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MICROFINANCE IN INDIA AND TELANGANA: A COMPARATIVE STUDY

Economics

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ABSTRACT

Microfinance is a way in which loans, credit, insurance, access to savings accounts, and money transfers are provided to small business owners and entrepreneurs in the underdeveloped parts of India. Almost half of the population of our country does not have a basic savings account. However, this segment requires financial services so that their aspirations such as building of assets and protection against risk can be fulfilled. The main Objective is to study the concept of microfinance and study the importance and Role of Microfinance in India especially in Telangana. In the context of necessity of credit for the growth of Microfinance, an attempt is made in this paper to study the role of Microfinance in India and Telangana.

KEYWORDS

Microfinance, Self Help Groups, Banking Linages,

INTRODUCTION

Microfinance plays a significant role in the economic development of developing countries and provides saving and investment support to the poor around the world. Microfinance is the revolution that started, Bangladesh in 1976, followed by many developing nations of the world. Microfinance or Microcredit is the financial services provided to the economically poor. This strategy is implemented on a large scale by multiple competing and financially self-sufficient institutions. Microfinance refers to small-scale financial services primarily, credit and savings provided to the people: who farm or fish or herd; who operates small enterprises or micro-enterprises where goods are produced, recycled, repaired, or sold; who provide services; who work for wages or commissions; who gain income from renting out a small amount of land, vehicles, draft animals or machinery and tools to other individuals and group at the local level of the developing countries both rural and urban. Savings services are rarely accessible through the formal financial sector. However, credit is widely available from informal commercial moneylenders but typically at a very high cost to poor borrowers. Microfinance is widely delivered small-scale financial services at the local level is too high for non-subsidized institutions that the informal financial market satisfies the demand. In this context the non-government organizations (NGOs) and other Non- banking financial institutions (NBFIs) led the way to developed appropriate credit methodologies for low-income borrowers with and exception that these institutions can operate only on a small scale.

Poverty contains many anomalies forms and causes multiple norms. Sufferings from lack of food and water, unemployment or underemployment, disease, abuse, homelessness, degradation, and disenfranchisement are its many forms. The results include physical, mental, emotional disability, limited skills and education, low self-esteem, lack-off self-confidence, fear, resentment, aggression, and truncated vision. According to Noble Prize Winner Amartya Sen (1981, p.71)[1], poverty must be seen as the deprivation of basic capabilities rather than merely as low as income.

However, poverty may include two categories first economically poor, and the second extremely poor. The distinction between these two categories is useful in the planning and implementing of effective strategies for overcoming poverty. The delineation of the official poverty line, defined by consumption or by a basket of goods can be a useful tool for government and donors in making a decision and in planning long-term development strategies. But the poverty line concept is not directly relevant for microfinance. It considers a secure sustainable, convenient, and appropriately designed financial service.

The World Bank made three estimates last year of the number of new poor added by COVID-19. In April 2020, it forecasted that global poverty will go up by around 49 million, with Sub-Saharan Africa being the worst-hit region. In June 2020, it said 71 million-100 million people will enter poverty and added India to the areas to be majorly impacted by the financial crisis. In October last year, they revised their estimate to 88-115 million people, with most from South Asian countries. It said that the growth in extreme poverty might not be reversed this year despite the availability of vaccines. In fact, the estimated number of pandemic-induced poor will rise to 143 million-163 million this year. (Down to Earth 2021)[2].

Global extreme poverty rose in 2020 for the first time in over 20 years as the disruption of the COVID-19 pandemic compounded the forces of conflict and climate change, which were already slowing poverty reduction progress. About 100 million additional people are living in poverty as a result of the pandemic. In 2018, four out of five people below the international poverty line lived in rural areas. There is no silver bullet to ending poverty, and strategies to reach the least well-off must be tailored to each country's context, taking into account the latest data and analysis and the needs of the people. How the world responds to these major challenges today will have a direct bearing on whether the current reversals in global poverty reduction can be turned around. The immediate highest priorities everywhere must be saving lives and restoring livelihoods. Some of the policies needed to achieve this are already in place, such as social protection systems. For example, efforts are well underway in Brazil and Indonesia to expand existing cash transfer programs. While addressing COVID-19 is crucial, countries should continue to enact solutions to the ongoing obstacles to poverty reduction. (World Bank 2020)[3].

Microfinance is not just about giving microcredit to the poor, but it is a tool whose objective is to assist the poor to work out a way out of poverty. It covers a wide range of services like credit, savings, insurance, remittance, and non-financial services like training, counseling, etc. However, this should not read as "end of the story". Financial inclusion of all or at least most poor people in India is still far from reality. Sinha (2007)[4] finds that only about 1 out of 3 poor Indians are financially included, noting that this estimate is rather on the high side. As financial inclusion is emerging as a key policy objective in the country. Microfinance is playing a pivotal role in extending financial services to unbanked sections of the population. The 1980s was the turning point in the history of microfinance Grameen Bank, and Bank Rakyat Indonesia brought small loans, and savings have given profitably. Thus, creating widespread interest in the area (Sengupta and Aubuchon, 2008)[5]. South Asian microfinance is renowned for its depth of outreach and poverty focus on Indian and Sri Lankan Microfinance Institutions (MFIs) that serve the smallest loan balances (World Bank, 2006a; 2006b)[6].

It has been recognized and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor, mainly empowering women. Experiences of different anti-poverty and other welfare programs within and outside the country and International Organisations have shown that the key to success lies in the evolution and participation of community-based organizations at the grassroots level. People's participation in credit delivery and recovery and linking formal credit institutions to borrowers through a group approach is recognized as a supplementary mechanism for providing credit support to the rural poor. The Eleventh Five-year Plan aims at inclusive growth and faster reduction of poverty. Micro Finance can contribute immensely to the financial inclusion of the poor, without which it will be difficult for them to come out of the vicious cycle of poverty.

According to the records of the World Bank, India falls under the low-income class. It is the second-populous country in the world. About 70 percent of its population lives in rural areas. About 60 percent of people depend on agriculture; as a result, the rate of underemployment is high. Rural people have low access to institutionalized credit (from a commercial bank). Since the 1990s, poverty reduction has taken priority at both national and international development levels. Within this framework, various initiatives have been taken by the government. Microfinance has caught the attention as an effective tool for poverty reduction and socio-economic development. Hence, Microfinance can play a vital role in improving the standard of living of the poor.

In India, the beginning of the microfinance movement could be traced by the Self Help Group (SHG) – Bank Linkage Programme (SBLP) started as a pilot project in 1992 by NABARD. This program proved to be very successful and has also developed as the most popular model of microfinance in India. The regulatory framework for microfinance in India is not unified. Microfinance provided by commercial banks, Regional Rural Banks (RRBs), the SHG's, cooperative societies, and institutions (MFIs) that take various forms, including those of NGO's and Non-Bank Financial Institutions (NBFI's). Banks and NBFI's are governed by the Reserve Bank of India (RBI), SHGs are regulated by NABARD, and the cooperatives are governed by the Registrar of Cooperative Societies (RCS), etc.

The Government of India has started various programmers and schemes in the area of microfinance. The important programmers are SGSY (1999) and NABARD's SBLP (1992) use the SHGs approach. Other initiatives by the government include IMY, Swa-Shakti, DWCRA, CAPART, SJSRY, IFAD, Swayamsiddha, RMK, etc. All these programs are aimed at reduction of poverty and improving the living condition of rural poor with the help of economic activities. Microcredit offers access to financial resources to the poorest of the poor in the rural areas. It allows people to undertake self-employment activities or venture into small businesses without depending on money-lenders who demand exorbitant interest rates.

OBJECTIVE

1. To study the concept of microfinance.
2. To study the importance and Role of Microfinance in India especially in Telangana

Need of the Study

The need for microfinance arises because rural India requires sources of finance for poverty alleviation, procurement of agricultural and farms input. Microfinance is a program to support the poor rural people to pay their debt and maintain social and economic status in the villages. As we know that India is an agriculture-based economy so microfinance may be a tool to empower the farmers and rural peoples to make agriculture profitable. So the researchers are interested to find out the scopes of microfinance in rural India.

Research Methodology

This is a descriptive research paper based on secondary data. Data have been collected through the book, various websites, Magazines, Newspapers, and publications of recent research papers available on different websites, Research Articles, Research journals, E-journals, RBI Reports, Reports of NABARD, etc.

Evolution of Microfinance in India

The evolution of the Indian Microfinance sector can be broadly divided into four distinct phases:

Phase 1: Cooperative Banking (the 1960s - 1990)

The first phase started in the pre-independence days. The role prescribed for the financial sector to achieve developmental goals has its origins during that period. The agriculture credit department was set up in 1935 by the Reserve Bank of India to promote rural credit. In its early days, the government sought to promote rural credit by strengthening cooperative institutions. According to Sa-Dhan (2004)[7], there is a need to substitute informal credit with institutional credit. The All India Rural Credit Survey report of 1954 found that informal sources accounted for 70 percent of rural credit usage, followed by cooperatives (6.4 percent) and commercial banks (0.9 percent). (Arpita Amarnani, 2010)[8].

Phase 2: Subsidized Social Banking (the 1960s - 1990).

With the failure of cooperatives, the government focused on measures such as nationalization of Banks, expansion of rural branch networks, the establishment of Regional Rural Banks (RRBs), and the setting up of apex institutions such as the National Bank for Agriculture and Rural Development (NABARD) and the Small Scale Industries Development Bank of India (SIDBI), including initiation of a government-sponsored Integrated Rural Development Programme (IRDP). While these steps led to reaching a large population, the period was characterized by large-scale misuse of credit, creating a negative perception about the credibility of micro borrowers among bankers, thus further hindering access to banking services for low-income people.

Phase 3: SHG-Bank Linkage Program and Growth of NGO-MFIs (1990 - 2000).

The failure of subsidized social banking triggered a paradigm shift in the delivery of rural credit with NABARD initiating the Self Help Group (SHG) Bank Linkage Programme (SBLP), aiming to link informal women's groups to formal banks. The program helped increase banking system outreach to otherwise unreached people and initiate a change in the bank's outlook towards low-income families from 'beneficiaries' to 'customers'. This period was thus marked by the extension of credit at market rates. The model generated a lot of interest among newly emerging Microfinance Institutions (MFIs), largely of nonprofit origin, to collaborate with NABARD under this program. The macroeconomic crisis in the early 1990s that led to the introduction of the Economic Reforms of 1991 resulted in greater autonomy to the financial sector. This also led to the emergence of new generation private sector banks that would become important players in the microfinance sector.

Phase 4: Commercialization of Microfinance

Rural markets emerged as the new growth drivers for MFIs and banks in the First Decade of the New Millennium Post reforms. The latter took interest in the sector as part of their corporate social responsibility but as a new business line. On the demand side, NGO-MFIs increasingly began transforming themselves into more regulated legal entities such as Non-Banking Finance Companies (NBFCs) to attract commercial investment. The microfinance sector as it exists today essentially consists of two predominant delivery models SBLP and MFIs. Four out of five microfinance clients in India are women (Sharif Mohd, 2018)[9].

SHG Bank Linkage Programme in Telangana and India

It is in this backdrop that microfinance emerged in India. The Self-Help Group (SHG)-Bank Linkage Program (SBLP) was launched in 1992 on a pilot basis soon grew significantly. As per the latest estimates, SHGs enable 97 million poor households' access to sustainable financial services from the banking system and have an outstanding institutional credit exceeding Rs. 31,200 Crore as at the end March 2011. SBLP is measured to be the fastest-growing microfinance initiative in the world. The other model of microfinance, that is the MFI model comprising of various entities, such as non-banking financial companies (NBFCs), non-governmental organizations (NGOs), trusts, cooperatives, etc. have also been growing significantly in the recent years.

The SHG-BLP had a modest beginning in 1992-93 with 255 credit-linked groups and a loan amount of Rs. 29 lakh. Since the program has grown exponentially. SHGs have emerged as a mass movement across the country and the largest community-based microfinance model in the world. Table-1 shows that as per the NABARD microfinance report, as of March 2019, more than 1 Crore SHGs have savings accounts in banks, with an aggregate bank savings amount of Rs. 23,32,448 lakhs is from the Telangana account from the form the total saving amount of Rs 304,377.08. Out of total loan disbursement of Rs 9,55,583.70, the loan sanction in Telangana is Rs 50,77,332 lakh by SHGs have active bank loans, with total loans outstanding of Rs. 87,09,815 lakhs out of Rs 15,40,719.18 from all over India. However, there remain regional disparities in the growth of the SHG movement, with limited progress. Following are the details of the SHG Bank Linkage Programme in India and Telangana as of March 2019.

Table-1 SHG Bank Linkage Programme in Telangana and India

S.No	Particulars	India	Telangana
1	Number of SHGs	5,68,756	1,00,14,243
2	Savings amount (Rs. in lakhs)	304,377.08	23,32,448.15
3	Average Idle Funds in a SHG SB account (in Rs.)	53,516	23,291

4	% of Idle funds to loans outstanding 19.76 26.78	19.76	26.78
5	No. of SHGs that got a linkage during the year	3,36,640	26,98,400
6	Amount disbursed during the year (Rs. in lakhs)	9,55,583.70	58,31,762.88
7	Average loan size per	2,83,859	2,16,119
8	Number of SHGs have loan outstanding	5,70,911	50,77,332
9	9 Loans outstanding (Rs. in lakhs)	15,40,719.18	87,09,815.43
10	% of SHGs having loans	100.38	50.7
11	Average loan outstanding per SHG (in Rs)	269,870	171,543
12	% of Non- Performing Assets (NPA)	2.8	5.19

Source: NABARD, 2019

Table 2 presented progress under the MFI-Bank linkages program. The number of MFIs availing loans from banks during 2007-21, decreased over the respective previous year. The number of MFIs availing loans from the banks during 2007-21 increased by 26 percent over 2012-13. However, there is a substantial decrease in the number of MFIs availing loans from banks during 2019-20 and 2020-21 over the previous year it decreases from 10.08 percent to -81.66 percent. The total loans to MFIs by banks increased during 2012-13, 2013-14, 2014-15, and 2015-16 over the previous year. It increased by about 50.6, 31.2, 47.7, and 36.9 percent. The total loans to MFIs by banks decreased during 2016-17 by 7.2 percent over the previous year. The loan outstanding against MFIs increased all the subsequent years over their previous years. It increased by 13.7 and 14.3 percent in 2015-16 and 2016-17 over the previous year. The fresh loan as a percentage to loan outstanding has been increased all the subsequent years over the previous year from 2007-08 to 2016-2017. Thus it is clear that MFIs gaining the confidence of clients as well as with the lending institutions. But in the year 2019-20 and 2020-21 the loan outstanding was declined, it might be due to the effect of the Covid-19 paradigm.

Table 2 : Progress under MFI-bank linkage Programme (In bracket growth rate was given) (Amount in Crore)

Year	Particular					
	Loan Disbursed by Banks/FI to MFIs		Loan O/S against MFIs on 31st March		Fresh Loans as % to loans O/S	
	No. of MFIs	Amount	No. of MFIs	Amount	No. of MFIs	Amount
2006-07	334 (55.1)	1151.56 (71.1)	550 (101.6)	2748.84 (73.5)	--	--
2007-08	518 (12.2%)	1970.15 (89.4%)	1109 (72.7%)	2748.84 (82.2%	--	--
2008-09	581 (12.2%)	3732.33 (89.4%)	19.15 (72.7%)	5009.9 (82.2%)	329.6	134.2
2009-10	691 (18.9%)	8062.74 (116.0%)	1513 (-21.0%)	10147.54 (102.6%)	219.0	125.8
2010-11	471 (-31.8%)	8448/96 (4.8%)	2315 (53%)	13730.62 (35.3%)	491.5	162.5
2011-12	465 (-1.3%)	5205.29 (-38.39%	1960 (-15.3%)	11450.35 (-16.6%)	--	219.98
2012-13	426 (-8.4%)	7839.51 (50.6%)	2042 (4.2%)	14425.84 (26%)	--	184.01
2013-14	545 (27.9%)	10282.49 (31.16%)	2422 (18.6%)	16517.43 (14.5%)	--	160.64
2014-15	589 (8.075)	15190.13 (47.73%)	4662 (92.49%)	22500.46 (36.22%)	--	148.13
2015-16	647 (9.85%)	20795.57 (36.90%)	2020 (-56.67%)	25580.84 (13.69%)	--	123.00
2016-17	2314 (257.65%)	19304.38	5357 (165.20%)	29225.45 (14.25%)	--	--
2017-18	1922 (-16.94%)	25515.23	5073 (-5.30%)	32305.92 (10.54%)	--	--
2018-19	8750 (355.25%)	2685208	34982 (589.57%)	27158.51 (-15.93%)	--	--
2019-20	20744 (137.07%)	2715851	52288 (49.47%)	29896.67 (10.08%)	--	--
2020-21	28601 (37.88)	2715851	61259 (17.16%)	2494.04 (-91.66%)	--	--

Sources :-This Status of Microfinance in India 2006-2007 to 2020-2021, National Bank for Agriculture and Rural Development, Head Office : Plot No. C – 24, G Block, Bandra Kurla Complex,Bandra (East), Mumbai – 400051, India.

SHGs Member Social Category Wise

Caste is an important social factor in our society, which has a lot of socio-economic and political implications. Hence, the caste-wise distribution of SHG members was considered important for this study. For this, well-recognized caste groups like Scheduled Caste, Scheduled Tribe, minority, and other caste groups were taken into account. The caste-wise distribution of SHG members was worked out which is presented in Table-3 below (A Report on "Sustainability of Old Self Help Groups in Telangana", NABARD, 2020).

Table -3: SHGs Member Social Category -Wise

Category -Wise Member	India	Telangana	Percent
Total number of SGHs	6974305	407607	5.84
SC	16889670	912786	5.4
ST	553122	568199	103
Minority	5944071	00	0
Others	43224866	2810931	6.5
Total member	76611729	4291916	5.6

Source : https://nrlm.gov.in/shgReport.do?methodName=showPage

The total number of SGHs in India is 69744305 lakhs in which Telangana had 407607 lakhs of SGHs which counts to overall 6 percent of self-help groups (SGHs) are working in Telangana state. In India Overall, 5.2 percent of members belonged to SC, and 103 percent of ST caste groups, about 6.5 percent to other caste groups. The minority community has not registered its presence in the membership from Telangana. The above distinctions appear to be the product of the SHGs policy of the SGSY program. In this case, the SHG members must come from the list of below poverty line (BPL) families, and the minimum percentage of SC, ST together is more than 100 percent. This means that SGHs are helping the weaker section of the society in improving their living standard.

Savings of SHGs with Banks in India and Telangana

A small group of poor people who voluntarily associate in SHG is preferably from the same socio-economic background. They associate together to solve their common problems through self-help and mutual help. The SHGs promote small savings among their members. The savings are kept with a bank. This common fund is in the name of the SHGs. Usually, the number of members in one SHG does not exceed 20. The SHGs comprise very poor people who do not have access to formal financial institutions. They act as the forum for the members to provide space and support to each other. It also enables the members to learn and cooperate and work in a group.

SHGs provide a savings mechanism, which suits the needs of the members. It also provides a cost-effective delivery mechanism for a small credit to its members. Members of SHGs save equal amounts as decided in their groups. Once the link-minded members come together, they open an account in their bank or post office in the group's name. The group authorizes any of the members, elected as group leaders to operate the group account. Savings is a good entry point and a requisite force for poor women. They view their future in their savings, the savings which meet their immediate needs, and also provide security for their old age. The meager savings of an individual may not be sufficient to meet the needs but all the savings of the group's members put together can be of great help to one or two members of the group. SHG, the credit operations start at the end of the first month itself where the members pool together their savings and sanction loans to needy members. Every group will have its own set of rules and regulations like the amount of savings by members, the interest rate on savings, which loans are to be prioritized, interest on loans, and penal interest on defaulted amount.

In the table, The savings of SHGs with the banking sector during the year 31 March 2010 to 31 March 2021 are shown in Table-4. The cumulative amount of savings of SHGs with the banking sector increased to Rs. 1,12,234.00 lakh with the saving bank accounts of 3747761.37 lakh SHGs on 31 March 2021 from Rs. 6953250 lakh with the saving bank accounts of 3747761.37 lakh SHGs on 31 March 2010.

Commercial banks (both public and private sector commercial banks) lead in savings and saving accounts. As of 31 March 2010, the cumulative amount of savings of SHGs with the commercial banks is Rs. 4052915 lakh with saving accounts of 367389.24 lakh SHGs, followed by Regional rural banks having the savings of Rs 1,82,0870 lakh with saving accounts 1,29,937.49 lakh SHGs and Co-operative banks having the savings of Rs1,079465 lakhs with saving bank accounts of 1,22,544.16 lakh SHGs. As of 31 March 2021, the savings of SHGs with commercial banks has stood Rs 61,28,387 lakh with savings accounts of 22,59,633.00 lakh SHGs, followed by Regional rural banks having savings of Rs 3,59,6731 lakh with savings accounts of Rs 9,51,168.40 lakh SHGs.

Table-4 Microfinance - Savings of SHGs Agency-wise position In India – 2019 & 2018 (Amount lakh)

	Commercial Banks		Regional Rural Banks		Cooperative Banks		Total	
	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount
31 March 2010	4052915	367389.24	1820870	129937.49	1079465	122544.16	6953250	619870.89
31 March 2011	4323473	423006.42	1983397	143539.67	1155076	135084.19	7461946	701630.28
31 March 2012	4618086	415298.04	2127368	130013.93	1214895	109829.49	7960349	655141.45
31 March 2013	4076986	553257.05	2038008	152710.20	1202557	115758.22	7317551	821725.47
31 March 2014	4022810	663145.63	2111760	195985.73	1294930	130610.18	7429500	989741.54
31 March 2015	4135821	663067.47	2161315	234657.37	1400333	208259.23	7697469	1105984.07
31 March 2016	4140111	903388.77	2256811	248428.1	1506080	217322.11	7903002	1369139.01
31 March 2017	4444428	1017002.46	2586318	363176.15	15461.29	231244.03	8576875	1611422.64
31 March 2018	4633712	1166422.45	2807744	580735.20	1302981	212053.87	8744437	1959211.52
31 March 2019	5476914	1324023.23	3078473	769201.27	1458856	239223.65	10014243	2332448.15
31 March 2020	5473833	1566217.93	3261879	781127.17	1507611	267859.79	10243323	2615204.89
31 March 2021	6128387	2259633.00	3596731	951168.40	1498282	536959.92	11223400	3747761.37

Source: Compiled from various issues Status of Micro Finance in India, from 2009-10 to 2020-21, NABARD.

Table-5 shows the savings of SHGs with the banking sector during the period between 31 March 2010 and 31 March 2021 in this for the year 31 march 2010 to31 March 2013 we took the data of Andhra Pradesh including Telangana as Telangana state was from on 2nd of June 2014. The growth of the increasing number of SHGs has been 1,25,528.98 lakhs on 31 March 2010 this raised to 4,32,455.62 lakhs on 31 March 2021. The growth of increasing amount of Commercial savings with SHGs banks on 31 March 2010 was 97,455.56 lakhs in, this increases to 153667.41 lakhs on 31 March 2021. The growth of Regional Rural savings bank accounts of 26,154.09 lakhs SHGs. in 2007-08 which increases 31 March 2021to 275185.98 lakhs. However, the growth of Cooperative savings bank accounts of 1,919.33 lakhs SHGs. in 2007-08 increases 31 March 2021to 3,602.23.98 lakhs. This reveals that the growth of SGHs continues to process its go on changing.

Table-5: Microfinance - Savings of SHGs Agency-wise position In Telangana – 2019 & 2018 (Amount in Lakhs)

Year	Commercial Banks		Regional Rural Banks		Cooperative Banks		Total	
	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount
31 March 2010	1025638	97455.56	395965	26154.09	26613	1919.33	1448216	125528.98
31 March 2011	1041184	101288.99	401730	27543.00	23311	1948.23	1466225	130780.22
31 March 2012	1062591	114991.38	405904	31827.84	27409	2196.34	1495904	149015.56
31 March 2013	1000156	222038.30	404600	30082.34	16637	2058.59	1421393	254179.23
31 March 2014	987881	299537.69	405420	46368.19	25375	4056.30	1418676	349962.18
31 March 2015	319139	71911.59	181907	20732.88	10138	6116.53	511184	98761.00
31 March 2016	337576	122930.49	194498	21634.46	10201	4565.14	542275	149130.09
31 March 2017	355568	122427.34	269940	35640.55	7273	1214.29	632781	159282.18
31 March 2018	231814	93863.39	275549	169373.80	10454	1431.89	517817	264669.08
31 March 2019	279107	102804.03	279009	199456.58	10640	2116.47	568756	304377.08
31 March 2020	263737	117988.11	293716	211036.88	11647	3460.97	569100	332485.96
31 March 2021	394891	153667.41	323189	275185.98	10938	3602.23	729018	432455.62

Source: Compiled from various issues Status of Micro Finance in India, from 2009-10 to 2020-21, NABARD

Bank Loans Disbursed to SHGs in India and Telangana

SHG –Bank linkage program has emerged as the major microfinance program in India. Allowing poor households to gain access to microfinance facilities from the formal banking system. With time, it has become an accepted part of rural finance and a potential tool for inclusive finance and human development. The strategy under this program includes financing of SHGs promoted by external organizers like NGOs, bankers, socially spirited individuals, and government agencies. Promotion of SHGs by banks themselves and financing SHGs directly by banks or indirectly where NGOs and similar organizations act as financial intermediaries as well. The following table shows the number of loans disbursed to SHGs from 2009-10 to 2020-21.

Table – 6 shows the growth of bank loans disabused to SGHs during 2009 – 10 to 2020 – 21. The growth of loan amount per SGH during 2009 – 10 is 14, 45,330.36 cores which decline to 58, 07,067.81 cores in 2020-21. In the year 2020-21 loan disbursement is decline bit might be due to the Covid-19 paradigm. Due to Covid- 19, all most all the sector of the economy is affected. The amount of loans to SHGs has been fluctuating during the period of study.

Table-6: Bank Loans Microfinance - Loans disbursed Agency-wise position In India During the year - 2019 & 2018 (Amount in Lakhs)

Year	Commercial Banks		Regional Rural Banks		Cooperative Banks		Total	
	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount
2009-10	977521	978018.55	376797	333320.06	232504	133991.75	1586822	1445330.36
2010-11	669741	972455.27	296773	319761.59	229620	162556.33	1196134	1454773.19
2011-12	600807	994204.49	304809	502605.15	242262	156667.23	1147878	1653476.87
2012-13	735577	1338500.70	312010	562652.22	172234	157383.52	1219821	2058536.44
2013-14	767253	1603749.35	333420	628813.35	265748	169173.14	1366421	2401735.85
2014-15	855724	1733412.66	522139	772522.19	248375	252296.21	1626238	2758231.06

2015-16	1132281	2518497.23	470399	916492.88	229643	293699.98	1832323	3728690.09
2016-17	1116442	2429701.86	557540	1161300.40	224138	287113.38	1898120	3878115.54
2017-18	1272886	2870762.37	782563	1511933.55	205683	335891.69	2261132	4718587.61
2018-19	1512907	3449246.74	940818	1955264.43	244675	427251.71	2698400	5831762.88
2019-20	1796099	4843108.56	1093788	2423162.23	256115	499664.05	3146002	7765934.84
2020-21	1457333	2795251.00	1184775	2449430.11	245286	562386.70	2887394	5807067.81
Source: Compiled from various issues Status of Micro Finance in India, from 2009-10 to 2020-21, NABARD								

Table – 7 shows that during 2009-10 the loan amount of Rs. 488671.31 crores have been financed by banks to 401438 lakh SHGs. The amount of loans to SHGs has been continuously increased year by year. During 2020 - 21 Rs. 29, 45,36.39 crores have been disbursed by the banks as a loan to 99,530 Lakhs SHGs.it have been noted from the below table-7 that the number of SGHs as well as loan disbursement amount where drastically decline in the year 2020-2, this due to the effect of the Covid-19 paradigm which affects the economic growth of the world at large. Therefore it has been affected the growth of microfinance in India too.

Table -7 Bank Loans Microfinance - Loans disbursed Agency-wise position In Telangana during the year 2009-10 to2020-21

(Amount in Lakhs)

Year	Commercial Banks		Regional Rural Banks		Cooperative Banks		Total	
	No. of SHGs	Savings Amount (Rs. in Crores)	No. of SHGs	Savings Amount (Rs. in Crores)	No. of SHGs	Savings Amount (Rs. in Crores)	No. of SHGs	Savings Amount (Rs. in Crores)
2009-10	401438	488671.31	151521	170001.97	11130	11991.04	564089	670664.32
2010-11	266392	468557.22	89870	136045.33	9158	15316.32	367420	620918.97
2011-12	256040	538466.73	115843	265267.56	6643	13407.76	378526	817142.05
2012-13	330750	745307.35	148356	367713.47	5186	3419.24	484292	1116440.06
2013-14	342322	909310.05	153917	411622.39	8112	11549.48	504351	1332481.92
2014-15	144563	320265.92	114116	222142.81	2372	7052.99	261051	549461.72
2015-16	121294	325285.90	97757	262008.28	3251	10754.89	222302	598049.07
2016-17	111364	351019.87	151739	444519.82	2263	6518.36	265366	802058.05
2017-18	101358	315930.74	180856	482178.27	2364	9003.75	284578	807112.76
2018-19	119228	408673.95	214165	532409.34	3247	14500.41	336640	955583.70
2019-20	156064	608462.83	200090	521476.78	6888	29219.63	363042	1159159.24
2020-21	99530	294536.39	231543	438503.2	11728	48786.32	342801	781825.91
Source: Compiled from various issues Status of Micro Finance in India, from 2009-10 to 2020-21, NABARD								

CONCLUSION

SHG-Bank linkage program is developed in India to provide finance to the vast rural poor. In this program, the informal SHGs are credit-linked with the formal financial institutions. The SHG-Bank linkage program has emerged as a dominant and effective program for borrowers and loans outstanding in India. It is flexible, independent creating, and imparts freedom of savings and borrowing according to the heterogeneous needs and requirements of the group members. Through this program, the Reserve Bank of India and NABARD have tried to promote the existing relationship between the poor and the bankers with the social intermediation of the NGOs. The SHG-bank linkage program in India is rapidly expanding its outreach under the pioneering initiative of NABARD, the monitoring and supervision of RBI, and the promotional policies of the government of India. At the grass-root level, the program is being implemented by the commercial banks, co-operative banks, and the regional rural banks with government agencies. Today SHGs play a major role in poverty alleviation in rural India. SHGs have changed the life of many individuals or groups for the better. This is considered not only a tool for poverty alleviation but also has proved to be relevant in offering women the possibility to gradually break away from the exploitation and isolation in India. The SHG-Bank linkage program has provided a more favorable environment for enhancing India's potential for greater equitable growth with empowerment while considering the positive signs in their performance.

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