
A STUDY ON THE PERFORMANCE OF SELF HELP GROUP BANK LINKAGE PROGRAMME IN INDIA

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ABSTRACT

The attempt in this paper has been made to know the present status and performance of Self Help Group Bank Linkage Programme in India. The study revealed that the number of SHGs savings linked with Banks declined in 2012-13 which indicated a marginal increase of about 2% during the year 2013-2014. Thereafter, it increased in all the years over the previous years. The savings harnessed by SHGs also increased during the year 2012-13 onward over the previous years. During the year 2015-16, 18.32 lakh SHGs were sanctioned fresh loans which is about 13 % increase over 2014-15. The amount of loan outstanding increased each year over the previous year. For instance, the amount of loans outstanding has gone up by about 11 % in 2015-16 over 2014-15. The share of SHGs with only women members in the total number of SHGs linked to banks stands at 85.57% in the current year (slightly down from 86.63 % last year) while the groups formed under the NRLM/SGSY/Other Government sponsored programmes now constitutes 44 percent up from 40 % last year) of the total number of groups. The average quantum of loans issued to SHGs during the year 2015-16 was Rs. 2.03 lakh per SHG and this ranged from Rs. 0.84 lakh in the north-eastern region to over Rs. 2.58 lakh in southern region. The share of commercial banks was 67.5 % of the total bank loans disbursed to 61.80 % SHGs during the year. The contribution of RRBs in credit disbursement to SHGs stood at 24.6% and that of cooperative banks was 7.90 percent. The share of Commercial Banks was about two thirds of the total bank loan outstanding under SHG-BLP. The share of RRBs and cooperative banks was 28.20 and 6.80 percent, respectively.

Keywords: Microfinance, Self Help Group, Loan disbursed, Loans outstanding, Regions

INTRODUCTION

The concept of microfinance was coined about five decades back with an organization of Grameen Bank in Bangladesh by a famous economist Prof. Mohammed Yunus. The logic behind this concept was that Prof. Yunus observed that most villagers were unable to obtain credit at reasonable rates. So he began to lend them money from his own pocket, enabling the villagers to buy materials

for some projects like weaving bamboo tools and making pots (New York Times, 1997). Ten years later in 1976, Dr Yunus set up Grameen Bank as a project in one of the villages in Bangladesh to assist

poor families by providing credit to them. Now micro-finance has been widely spread all over the world as an effective tool to poverty eradication.

Micro finance in India has been rated as one of the fastest growing sector in the world. In India microfinance operates through two main channels viz. i) banking system through the SHGs under SHG-Bank Linkage Programme (SHG-BLP) and JLG bank lending programme and ii) through Micro Finance Institutions. Self Help Group Bank Linkage Programme (SBLP) is a step to bring the “unbanked” poor into the formal banking system and to inculcate thrift and credit habits. SHGs have ushered in a revolution in microfinance. This is the bank-led microfinance channel which was initiated by NABARD in 1992. SHGs are permitted to open savings linkage accounts with any commercial bank, regional rural bank, district central cooperative banks (DCCBs) and similar institutions. Under the SHG model the members, usually women in villages are encouraged to form groups of around 10-15 members. The members voluntarily contribute their savings in the group periodically. The savings thus collected are provided in terms of small loans to the members. In the later period these SHGs are provided with bank loans generally for income generation purposes. When the new savings come in, recovery of past loans are made from the members, a meeting of group members is held and new loans are disbursed as per the needs of the members. This model has been very much successful in the past and with time it is becoming more popular. The SHGs are self-sustaining and once the group becomes stable it starts working on its own with some support from NGOs. With the above backdrop the focus of this paper is to know the present status and performance of SHG- bank linkage programme in India.

OBJECTIVES

The main focus of this paper is to know the present status and performance of SHG- bank linkage programme in India.

METHODOLOGY AND DATA

The study is exclusively based on secondary data collected from different sources. To assess the present status of Self Help Group Bank Linkage Programme in India, relevant information were collected from Status of micro finance in India, NABARD (various issues), The

Bharat Microfinance Report (various issues) and other relevant sources. Data on important performance parameters are compiled for the years 2011-12 to 2015-16. Simple statistical tools like averages, percentage, etc were used to derive the inferences of the study.

RESULTS AND DISCUSSION

PRESENT STATUS OF MICROFINANCE IN INDIA

There are different channels for microfinance services in the country. SHG (Self Help Group)-Bank Linkage Channel (SBLC) is the first one, which was developed early 1990s by NABARD. More recently, many Non - Governmental Organizations (NGOs), Community Based Organizations (CBOs) and Self Help Groups have started micro finance delivery systems successfully in rural areas. These organizations motivate the poor to join the credit groups, helps to manage their savings, loan-deposit and recovery process and may also provide an interest free loan to the group that acts as a start-up fund.

The SHGs function on the basis of co-operative principles and provide a forum to the group to extend support to each other. Indeed, SHGs play a crucial role in improving the savings and credit and also in reducing poverty and social inequalities. It is well established fact that about 90 percent of the SHGs in India are female only due to the known fact that world's poorest households tend to rely more heavily on income generated by women of the house. In India, SHGs have been the most popular way to help the poor and make them bankable.

Table 1 presents the growth of SHGs – saving as well as credit linked – for the last 5 years, separately for all Groups, Groups under NRLM/SGSY/Other Government sponsored programmes and exclusive Women Groups.

The number of SHGs linked to banks for their savings accounts under the SHG-Bank linkage programme declined by 8 % during 2012-13 over the previous year, which has been reversed during the next year i.e. in 2013-14 though with a marginal increase of 1.53 %. Further the number of SHGs linked to banks for their savings accounts under the SHG-Bank linkage programme increased by 3.59 and 2.68 percent in 2014-15 and 2015-16 over their previous periods. The number of SHGs being sanctioned fresh loans by banks during the year

2011-12 declined by 4 percent over the previous year but during subsequent years the number of SHGs being sanctioned fresh loans by banks increased each year over the previous years. During the year 2015-16, 18.32 lakh SHGs were sanctioned fresh loans which is about 13% increase over 2014-15. The quantum of fresh loans issued by banks also rose to Rs 37287 crore from Rs. 27582 crore during this period i.e. increased by nearly 35%. Number of SHGs against whom, there was loans outstanding decreased in 2011-12 and 2013-14 over their previous years. The situation was reversed during 2014-15 and 2015-16 i.e. the number of SHGs increased by 6.46 and 4.59 percent during 2014-15 and 2015-16 over their previous years. The amount of loan outstanding increased each year over the previous year. For example, the amount of loans outstanding has gone up by about 11% in 2015-16 over 2014-15.

The average loan outstanding of SHGs with banks came out to be Rs1,22,232 in 2015-16 against Rs. 83,463 in 2011-12. The share of SHGs with only women members in the total number of SHGs linked to banks stands at 85.57 percent in the current year (slightly down from 86.63 % last year) while the groups formed under the NRLM /SGSY / Other Government sponsored programmes now accounts for 44 percent (up from 40 % last year) of the total number of groups.

Savings linked SHGs- Agency-wise and region wise share

Table 2 shows the number of SHGs linked to different agencies in different regions for their savings accounts. About half (52 %) of the SHGs were linked to commercial banks for their savings followed by about 29 percent linked to RRBs and 19 percent to cooperative banks. As high as about 45 percent of the total SHGs linked to banks for their savings were in southern region followed by about 22 percent in eastern region, 13 percent in western region and 10 percent in central region. The lowest number was in northern (4.98 %) and north eastern regions (5.44 %).

On an average, the savings bank balance per SHGs with all the banks was Rs.17324 as on 31 March, 2016. Region-wise the average savings bank balance of SHGs with all the banks indicate that southern region reported highest average of Rs 24449 followed by eastern region (Rs.14608), northern region (Rs 11440) and western

region (Rs. 10383). The average savings bank balance of SHGs was lowest in the North Eastern states having an average saving of only Rs. 4426 per SHG.

Region-wise Loans disbursed to SHGs

Region-wise total bank loans disbursed and average loan per SHG disbursed during the year 2013-14 to 2015-16 is presented in Table 3. The quantum of total loan disbursed increased by 15 and 35 percent in 2014-14 and 2015-16 over the previous years. The share of southern region in the total loan disbursed was highest i.e. about 86 percent of the total loan was disbursed to about 8.74 lakh SHGs (64 % of total) in the southern region during 2013-14. Next in the list come eastern region with about 7 percent share followed by western region with 3.60 percent share and central region with 2.57 percent share. The share of northern region and north eastern region was very meager i.e. 1.17 and 0.53 percent, respectively. The share of southern region in the total loan disbursed decreased in 2014-15 i.e. it decreased to 77.66 percent in 2014-15 from 85.83 percent in 2013-14. The share of all other regions increased during this period. However the relative position of each region remained the same. For example, the highest share was that of southern region and lowest of northern eastern region in 2013-14. The same position remained in 2014-15. In the next year, the share of southern, north eastern, and western regions increased over 2014-15. However, again the relative position remained the same. The average loan declined by 3.5 percent in 2014-15 but increased by 20 percent in 2015-16 over previous year. The average loan disbursed per SHG was Rs.1.76 lakh in 2013-14 which decreased to 1.70 lakh in 2014-15 but increased to Rs. 2.03 lakh in 2015-16. The decline in average loan disbursed in 2014-15 is mainly due to decline in average loan disbursed in northern and southern regions. Southern region with Rs. 2.35 lakh average loan per SHG is at first position followed by Western region (Rs. 1.67 lakh), Central region (Rs. 1.41 lakh.). The average loan disbursed was lowest in north eastern region (Rs. 0.84 lakh).

Region-wise Loans outstanding to SHGs

Region-wise total bank loans disbursed and average loan per SHG disbursed during the year 2013-14 to 2015-16

is presented in Table 4. The quantum of total loan disbursed increased by 20.10 and 10.81 percent in 2014-15 and 2015-16 over the previous years. The share of southern region in the total loan outstanding was highest i.e. about 74 percent of the total loan outstanding was against 22.10 lakh SHGs (53 % of total) during 2013-14. Next in the list comes eastern region with 11.52 percent share followed by central region (6.28 %), western region (3.82 %) and north eastern region with 2.56 percent share. The share of northern region was very meager i.e. 1.76 percent. The share of southern and eastern regions in the total loan outstanding increased slightly over the years. The share of northern region decreased to 1.40 % in 2014-15 which was 1.76 % during 2013-14 but increased to 2.03 % during 2015-16. On the whole the percentage share of regions in total loans outstanding remained almost same. Also the relative position of each region remained the same. The average loan outstanding increased by 6% during 2015-16 and by 12.80 % during 2014-15 over the previous periods. Southern Region continued to maintain its lead in the share of bank loan outstanding position as it accounted about 75 % of the bank loan outstanding to SHGs in the country as on 31 March 2016. The average loan outstanding per SHG was Rs.1.02 lakh in 2013-14 which increased to 1.15 lakh in 2014-15 and further to Rs. 1.22 lakh in 2015-16. Southern region with Rs. 1.70 lakh average loan outstanding per SHG is at first position followed by Western region (Rs. 0.79 lakh), northern (Rs. 0.75 lakh.). The average loan disbursed was lowest in north eastern region (Rs. 0.58 lakh).

Agency-wise distribution of SHG-BLP

Because of vast network Commercial Banks take the lead in SHG-BLP. The table 5 reveals that more than half (52.60%) of the SHGs in India have their savings account in the Commercial Banks followed by RRBs (28.56%) and Cooperative banks (19.10%) during 2015-16. Commercial Banks had disbursed Rs. 25185 crore to 11.32 lakh SHGs with an average of Rs. 2.22 lakh per SHG, against national average of Rs. 2.03 lakh. The share of commercial banks was 67.5% of the total bank loans disbursed to 61.8% SHGs during the year. The contribution of RRBs in credit disbursement to SHGs stood at 24.6%. The average loan per SHG provided by RRBs was Rs. Lakh 1.94 and that of Cooperatives was

Rs. 1.28 lakh during hat given year.

Commercial Banks accounted for about two thirds of the bank loan outstanding under SHG-BLP. The loan outstanding per SHG in case of Commercial banks was Rs. 1.41 lakh where as it was Rs. 1.11 lakh in case of RRBs and Rs. 0.64 lakh in case of Cooperatives. Low average lending by Cooperatives was the cause of low credit outstanding in case of Cooperative Banks.

CONCLUSIONS

On the basis of foregone discussion the following conclusions emerge out:

- The decline in the number of SHGs savings linked with Banks noticed in 2012-13 has been reversed during the year 2013-2014 with a marginal increase of about 2%. In subsequent years also it increased over the previous years. The savings harnessed by SHGs also increased during the year 2012-13 onwards over the previous years.
- The number of SHGs being sanctioned fresh loans by banks during the year 2011-12 declined by 4 percent over the previous year but during subsequent years, it increased each year over the previous years. During the year 2015-16, 18.32 lakh SHGs were sanctioned fresh loans which is about 13% increase over 2014-15.
- The amount of loan outstanding increased each year over the previous year. For example, the amount of loans outstanding has gone up by about 11% in 2015-16 over 2014-15.
- The share of exclusive women SHGs in the total number of SHGs linked to banks stands at 85.57% in the current year (slightly down from 86.63 % last year) while the groups formed under the NRLM/SGSY/Other Government sponsored programmes now constitutes 44 percent (up from 40 % last year) of the total number of groups.
- The average savings bank balance of SHGs with banks during the year 2015-.2016 was Rs.17324, with southern region reporting highest average of Rs 24449 while the western states reported lowest average saving of only Rs. 10383 per group.

- The average quantum of loans issued to SHGs during the year 2015-16 was Rs. 2.03 lakh per SHG and this ranged from Rs. 0.84 lakh in the north eastern region to over Rs. 2.58 lakh in southern region.
 - The share of commercial banks was 67.5% of the total bank loans disbursed to 61.80 % SHGs during the year. The contribution of RRBs in credit disbursement to SHGs stood at 24.6% and that of cooperative banks was 7.90 percent..
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Table 1: Progress under SHG-Bank Linkage (Amt. in Rs. crore)

Particulars	Particular	2011-12		2012-13		2013-14		2014-15		2015-16	
		No of SHGs	Amt	No of SHGs	Amt	No of SHGs	Amt	No of SHGs	Amt	No of SHGs	Amt
SHG savings with Banks as on 31 st March	Total SHGs No	79.60 (6.7)	6551.41 (-6.7)	73.18 (-8.1)	8217.25 (25.4)	74.30 (1.53)	9897.42 (20.45)	76.77 (3.59)	11059.84 (11.74)	79.03 (2.68)	13691.39 (23.79)
	Of which SGSY groups	21.23 (5.0)	1395.25 (-23.2)	20.47 (-3.6)	1821.65 (30.6)	22.62 (10.46)	2477.58 (36.01)	30.52 (34.92)	4424.03 (78.56)	34.57 (13.27)	6244.97 (41.16)
	All women SHGs	62.99 (3.3)	5104.33 (-3.7)	59.38 (-5.7%)	6514.86 (27.6)	62.52 (5.27)	8012.89 (22.99)	66.51 (6.38)	9264.33 (15.61)	67.63 (1.68)	12035.78 (29.92)
Loans Disbursed to SHGs during the year	No of SHGs extending loans	11.48 (-4.0)	16534.77 (13.7)	12.20 (6.3)	20585.36 (24.5)	13.66 (12.02)	24017.36 (16.67)	16.26 (19.03)	27582.31 (14.84)	18.32 (12.67)	37286.90 (35.18)
	Of which SGSY groups	2.10 (-12.9)	2643.56 (6.6)	1.81 (-13.8)	2207.47 (-16.5)	2.26 (24.56)	3480.60 (57.67)	6.43 (28.45)	9487.69 (27.26)	8.16 (26.91)	16785.78 (76.92)
	All women SHGs	9.23 (-9.2)	14132.02 (12.0)	10.37 (12.4)	17854.31 (26.3)	11.52 (11.02)	21037.97 (17.83)	14.48 (25.69)	24419.75 (16.07)	16.29 (12.50)	34411.42 (40.92)
Loan outstanding against SHGs as on 31 st March	Total No of SHGs Linked	43.54 (-9.0)	36340.00 (16.4)	44.51 (2.2)	39375.30 (8.4)	41.97 (-5.71)	42927.52 (9.02)	44.68 (6.46)	51545.46 (20.06)	46.73 (4.59)	57119.2 (10.81)
	Of which SGSY groups	12.16 (-5.4)	8054.83 (2.9)	11.93 (-1.9)	8597.09 (6.7)	13.07 (9.55)	10177.42 (18.38)	18.46 (41.24)	19752.74 (94.08)	21.91 (18.69)	26610.16 (34.72)
	All women SHGs	36.49 (-8.4)	30465.28 (16.6)	37.57 (2.9)	32840.04 (7.8)	34.06 (-9.34)	36151.58 (10.08)	38.58 (13.27)	45901.95 (26.97)	40.36 (4.61)	51428.91 (12.04)

Note: Figures in the parenthesis indicates growth/decline over the previous year.

Table 2: Region-wise/ Agency-wise Savings of SHGs (as on 31 March 2016)

(Rs. Lakh)

Region	Commercial banks		RRBs		Cooperative banks		Total	
	No. of SHGs	Saving Amt	No. of SHGs	Saving Amt	No. of SHGs	Saving Amt	No. of SHGs	Saving Amt
Northern region	154137	26059	120455	11782	118883	7173	393475 (4.98)	45014 [11440]
North eastern region	107737	7609	271305	9713	50781	1704	429823 (5.44)	19026 [4426]
Eastern region	694646	88911	553014	86689	452446	72752	1700106 (21.51)	248352 [14608]
Central region	324838	51811	452386	29941	38429	2356	815653 (10.32)	84109 [10312]
Western	476739	52221	155687	10159	385623	43326	1018049 (12.88)	105704 [10383]
Southern	2382014	676776	703964	100143	459918	90015	3545896 (44.87)	866934 [24449]
Total	4140111 (52.38)	903389	2256811 (28.57)	248428	1506080 (19.05)	217322	7903002 (100.00)	1369139 [17324]

Figures in parentheses indicate percentage to respective total and figures in brackets indicate saving amount per SHG (in Rs.).

Table 3: Region-wise Loans disbursed during 2013-14 to 2015-16

Region	2013-14			2014-15			2015-16		
	No. of SHGs	Loan disbursed (Rs. Lakh)	Average loan disbursed (Rs./SHG)	No. of SHGs	Loan disbursed (Rs. Lakh)	Average loan disbursed (Rs./SHG)	No. of SHGs	Loan disbursed (Rs. Lakh)	Average loan disbursed (Rs./SHG)
Northern region	23918	28048 (1.17)	117269	43848	42873 (1.55)	97777	38106	48298 (1.30)	126746
North eastern region	16201	12819 (0.53)	79125	18791	15795 (0.57)	84056	26037	21969 (0.59)	84376
Eastern region	297478	151067 (6.29)	50783	351800	329602 (11.95)	93690	412576	349489 (9.37)	84709
Central region	66393	61807 (2.57)	93092	109231	110909 (4.02)	101536	84282	119067 (3.19)	141272
Western	87846	86444 (3.60)	98404	97341	117080 (4.25)	120279	112525	188632 (5.06)	167636
Southern	874585	2061551 (85.83)	235718	1005227	2141972 (77.66)	213083	1158797	3001235 (80.49)	258996
Total	1366421	2401736 (100.00)	175768	1626238	2758231 (100.00)	169608	1832323	3728690 (100.00)	203495

Note: Figures in parentheses indicate percentages to respective total

Table 4: Region-wise Loans outstanding during 2013-14 to 2015-16

Region	2013-14			2014-15			2015-16		
	No. of SHGs	Total Loan o/s (Rs. Lakh)	Average Loan o/s (Rs./SHG)	No. of SHGs	Total Loan o/s (Rs. Lakh)	Average Loan o/s (Rs./SHG)	No. of SHGs	Total Loan o/s (Rs. Lakh)	Average Loan o/s (Rs./SHG)
Northern region	124569	75380 (1.76)	60513	123041	72209 (1.40)	58687	154724	115907 (2.03)	74912
North eastern region	183929	110064 (2.56)	59840	176904	153970 (2.99)	87036	150860	88473 (1.55)	58646
Eastern region	978960	494463 (11.52)	50509	1069329	617046 (11.97)	57704	1130902	703767 (12.32)	62231
Central region	419834	269666 (6.28)	64232	438216	248614 (4.82)	56733	434797	289590 (5.07)	66604
Western	269008	164046 (3.82)	60982	270718	198739 (3.86)	73412	258119	203462 (3.56)	78825
Southern	2221038	3179133 (74.06)	143137	2389972	3863969 (74.96)	161674	2543219	4310725 (75.47)	169499
Total	4197338	4292752 (100.00)	102273	4468180	5154546 (100.00)	115361	4672621	5711923 (100.00)	122242

Note: Figures in parentheses indicate percentages to respective total

Table 5: Agency-wise status of SHG-BLP in 2015-16

(Rs. Lakh)

Name of the agency	Total Savings of SHGs with Banks as on 31 March 2016		Loans disbursed to SHGs by Banks during the year		Total Outstanding Bank Loans against SHGs		NPAs	
	No. of SHGs	Savings Amount	No. of SHGs	Loans disbursed	No. of SHGs	Loan Outstanding	Amount of Gross NPA	NPA (%)
Commercial Banks	4140111 (52.60)	903389 (66.00)	1132281 (61.80)	2518497 (67.50)	2626364 (56.2)	3714562 (65.00)	232140 (62.98)	6.25
Regional Rural Banks	2256811 (28.56)	248428 (18.10)	470399 (25.70)	916493 (24.60)	1445476 (30.90)	1610935 (28.20)	106429 (28.87)	6.61
Cooperative Banks	1506080 (19.10)	217322 (15.90)	229643 (12.50)	293700 (7.90)	600781 (12.90)	386426 (6.80)	30054 (8.15)	7.78
Total	7903002 (100.00)	1369139 (100.00)	1832323 (100.00)	3728690 (100.00)	4672621 (100.00)	5711923 (100.00)	368623 (100.00)	6.45

Note: Figures in parentheses indicate percentages to respective total.