

## THE DEVELOPMENT OF SELF HELP GROUPS THROUGH BANKING

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### Abstract

India has been experiencing micro credit in the form of SHGs as a part of formal credit delivery system giving freedom to Non-Government Organizations (NGOs) to set up SHGs on various models. They have been recognized as useful tools to help the poor and as an alternative to meet the urgent credit needs of the poor. The country has witnessed a rapid growth of self –help-groups (SHG) in the last one decade or so. The SHG growth which has almost assumed the form of a movement represents a massive grassroots level mobilization of rural poor especially women into small informal associations capable of forging links with formal systems to help access financial and other services needed for their socio economic advancement. Basically, SHGs are being promoted as a part of the micro finance institutions aimed at helping the poor to easily obtain financial services like savings, credit and insurance. The SHG- Bank Linkage Program (SBLP) is a milestone strategy to improve rural people access to formal credit system in a cost effective and sustainable manner by making use of SHGs.

**Keywords:** SHGs, NGOs, SBLP, RRBs, KSFCs, NFA, GCCs, MFIs, SKDRDP,

### Introduction

The SHG growth which has almost assumed the form of a movement represents a massive grassroots level mobilization of rural poor especially women into small informal associations capable of forging links with formal systems to help access financial and other services needed for their socio economic advancement.

customer into the premises of banks. Nearly 94% of the rural households have no credit access. The rural farmers today are in the process of Marginalization and Pauperization. Hence banks should work hard for financial inclusion of rural people. Banks should try to go all out in their efforts towards capacity building in rural sector to improve

The Rangarajan committee on financial inclusion defined financial inclusion as “The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost”. In a nutshell, Financial Inclusion refers to delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. Hence in a Layman’s sense Financial Inclusion is the process of bringing new

sustenance. Micro financing programs through SHGs have the potential to minimize the problem of inadequate access of banking services to the poor. The SHGs and the Bank linkage program (SBLP) in terms of physical targets, apparently seems to have produced desired results. But not many studies are available to assess the pros and cons of SBLP.

rural productivity and rural income. Shri Kshetrab Dharmasthala Rural Development Project (SKDRDP) is the biggest NGO micro finance institution in the country. This is popularly known as Pragathi Bandhu model. In this model 5 – 8 farmers form an SHG, take loan for cultivation and pay it back in weekly installments by going for mixed farming and getting daily income. This experiment has transformed almost 95% of the 150000 small and marginal farming in South Karnataka. Farmers have opted for mechanization and have deployed peer pressure with excellent results with the aggressive support of local banks. Over 90% of the SHGs linked with banks were found to be exclusive women SHGs, most of them were poor and asset less. The SHG movement with bank credit linkage has definitely proved as an appropriate instrument for particularly women hither to by passed by the banking system in the district. Hence this has been regarded as one of the best examples for SHG-Bank Linkage program in the district.

**Statement of the Problem**

The growth of banks participation in the rural development through increased financial services in the post-independence and post nationalization area was significant. It is the part and parcel of the socio – economic development efforts in rural areas. Nevertheless, with a vast network of nationalized banks, private commercial banks, RRBs, Co-operative Banks and other financial institutions no significant process could be achieved on the increased poverty position existing in rural India. More than three billion people do not have access to the basic financial services essential for their

branches, which are excluded for the purpose of sampling. There for total 100 branches were taken as sample size of which 45% commercial bank branches, 32% co-operative bank and 12% from RRBs and 11% from private banks which shows in the following Table.

Hence the present study is a small attempt to bridge the aforesaid gap.

**Objectives**

The study attempts to throw light following objectives

1. To assess the roll of SHGs in micro finance
2. To assess the progress made under SHG bank linkage program

**Methodology**

The present study has been under taken in south district of Karnataka state. The study is based on both primary as well as secondary sources. The primary data and information was collected through field survey with the help of the questionnaires administered on hundred bank branches of south

48banks having 286 branches spreading over 8 thaluks such as Bangalore, Bidadi, Chanaptana, Ramanagara, Maddur, Mandya, Srirangapatana and Mysore. The respondent bank branches are composed of nationalized banks, private banks, RRBs and co-operative banks. For data collection from banks simple random sampling techniques was used. The sample size was hundred composed of nationalized banks 35, branches private banks 20, RRBs 15 and 30 co-operative bank branches. However secondary information is collected by considering lead bank reviews, annual reports and Nabard statistical reports etc.

There are 486 bank branches in total south districts, consisting of 398 branches of commercial banks, 38 RRBs branches 49 co-operative banks and 1 KSFC. Out of 486 branches 268 branches of urban oriented

Banks				
<b>Total</b>	<b>89</b>	<b>89%</b>	<b>11</b>	<b>11%</b>

Table-3 shows the bank wise distribution of nature of loans granted to SHGs. It is clear that 97.5% of the banks provide micro credit, 20% banks provide

**Table-1 Bank category selected as a sample**

SL.NO.	Bank Category	Number	%
1	Nationalized Banks	45	45
2	RRBs	12	12
3	Private Banks	11	11
4	Co-Operative Banks	32	32
	Total	100	100

Table -2 shows that 89 % of banks provide loans to SHGs and 11% banks do not provide. In the case of nationalized banks 93% banks provide loans and 7% banks do not provide. All RRBs and Private Banks grant loans to SHGs. In the case of Co-operative banks 81% provide and other 19% do not provide loans to SHGs. Thus it is clear that RRBs established with a view to facilitate rural inhabitants and private sector banks having branches in rural areas encourage SHGs by providing loans.

significant difference between the banks with respect to provision of loans to SHGs as  $p = 0.613$ . But as a whole, RRBs and Private Banks play a dominant role in case of loans granted to SHGs when compared to nationalized banks and Co-operatives.

**Table -2 Number of Banks support for SHGs for providing loans.**

Type of Banks	Provide		Do Not Provide	
	Numbers		Numbers	
Nationalized Banks	42	93%	03	7%
RRBs	12	100%	00	00%
Private Banks	10	91%	01	9%
Co-Operative	26	81%	06	19%

were Rs.65,843.61 lakhs of rupees. (i.e., 89.95% of the total percentage of loans granted). Likewise private banks granted loans to 4173 SHGs with 12.02% and amount of loans granted was 812.74 lakhs that is 1.11% in total. RRBs granted loans to 514 SHGs with 1.48% of the total and the total

personal loans, 45% banks provide jewel loans and 39% banks provide micro insurance to SHGs. From the above table it is also proved that 100% nationalized banks grant micro credit, 26% personal loans, 26% banks jewel loans and 21% micro insurance is provided by nationalized bank. In case of RRBs 92% banks provide micro credit, 33% provide personal loans and 50% bank provides jewel loans. 100% of private bank provide micro credit, 33% bank provide jewel loans and 44% & 56% each provide micro insurance and personal loans respectively. Whereas 100% Co-operative banks provide micro credit, 10% personal loans, 95% provide jewel loans and 60% banks provide micro insurance to SHGs.

**Table -3 The Nature of loans granted by Banks for SHGs.**

Type of Banks	Nature of Loans							
	Micro Credit		Personal Loans		Jewel Loans		Micro Insurance	
Nationalized Banks	38	100%	10	26%	10	26%	08	21%
RRBs	11	92%	4	33%	6	50%	0	00%
Private Banks	9	100%	4	44%	3	33%	5	56%
Co-Operative Banks	20	100%	2	10%	19	95%	12	60%
<b>Total</b>	78	97.5%	20	25%	38	48%	25	31%

Table-4 it is evident that Nationalized Banks have provided loans for about 21,144 SHGs (60.90% of the total SHGs) and the amount of loans granted

Banks				
RRBs	3124	381	83.43	3.94
Co-Operative Banks	10124	----	----	---
<b>Total</b>	<b>129000</b>	<b>10105</b>	<b>2117.21</b>	<b>100</b>

amount of loans granted was 1231.10 lakhs with 1.68% to the total. Whereas Co-operative banks granted loans to 8889 SHGs with 25.60% of the total SHGs and loan amounts to Rs. 5312.26 lakhs, that is 7.26% of the total loans granted to SHGs. Thus in total 34720 SHGs have been granted credit by all categories of banks put together with 73199.71 lakh sums of rupees of loans as on 31-12-2012.

**Table-4 Bank Linkage Programme performance for SHGs.**

Type of Banks	Number of SHGs		Amount of Loans (In Lakhs of Rupees)	
	Number	Percentage	Amount	Percentage
Nationalized Banks	21144	60.90%	65843.61	89.95%
Private Banks	4173	12.02%	812.74	1.11%
RRBs	514	1.55%	1231.10	1.68%
Co-Operative Banks	8889	25.60%	5312.26	7.26%
<b>Total</b>	<b>34720</b>	<b>100%</b>	<b>73199.71</b>	<b>100%</b>

Hence it is confirmed that nationalized banks have played a significant role with respect to number of SHGs as well as total amount of loans granted to SHGs when compared to other categories of banks.

**Table-5 Banks Performance as per Financial Inclusion Plan (FIP).**

Type of Banks	No of Accounts	No of GCCs	Loans (Rs in Lakhs)	%
Nationalized Banks	112131	9412	1321.64	62.42
Private	3621	312	712.14	33.64

- It has proved as a milestone Programme for banking as well as rural people as a means to achieve financial inclusion & inclusive growth as the rate of interest on borrowings is comparatively low.
- The SBLP has contributed a lot towards the

Table-5 shows the progress made by different categories of banks under financial inclusion plan as on 31-12-2012. As regards number of NFAs the nationalized banks have opened 112131 accounts, the General Credit Cards (GCCs) issued was 9412 with loan amount of Rs. 1321.64lakhs, that is about 62.42% of the total loans advanced on NFAs and the private sector banks have opened 3621 No frills accounts and amount of loans granted on such account was 712.14 lakhs, it comes to 33.64% of the total loans granted on NFAs. The GCC issued was 312. Whereas KVGB opened 3124 NFAs and the loans granted on such account and the loans granted on such account was 83.43 lakhs that is about 3.94% of the total loans granted on NFAs. The total number of GCCs issued by KVG bank was 381. But as far as Co-operative banks are concerned they could only open no frills account

(NFA is the sum of 10124, but neither loans nor

GCCs have been issued on NFAs, therefore in total 129000 NFAs have been opened by all banks put together and 10105 General Credit Cards (GCCs) were issued and 2117.21 lakhs of rupees loans have been granted on NFAs in the South District as on 31-12-2012.

Thus it is proved that as far as No Frills Account, issue of GCCs and total amount of loans granted are concerned the nationalized banks have played a dominant role when compared with other types of banks in the district.

### Findings

- The prime principle of SHGs is assumed to be Savings not the Borrowings and which inspires to inculcate the habit of savings among members.

### Conclusion

The challenge of present is to cover all the rural households under the banner called SHGs for their development and poverty alleviation. But the long-term prospect and sustainability of SHGs is

empowerment of rural women by creating the awareness of thrift, mutual confidence and self-reliance.

- It has proved to be a vital tool for poverty alleviation and emancipation of the rural poor by means of increased self-reliance and self-development by doing away with village moneylenders.
- It has been instrumental in augmenting the earning capacity of the rural poor by undertaking multiple income generating activities and thereby higher volumes of savings from rural areas could be achieved.
  - The SBLP paved the way for greater accessibility to formal sources of credit, which has resulted in 'productive borrowings which in turn led to increased income, savings, employment generation, Asset development, capacity building and empowerment of the rural poor.
  - The role played by the nationalized banks with respect to linking of SHGs with them is significant when compared to other banks.

### Suggestions

- The people participation in SHGs and micro finance programs should be encouraged.
- The Governments and NGOs should make

depending upon its linkage with banks, especially in financing point of view. The various studies evidently brought out many operational shortcomings of SHGs and their exploitation by NGOs and Micro Finance Institutions (MFIs) which threaten their sustainability. Most of the SHGs lack requisite skills and managerial capacity to graduate them to undertake income generating micro-enterprises. Marketing of their products is also a problem. Some SHGs were formed only for availing the benefit of subsidies by the government. With sufficient monitoring this SHG Bank Linked Programme could be an effective means for uplifting the rural poor.

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