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Research Paper MANAGEMENT

Origin, Growth and Performance of Self-Help Group Bank Linkage Programme in India

Mrs Shakira Irfana Research Scholar,Department Of Pg Studies and Research in Commerce, Mangalore University, Mangalagangothri – 574199

Prof. A. Raghurama Chairman, Department of Commerce, Dean, Faculty of Commerce, Mangalore University, Mangalagangothri – 574199

ABSTRACT

An important institutional intervention that has brightened lives of the rural poor is the Self-Help Group Bank Linkage Programme (SBLP). SBLP under the leadership of the National Bank for Agriculture and rural development (NABARD), the apex bank for agriculture and rural development in the country, which built upon these experiments, completed two decades of existence in February 2012. The Self Help Group movement has come to mean more than merely the provision of financial services to their group membership, which is composed mainly of poor women. Hence, this paper attempts an assessment of the accomplishments of SBLP and charts their progress in microfinance and other developmental activities

KEYWORDS: Self Help Groups, Bank Loans, Linkage Programme, Savings.

INTRODUCTION

A special institutional intervention that has touched the lives of hundreds of millions of people in India and created an unmatched resource built upon the social mobilisation and empowerment of women is the Self Help Group Bank Linkage Programme (SBLP). Self-help groups (SHGs) have become a familiar presence in the countryside and have also been successfully promoted in urban areas. Indeed, with the massive social capital embodied in them, SHGs can be considered to have emerged as a significant part of the development infrastructure. It, however, remains an open question whether SHGs were originally intended to fill the institutional gap in the delivery of financial and non-financial services and welfare schemes to the poor. At the same time, SHGs generally have been promoted as an effective channel and means for the delivery of microfinance, which for some time held out the promise globally as a 'magic bullet' for poverty reduction. As the number of SHGs has multiplied in the past 20 years or so, so have the types of activities and innovations that have been designed around them. As a result, the SHG movement represents a rich diversity of interventions and outcomes difficult to classify and analyse. Within the larger SHG 'movement', however, the programme for linking SHGs with banks has been a core innovation that has been the mainstay of SHG development over time.

The SHG movement in India took shape in the 1980s as several NGOs experimented with social mobilisation and organisation of the rural poor into groups for self-help. The SHG-Bank Linkage Programme (SBLP) under the leadership of the National Bank for Agriculture and Rural Development (NABARD), the apex bank for agriculture and rural development in the country, which built upon these experiments, completed two decades of existence in February 2012. It is, therefore, time to attempt a comprehensive assessment of the accomplishments and shortcomings of SHGs and community institutions built upon them, and to chart their progress in microfinance and other developmental initiatives. The SHG movement has come to mean more than merely the provision of financial services to their group membership, which is composed mainly of poor women. However, it is the role of SHGs in financial intermediation that holds great promise as a means of financial inclusion and mainstreaming of poor families as well as a development model with wider application.

The role of SHGs as financial intermediaries emerged from a pilot programme, with NABARD support, to link 500 SHGs to the banking system in 1992. It is now a major global microfinance programme. Three models of bank linkage emerged as follows:

1. SHGs formed by and linked directly to banks (Model I)
2. SHGs formed and facilitated by SHPIs such as NGOs and government departments but linked directly to banks (Model II)
3. Indirect bank linkage or 'bulk lending' where NGOs and other MFIs acted as financial intermediaries by borrowing from banks and on-lending to SHGs directly, or through SHG federations (Model III)

GROWTH AND PERFORMANCE OF SHG-BANK LINKAGE PROGRAMME

TABLE 1 Progress of Self-Help Group-Bank Linkage Programme (Amount in Rs Billion)

Year	No. of SHGs credit linked		Bank Loan	
	During the year	Cumulative	During the year	Cumulative
1992-94	620	620	0.01	0.01
1994-95	1,502	2,122	0.02	0.03
1995-96	2,635	4,757	0.04	0.07
1996-97	3,841	8,598	0.06	0.13
1997-98	5,719	14,317	0.12	0.25
1998-99	18,678	32,995	0.33	0.58
1999-00	81,780	1,14,775	1.36	1.94
2000-01	1,49,050	2,63,825	2.88	4.82
2001-02	1,97,653	4,61,478	5.45	10.27
2002-03	2,55,882	7,17,360	10.22	20.49
2003-04	3,61,731	10,79,091	18.56	39.05
2004-05	5,39,365	16,18,456	29.94	68.99
2005-06	6,20,109	22,38,565	44.99	113.98
2006-07	11,05,749	-	65.70	179.68
2007-08	12,27,770	-	88.49	268.17
2008-09	16,09,586	-	122.54	390.71
2009-10	15,86,822	-	144.53	535.24
2010-11	11,96,134	-	145.48	680.72
2011-12	9,23,000	-	165.34	846.06

Source: Compiled from NABARD Annual Reports and NABARD publications, Progress of SHG-Bank Linkage in India and Status of Microfinance in India.

Note: From 2006-07 onwards, data on number of SHGs financed by banks and bank loans are inclusive of existing groups receiving repeat loans. Owing to this change, NABARD discontinued the publication of data on a cumulative basis from 2006-07.

The annual progress of the SBLP during the period under review is provided in Table 2 and aspects of growth and performance in subsequent sections.

TABLE 2 – GROWTH AND PERFORMANCE OF SELF-HELP GROUP BANK LINKAGE PROGRAMME

Table 2 (a) – No. of SHGs having savings with banks											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
					26,30,510	41,60,584	50,09,794	61,21,147	69,53,250	74,61,946	79,60,349
Table 2 (b) – No. of SHGs receiving loans during the year											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1,49,040	1,97,653	2,55,882	3,61,731	5,39,365	6,20,109	11,05,749	12,27,770	16,09,586	15,86,822	11,96,134	11,47,878
Of which repeat loans (%)											
	21	40	47	48	56						
Of which under SGSY (%)											
						17	20	16	17	20	18
Table 2 (c) – No. of SHGs credit linked with banks (cumulative)											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
2,63,825	4,61,478	7,17,360	10,79,091	16,18,456	22,38,565						
Table 2 (d) – No. of SHGs with outstanding loans											
						28,94,505	36,25,941	42,24,338	48,51,356	47,86,763	43,54,442
Of which under SGSY (%)											
						24	25	23	26	27	28
Table 2 (e) - Increase / decrease in no. of SHGs with loan outstanding											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
						6,86,408	7,00,968	5,98,397	6,27,018	-64,593	-43,232
Table 2 (f) – Savings of SHGs with banks (Rs billion)											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
					23.9	35.12	37.85	55.46	61.99	70.16	79.60
Table 2 (g) – Volume of loans disbursed to SHGs during the year (Rs billion)											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
2.88	5.45	10.22	18.55	29.94	44.99	65.70	88.49	122.54	144.53	145.48	165.34
Of which under SGSY (%)											
						21	21	16	15	17	16
Table 2 (h) – Amount of credit disbursed to SHGs (cumulative) (Rs billion)											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
4.81	10.26	20.49	39.05	68.99	113.98	179.68	268.17	390.71	535.2	680.72	846.06
Table 2 (i) – Bank loans outstanding with SHGs (Rs billion)											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
				42.05		123.66	169.99	226.79	280.38	312.21	363.40
Of which under SGSY (%)											
						26	28	26	22	25	22
Table 2 (j) – Average loan disbursed per SHG during the year (Rs)											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
19,256	27,574	39,940	51,281	55,510	72,552	59,417	72,074	76,125	91,081	1,21,637	1,44,046
Table 2 (k) – Average loan outstanding per SHG (Rs)											
2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
							46,884	53,689	57,795	65,224	83,455

Source: Compiled from NABARD Annual Reports and NABARD publications, Progress of SHG-Bank Linkage in India and Status of Microfinance in India.

The SBLP was the major element in the movement to provide bank credit to unbanked poor households through SHGs in India. Starting with a small number of 620 SHGs linked during the first two years, 1992-93 and 1993-94, SBLP, according to NABARD data, had disbursed credit to over 2.23 million SHGs cumulatively by March 2006 (Table 1) and as on 31 March 2012 over 4.35 million SHGs had outstanding loans (Table 2). SHGs with savings accounts with banks numbered over 7.96 million as on March 2012. Accordingly, SBLP enjoys the status of the leading microfinance programme of the world. Though slow to take off, the growth of SBLP accelerated from 1999 and targets of outreach (such as credit linking one million SHGs by 2008) were easily exceeded.

CREDIT LINKAGE

Though SHG-bank linkage is a savings –led and savings-linked programme, the main thrust of the SBLP has been in the provision of microcredit. According to NABARD data as on 31 March 1996, following the mainstreaming of the pilot programme, the number of SHGs that had been credit linked had risen to 4,757 with an estimated 80,000 members. By March 1999, the cumulative number of SHGs credit linked had increased nearly sevenfold to almost 33,000 and further nearly eightfold in the next two years with the figure standing at 2,63,825 by March 2001.

Table 2 gives data on the performance of SHG-bank linkage over the period 2011-12. It will be observed that the spectacular early phase of SHG growth in the 1990s was sustained over the next five years, 2001-05, as well with a similar over six fold increase in the cumulative number of credit-linkeSHGs taking place by March 2005 to reach nearly 1.62 million. The rate of growth of cumulative bank loans disbursed followed a similar pattern, with even higher increases in rates of growth. This involved a doubling every year of the bank loan disbursed to SHGs over three years until 2003-04 and a 75% increase in the following year to reach a cumulative figure of nearly Rs 69 billion by March 2005.

With regard to the number of SHGs credit-linked annually, the figure rose from 1, 49,040 during 2000-01 to 11, 47,878 during the year 2011-12. The bank loan disbursed during the year went up more than 10 times from Rs 2.88 billion in 2000-01 to Rs 165.34 billion during 2011-12. Similarly, the average loan size per SHG increased from Rs 19,256 in 2000-01 to over Rs 1,44,046 during 2011-12.

CONCLUSION

SBLP has several positive features, though it faces several challenges for its continued growth and development. SHGs have been an important means of bringing some financial services to poor sections of the rural population. The programme has brought millions of poor into contact with mainstream banking, and 80% to 90% of SHG members are women. There is a consensus that by joining SHGs, saving regularly and availing loans, women members have been able to reduce their dependence

on moneylenders and have realised empowerment benefits and also modest economic benefits. Besides, the programme has shown impressive rates of loan recovery by banks at well over 90%, which is higher than recoveries under other components of their loan portfolio. However, in recent years these levels of performance are being found to be difficult to sustain.

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