRODUCTION

The term Financial Inclusion has become not only fashionable but also extensive and quite relevant to India. The majorities of the people in India have no saving accounts; do not receive credit from a formal Financial Institute and no insurance policies. The basic questions raised are- "Why are so many bankable people unbanked"? "Who are people and firms who are the people and firms who are excluded from full participation in the financial sector those who should be but are not using formal financial services"? The largest groups of "unbankable" people are those who want to safe place to save and build assets and a variable way to transfer and receive money, but who do not have access to savings or payments services. The recognition of the need for more financial inclusive growth by the policy makers are proposed to shift in emphasis on including those who are too often excluded and marginalized by seeing development, both in geographical economic and social terms.The SHG-Bank linkage programme in which SHGs are linked to banks in a gradual way-initially through savings and later through loan products-is considered to be an effective strategy to ensure financial inclusion. The Self Help Group (SHG) Bank Linkage Programme (SHG-BLP) is a financial inclusion initiative in India that connects self-help groups to banks. The National Bank for Agriculture and Rural Development (NABARD) launched the program in 1992 as a pilot project to link about 500 SHGs to formal financial institutions. It has since grown to become the world's largest microfinance program in terms of client base and outreach.

Financial inclusion is one of the methods through which Inclusive Growth can be achieved inIndia where large sections are unable or incompetent to participate in the Financial System. An inclusive financial system mobilizes more resources for productive purposes leading to highereconomic growth, better opportunities and reduction of poverty. On the other hand financial market imperfections, such as information asymmetries and transactions costs adversely affect the poor, the micro- and small enterprises resulting in lack of opportunities, persistent inequality and slower growth.The study focused on progress of SHGs-Bank Linkage Programme for Financial Inclusion in India.

OBJECTIVES OF THE STUDY

- To study the progress of Self Help Group – Bank Linkage Programme (SHG-BLP) in India.
- To analyse the highlights of Self Help Group – Bank Linkage Programme (SHG-BLP) in India.

METHODOLOGY

The planned study is based on secondary sources of data. The secondary data has collected from various sourceslike Economic Survey of India, NABARD reports and other reports and documentspublished various government agencies.

Self Help Group – Bank Linkage Programme (SHG-BLP)

Based on the observations of various research studies and an action research project carried out by NABARD, the model of 'SHG-BLP' has evolved as a cost-effective mechanism for providing financial services to the unreached and underserved poor households. What started as a pilot to link around 500 SHGs of poor to the formal financial institutions during the year 1992-93 has now become the largest microfinance programme in the world, in terms of the client base and outreach. The SHGs which follow 'Panchsutras' viz. conduct

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of regular group meetings, regular savings within the group, internal lending based on the demand of members, timely repayment of loan and maintenance of proper books of accounts are considered to be of good quality and over years have proved themselves to be good customers of Banks.

The NGO sector has played a prominent role of working as a Self Help Group Promoting Institution (SHPI) by organizing, nurturing and enabling credit linkage of SHGs with banks. NABARD later coopted many others as SHPIs including the rural financial institutions (RRBs, DCCBs, PACS), Farmers' Clubs (FCs), SHG Federations, Individual Rural Volunteers (IRVs) etc. These stakeholders were encouraged to take up promotion of SHGs by way of promotional grant assistance from NABARD. This savings led microfinance model has now become the largest coordinated financial inclusion programme in the world covering almost 100 million households in the country. With more than 84% of the groups being exclusively women groups, the programme has provided the much needed push to empowerment of women in the country.
Other than championing the movement and providing promotional support, NABARD has enabled an entire ecosystem of support through policy advocacy at Bank and Government level, organising and sponsoring a large number of training & capacity building programmes, seminars & workshops for the benefit of all the stakeholders viz. the bankers, the Government agencies, the NGO partners and more importantly the SHG members themselves. Banks are also provided 100% refinance support by NABARD for financing of SHGs.

Product level changes like allowing voluntary savings in the group, sanction of cash credit/ overdraft system of lending to SHGs, allowing formation of JLGs within SHGs, improving risk mitigation systems, building second tier institutions of SHGs, etc. were brought subsequently to address operational issues emerging from time to time. Further, to enable SHG Members to take up livelihood activities, NABARD has been supporting Micro Enterprise Development Programmes (MEDPs) and Livelihood and Enterprise Development Programmes (LEDPs) for SHGs.

NABARD is implementing and supporting implementation of various Schemes announced by Govt. of India viz. Promotion of Women SHGs (WSHGs) in backward and Left Wing Extremism affected districts of Ministry of Finance, National Rural Livelihoods Mission (NRLM) of Ministry of Rural Development.

Access to finance by the rural poor and vulnerable groups is an essential pre-requisite for poverty reduction and sustainable development. The Government of India has implemented several policies such as Nationalization of Banks, Lead Bank Scheme, Regional Rural Banks, Service Area Approach and financing of SHGs, for promoting the access of the rural poor to institutional finance.

However, the share of the rural poor in the bank credit continues to be very low. Lending the rural poor continues to be considered as risky by the banks. One of the important reasons for this situation is the lack of an effective credit delivery mechanism for the poor, besides limited outreach and coverage. It is in this context that the National Rural Livelihoods Mission (NRLM) has taken up the task of promoting financial inclusion of the rural poor. Financial inclusion of the rural poor implies delivery of financial services at an affordable cost. The various financial services include credit, savings, insurance and payments and remittance facilities. NRLM has been implementing various interventions to facilitate the access of the rural poor to these services. Important among these services are:

- Opening of saving bank accounts for the SHGs of the poor;
- Facilitating SHGs to access adequate bank credit to meet both consumption and production
- needs; and
- Provision of insurance services.
- Pension products.

Agenciesforpromotionandnurturingof SHG-BLP
NABARD is designated as an apex financial institutionfor promoting and nurturingof SHG-BLP.NABARD extended grant support to credit linkage of SHGs with theBanksare-

- ScheduledCommercial Banks(SCBs)
- RegionalRuralBanks (RRBs)
- CreditCo-operativeBanks(CCBs)
- PrimaryAgriculturalCreditCo-operativeSocieties(PACS)
- Non-GovernmentOrganizations(NGOs)
- FederationsofSHGs
- NGO-MFIs
- Farmers'Cluband
- IndividualRuralVolunteers(IRVs)

The financial and Services supports of NABARD have proved to be catalyst for themovement.Untiring efforts of the SHG Promoting Institutions (SHPIs) has led tospectacular growth of the movement and has spread the concept to every corner of thecountry.

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Table-1: Progress of SHG Bank Linkage Programme

Year		SHG Savings with Banks as on 31st March	Loans Disbursed to SHGs during the year	Loans Outstanding against SHGs as on 31st March
2010-11	No of SHG's Linked	74.62 (7.3%)	11.96 (-24.6%)	4787 (-1.3%)
	Amount	7016.30 (13.2%)	14547.73 (0.01%)	31221.17 (11.4%)
2011-12	No of SHG's Linked	79.60 (6.7%)	11.48 (-4%)	43.54 (-9.0%)
	Amount	6551.41 (-6.7%)	16534.77 (13.7%)	36340.00 (16.4%)
2012-13	No of SHG's Linked	73.18 (-8.1%)	12.20 (6.3%)	44.51 (2.2%)
	Amount	8217.25 (25.4%)	20585.36 (24.5%)	39375.30 (8.4%)
2013-14	No of SHG's Linked	74.30 (1.53%)	13.66 (12.02 %)	41.97 (-5.71%)
	Amount	9897.42 (20.45%)	24017.36(16.67%)	42927.52 (9.02%)
2014-15	No of SHG's Linked	76.97 (3.59%)	16.26 (19.03%)	44.68 (6.48%)
	Amount	11059.84 (11.74%)	27582.31 (14.84%)	51545.46(20.06%)
2015-16	No of SHG's Linked	79.03 (2.68%)	18.32 (12.67%)	46.73 (4.59%)
	Amount	13691.39 (23.79%)	37286.90 (35.18%)	57119.23(10.81%)
2016-17	No of SHG's Linked	85.77 (8.53%)	18.98 (3.60%)	48.48 (3.74%)
	Amount	16114.23 (17.69%)	38.781.16 (4.01%)	61581.30 (7.81%)
2017-18	No of SHG's Linked	87.44 (1.95%)	22.61 (19.13%)	50.20 (3.55%)
	Amount	19592.12 (21.59%)	47185.88 (21.67%)	75598.45 (22.76%)
2018-19	No of SHG's Linked	100.14 (14.52%)	26.98 (19.33%)	50.77 (1.14%)
	Amount	23324.48 (19.05%)	58317.63 (23.59%)	87098.15 (15.21%)
2019-20	No of SHG's Linked	102.43 (2.29%)	31.46 (16.60%)	56.77 (11.82%)
	Amount	26152.05 (12.12%)	77659.35 (33.17%)	108075.07 (24.08%)
2020-21	No of SHG's Linked	112.23 (9.57%)	28.87-(8.23%)	57.8 (1.81%)
	Amount	37477.61 (43.31%)	58070.68 (-25.22%)	103289.71 (-4.43%)
2021-22	No of SHG's Linked	118.93 (5.97%)	33.98 (17.71%)	67.4 (16.61%)
	Amount	47240.48 (26.05%)	99729.22 (71.74%)	151051.30 (46.24%)
2022-23	No of SHG's Linked	134.03 (12.7%)	42.96 (26.42%)	69.57 (3.22%)
	Amount	58892.68 (24.67%)	145200.23 (45.59%)	188078.80 (24.51%)

Source: NABARD-Status of Microfinance in India Report 2022-23

The above table 1 depicts the progress of SHGs – Bank Linkage programme in India for the past ten years from 2010-11 –to 2022-23. The growth in No of SHGSs and shavings with banks shown positive trend during 2010-11 to 2022-23. Whereas there is a positive growth in case of No of SHGs, but SHGs saving with banks shown a decreased negative trend during 2011-12, contrary to this during 2012- 13, the growth of No of SHGs indicating a negative trend and SHG savings with Banks was shown positive growth. During the period 2013-14 to 2016-17, there was a remarkable growth in NO of SHGs linked and SHG savings with Banks.

In 2010 to 2012, the No of SHGs availed loans had positive growth rate, but loans disbursed to SHGs from banks shown continuously negative growth trend. During the four years' period from 2013 to 2017 there was an increasing growth trend in both, No of SHGs availed loans and loans disbursed to SHGs. The growth rate of SHGs availed loans was ranging between 3.60 % and 19.03% and the growth loans disbursed to SHGs from banks ranging between 4.01% and 35.18%.

It is the evident that the loans outstanding against SHGs indicated that a negative result existed. There was an increasing size of loans outstanding from SHGs during the past ten years from 2010-11 to 2022-23. The growth rate of outstanding loans mounted ranging between 7.81% and 37.5%. It appears that, there was a poor progress exhibited by banks in recovering loans from SHGs.

Overall, there is an increase of 13% in the number of SHGs savings linked and 25% in the savings amount during 2022-23 as compared to 2021-22. Both the number and amount of SHG savings with banks show a positive trend over the last three years. A similar increasing trend can be observed in the number and amount of SHGs with loans outstanding with banks over the last two years. Loans disbursed to SHGs have consecutively increased over the last two years in both physical and financial terms recovering from a dip in the FY 2021 due to the pandemic. A comparison of the share of banks in the amount of SHG savings and loans outstanding indicates that commercial banks had a major share at 59% and 69%, followed by RRBs at 31% and 26 % respectively.

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Table-2 Highlights of Physical and Financial SHGs Linked Bank in India 2022-23

Sr. No.	Particulars	Total	
		Physical (No. in lakh)	Financial (Rs.in crore)
I	**Total number of SHGs savings linked with banks as on 31 March 2023**	**134.03**	**58892.68**
a	Out of total SHGs - exclusive Women SHGs	112.92	52455.48
b	Out of total SHGs- under NRLM/SGSY	82.01	37424.80
c	Out of total SHGs -under NULM/SJSRY	7.39	3547.12
II	**Total number of SHGs credit linked during the year 2022-23**	**42.96**	**145200.23**
a	Out of total SHGs - exclusive Women SHGs	41.42	139315.69
b	Out of total SHGs – under NRLM/SGSY	34.87	116479.07
c	Out of total SHGs – under NULM/SJSRY	1.98	8627.25
III	**Total number of SHGs having loans outstanding as on 31 March 2023**	**69.57**	**188078.80**
a	Out of total SHGs - exclusive Women SHGs	65.15	179468.42
b	Out of total SHGs - under NRLM/SGSY	55.45	150506.71
c	Out of total SHGs - under NULM/SJSRY	3.42	11077.18

Source: NABARD-Status of Microfinance in India Report 2022-23

Table-2 shows the Highlights of Physical and Financial SHGs Linked Bank in India 2022-23. As per the given table, Total number of SHGs savings linked with banks in physical 135.03 lakhs and financial 58892.68 crores. Whereas, the total number of SHGs credit linked in physical 42.96 lakshs and financial 145200.23 crores and the total number of SHGs having loans outstanding in physical 69.57lakshs and financial 1880778 crores as on 31 March 2023.

CONCLUSION

Banking on the poor is a viable option in India as there are huge mass at the bottom of the pyramid. There are enormous unmet potential lying in the rural areas for financial institutions. If financial institutions could successfully tap this potential there would be a „win-win" situation for institutions and people. Use of technology plays an important role in leveraging banking services to rural areas as it lower the cost of maintaining the account.It is the evident that the loans outstanding against SHGs indicated that a negative result existed. There was an increasing size of loans outstanding from SHGs during the past ten years from 2010-11 to 2022-23. The growth rate of outstanding loans mounted ranging between 7.81% and 37.5%. It appears that, there was a poor progress exhibited by banks in recovering loans from SHGs.

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