

Financing SHGs – Commercial Banks Public vis-a-vis Private

Management

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ABSTRACT

The SHG movement is fast picking up in India. The required impetus is provided by the NABARD through various commercial banks both public and private. Coupled with this is the support provided by various state governments. In India, the major microfinanciers are the banks particularly commercial banks. Keeping in view the importance of the SHG movement in socio-economic development of the people, it is essential to strengthen the role of banks in this microfinance movement.

KEYWORDS:

SHG, Microfinance, Commercial Banks, NABARD, Loans

INTRODUCTION

During the last few years NABARD's "SHG-Bank Linkage Programme" aimed at connecting self-help groups of poor people with banks, has, in fact, created the largest microfinance network in the world. The self-help group approach has won enthusiastic supporters among influential policymakers.

The Self Help Group (SHG)-Bank Linkage Programme in the past eighteen years, has become a well known tool for bankers, developmental agencies and even for corporate houses. SHGs, in many ways, have gone beyond the means of delivering the financial services as a channel and turned out to be focal point for purveying various services to the poor. The programme, over a period, has become a common vehicle in the development process, converging important development programmes. With the small beginning as Pilot Programme launched by NABARD by linking 255 SHGs with banks in 1992, the programme has reached to linking of 69.53 lakh saving-linked SHGs and 48.51 lakh credit-linked SHGs and thus about 9.7 crore households are covered under the programme, envisaging synthesis of formal financial system and informal sector. The total number of SHGs having loans outstanding as on 31 March 2010: 48.51 lakh with an estimated number of families covered at 97 million. The total savings amount of SHGs with banks as on 31 March 2010 are estimated at 6198.71 crore with the amount of loan outstanding was estimated at Rs.28038.28 crore.

The major role played by the banks both public and private sector needs to be appreciated. The NABARD's refinance further strengthened the banks in providing able and sufficient support to the selfhelp groups.

LITERATURE REVIEW

J.C. Mishra, R. S. Thanvi in Indian Banking system and Microfinance" found that the banks are providing access to credit to more than 110 lakh families through more than 25,000 participating branches.¹

Girija Srinivasan and P Satish, in their study "Networking for Microcredit delivery" observed that in the viability of the rural banking system the transaction costs can be reduced by banks only through the model of Self Help Groups.²

Dr.Amrit Patel, in "Micro credit and role of banks: Need for initiatives and commitments", observed that the SHG – bank linkage resulted in benefit to many people which has grown more than 5 times from 1997 till the end of 2001³

Dr. A.R.Patel - 'Micro finance and Micro finance institutions', examined that the banks' commitment towards micro finance operations are growing by 30% a year and repayment rates are as high as 97 per cent in many parts of the world⁴

Anil K.Khandelwal observed that because of expansion of banks in their activities in India the micro finance activities have grown to new heights⁵

OBJECTIVES

The main objective of this paper is to study the role of commercial banks public vis-a-vis private in financing the self help groups. for the period 2001-02 to 2012-13

HYPOTHESES

Ho The Bank sectoral differences in SHG-Bank linkage are statistically not significant.

Ho Bank sectoral differences in Bank loans to SHGs is not statistically significant.

METHODOLOGY

The study is based on the secondary data collected from different annual publications of NABARD. The data is analysed with the help of statistical tool - ANOVA.,

ANALYSIS

Table -1 Bank Sectoral Difference in SHG-Bank Linkage:

Source of Variation	Sum of Squares	d.f.	Mean Squares	F
Between Bank Sectors	1.54112E+12	3	5.13707E+11	11.00**
Within Bank Sectors	2.22283E+12	48	46308998241	
Total	3.76395E+12	51		

** Significant at 5 percent level

Table 2 Bank Sectoral Differences in Loans to SHGs:

Source of Variation	Sum of Squares	d.f.	Mean Squares	F
Between Bank Sectors	1.74E+08	3	58004668	5.00**
Within Bank Sectors	4.42E+08	44	10046789	
Total	6.16E+08	47		

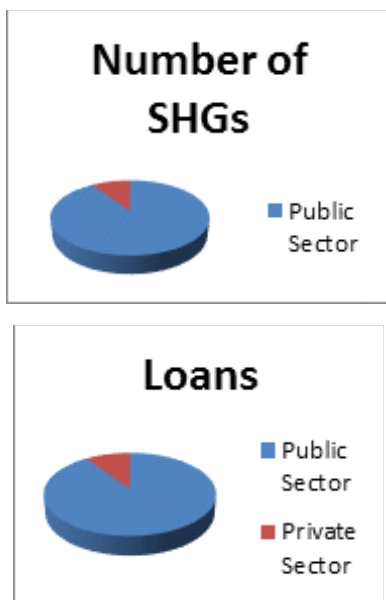
** Not Significant at 5 percent level

The percentage share of Public sector commercial banks is 97.97 in SHGs linkage and 94.94 in loan disbursement. In the last year of reference period, the corresponding share of the public sector banks were 90.50 and 90.33. Throughout the study period it can be seen that the role of public sector commercial banks continued to lead over the private sector commercial bank's marginal share.

F-test results reveal that there are statistically significant differences between and within bank sectors as to SHGs linkage at 5 per cent

level. The null hypothesis is rejected. But the differences between and within bank sectors are not significant as to their loans to SHGs. The null hypothesis is accepted.

Pie Diagram: Shares of Public Sector and Private Sector Banks in Number of SHGs and Loans to SHGs in 2012-13:



CONCLUSION

From the above analysis it can be concluded that the share of public sector commercial banks remained higher both in terms of number of SHGs linked and loans to SHGs than the private sector commercial banks.

REFERENCES

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