



**ORIGINAL RESEARCH PAPER**

**Economics**

**GROWTH OF SHGS AND EMPOWERMENT OF WOMEN**

**KEY WORDS:** Micro finance - Women Empowerment-Recovery performance - Non performing assists- Saving and Thrift

**D. Udaya Shanthi** Research Scholar Department of Economics S.V.University Tirupati-517502

**Prof. G. Savaraiah\*** M.A., Ph.D, Formar Principal, S.V.University of College Dean, Faculty of Arts Dept. of Economics, UGC Nominee, Advisory Board, KLE University, Belgaum, UGC Nominee, Board of Management, Siddartha Engineer College, Vijayawada,\*Corresponding Author

**ABSTRACT**

Micro finance through Self Help Group (SHG) has been recognized internationally as the modern tool to combat poverty and for rural development. Micro finance and SHGs are effective in reducing poverty, empowering women and creating awareness which finally results in sustainable development of the nation. Micro finance define as efforts to improve poor people's access to loans and saving services may be the fastest growing and most widely recognized anti-poverty too. Micro finance includes basic financial services including small loans, savings accounts, funds transfers and insurance. A long side non-financial service such as business training Micro finance assists people living in poverty who wouldn't usually qualify for regular banking services because they have no form of collateral or formal identification. An attempt is made here to examine the impact of the microfinance on the development of the Self-Help Groups in India. The total number of self-help groups which have maintained savings with banks is 100 lakhs during 2018-19 but only 26.98 lakhs i.e 26.95 percent of the SHGs have obtained credit from the financial institutions. Out of 74.62 lakh SHGs, only 11.96 lakhs i.e. 16.03 percent of the SHGs have got micro-credit from the institutional credit agencies during 2010-11. The above analysis indicates that the number of SHGs which got micro credit has increased from 16 percent to 27 percent i.e only 11 percentage points increased in 2018-19 over 2010-11. About 73 percent of the SHGs are out of the purview of the public financial institutions. Majority of the women members of SHGs are away from the institutional credit agencies. These marginalized women have to depend on informal financial services for their credit needs. So that the financial informal sector (mostly moneylenders) has continued to rule in the rural economy. There is a need to break the monopoly of door step availability of credit to these marginalized sections by the informal sources of credit. The credit needs of the women members have enormously increasing for the last two decades. The average loan disbursement per SHG has increased from Rs.1.22 lakhs during 2010-11 to Rs.2.16 lakhs during 2018-19. This is inadequate to meet the credit requirements of the members in the SHCs. Hence it should be made four to five times of the micro credit per SHGs. The bank loans are not regularly paid by the members of the SHGs. Hence, the amount of loan outstanding has continuously increased since 2010-11. It is evident from the fact that the average outstanding bank loans against SHGs shows higher level. The average outstanding per SHG has increased from Rs.65,224 during 2010-11 to Rs.171543 during 2018-19, shows two and half-fold increase. As a result of it the overall NPA rate in bank loan to SHGs is steadily increasing since 1910-11. However, the overall NPA rate in bank loan to SHG is 5.19 percent as on 31-03-2019 registering a fall of 93 basis points from the previous level of 6.12 percent. The above analysis reveals that the steady declining the rate of NPA is indicating the recovery of loans made of SHGs is improving during the last few years.

**Introduction:**

Micro finance through Self Help Group (SHG) has been recognized internationally as the modern tool to combat poverty and for rural development. Micro finance and SHGs are effective in reducing poverty, empowering women and creating awareness which finally results in sustainable development of the nation. Micro finance define as efforts to improve poor people's access to loans and saving services may be the fastest growing and most widely recognized anti-poverty too. Micro finance includes basic financial services including small loans, savings accounts, funds transfers and insurance. A long side non-financial service such as business training Micro finance assists people living in poverty who wouldn't usually qualify for regular banking services because they have no form of collateral or formal identification. An attempt is made here to examine the impact of the microfinance on the development of the Self-Help Groups in India.

**ORIGIN AND CONCEPT OF SELF HELP GROUPS**

The formation of Self-Help Groups (SHGs) is a novel attempt made by the economist by name Mohammed Yunus .The origin of SHGs is from the brain child of Grameena Bank of Bangladesh, which was founded by Mohammed Yunus. SHGs were started and formed in 1975. In India NABARD is initiated in 1986-87. But the real effort was taken after 1991-92 from the linkage of SHGs with banks. A Self Help groups (SHGs) are small group of individual members not exceeding 20, voluntarily formed among homogeneous and affinity groups

of rural poor, to save and mutually agree to contribute to a common fund to be lent to its members as per group norms and decisions.

**DEFINITION OF SHG**

As stated by NABARD (1995) SHG is a homogenous group of rural poor voluntarily formed to save whatever amount they can conveniently save out of their earnings and mutually agree to contribute to a common fund from which to lend to members for productive and emergent credit needs. Singh (1995) conceptualized an SHG as an informal association of individuals which comes together voluntarily for promotion of economic and social objective.

A pilot project for linking SHGs with banks was launched by NABARD in 1992. The Reserve Bank of India (RBI) persuaded commercial banks, regional rural banks and cooperative banks to actively participate in the linkage programme. Under the RBI's guidelines, banks were given permission to open saving bank account in the name of SHGs and relaxation of security requirements. Thus, an informal credit system was evolved with assistance from formal financial institutions. The agencies involved in the schemes were NABARD, banks, NGOs and SHGs members.

The main objectives are to provide the following:

1. Supplementary credit to SHGs
2. Reduction in transactions cost for both banks as well as SHGs by reducing paper work

3. To mobilize small savings among poor rural women
4. To build mutual trust and confidence between banks, NGOs and rural poor
5. To create healthy relations between SHGs members and the linking agencies
6. Constant supervision and monitoring by banks through NGOs

A scheme for promotion and financing of Women Self Help Groups (WSHG) in association with Government of India is being implemented across 150 backward districts of the country. The scheme is an attempt at having Self Help Promoting Institutes (SHPI) to work not merely as an SHPI for promoting and enabling credit linkage of these groups with banks, but also serving as a banking / business facilitator, tracking, monitoring these groups and also being responsible for loan repayments. The objective of the scheme is to saturate the districts with viable and self- sustainable WSHGs by involving anchor NGOs / support agencies who shall promote and facilitate credit linkage of these groups with banks, provide continuous handholding support, enable their journey for livelihoods and also take responsibility for loan repayments. NABARD shall provide grant support @ 10,000/- per SHG to these NGOs over a period of three years and also bear the cost of training and other capacity building initiatives.<sup>3</sup>

**Some of the salient features of the scheme are as below:**

- An anchor NGO / support agency will be selected by LDM in consultation with the DDM, NABARD and DLCC in each of the identified districts for implementation of the project.
- The scheme would be implemented through bank branches, having CBS facility.
- The identified bank branch will enter into a MoU with the identified NGO / support agency.
- The identified NGOs will be eligible for grant assistance up to a maximum of 10,000 per WSHG.
- All loans to new WSHGs promoted shall preferably be under the cash credit mode.

**SELF- HELP GROUP AND BANK LINKAGE PROGRAM**

The savings are important for the households for their future progress. First time in the history of SHG/DWACRA movement is Andhra Pradesh, the self-help groups are started as thrift groups in Nellore District of Andhra Pradesh. These thrift groups formed by the women have been converted as DWACRA groups/ SHGs in AP. These thrift groups have to mobilize savings from the women members and used these saved amounts as loan for needy member. The members of SHGs have been regularly saved a fixed amount per month. Savings/thrift proceeds credit and credit is linked with savings/thrifts saved amount has been deposited in the commercial banks, Regional Rural banks and cooperative banks which are near to their habitation. Recognizing the importance of financial inclusion in overall economic development of the people, the banking sector has been proactive for expanding micro finance through expansion of savings and credit linkage of SHGs.<sup>4</sup> The particulars relating to the total savings of SHGs with banks are shown in table-1

**Table-1:SHGs Savings with Banks as on 31March (No. of SHG in lakhs/amt. crores)**

Year	No. of SHGs linked	Amt. of Savings	Average Amount of Savings per SHG (RS)
2006-07	41.61	3512.17	8440.69
2007-08	50.10	3785.39	7555.67
2008-09	61.21	5545.62	9059.99
2009-10	69.53	6198.71	8915.16
2010-11	74.62	7016.30	9402.70
2011-12	79.60	6551.41	8230.41

2012-13	73.18	8217.25	11228.82
2013-14	74.30	9897.42	13320.89
2014-15	76.97	11059.84	14369.03
2015-16	79.03	13691.39	17324.29
2016-17	85.77	16114.23	18787.72
2017-18	87.44	19592.11	22406.35
2018-19	100.14	23324.48	23291.87
2019-20	102.43	26152.50	25532.07
2020-21	112.23	37477.61	33393.58

Source: NABARD:Status of Microfinance in India:Various Issues.

The table above reveals that the total number of SHGs which are maintaining savings accounts with banking sector has risen by more than two and half-fold between 2016-2021. There is continuous and steady increase in the number of SHGs throughout the period under study except four years stating from 2012-13 to 2015-16. The saving amount of SHGs has increased from Rs.3512 crores in 2006-07 to Rs.37478 crores during 2020-21. In fact, the savings amounts of SHGs have shown an impressive growth of more than ten and half fold increase between 2006-2021. There is a steady increase in the total savings of SHGs throughout the period except 2011-12. There is a huge jump is found in case of total savings during 2020-21. This can be attributable to linking of savings with credit disbursement by the banks.

The average savings per self-help group is also tremendously increased from Rs.8441Lakhs in 2006-07 to Rs.33394 Lakhs in 2020-21. It shows that 3.96 times increase is found in case of average savings for SHGs. The above analysis shows that the increased savings of women members of SHGs is the result of increasing their monthly savings and also increased their contribution toward savings at grass root level.

**Region-Wise Savings Linked SHGs and its Share**

Among the different regions, Southern Region registered the highest growth of 35.30percent of the SHGs which are saving accounts linked with the banking sector followed by Eastern Region (27.82) percent), Western Region (13.82 percent), Eastern Region (11.99 percent) and North Eastern Region (5.65 percent). The lowest growth of 5.43 percent was registered in Northern Region. Among the States, Rajasthan, Assam, Bihar, Orissa, West Bengal, Chattisgarh, UP, Maharashtra, Kerala, Karnataka and Telangana registered a good growth of SHGs while States like Andhra Pradesh, Puducherry, Tripura, Arunachal Pradesh, Nagaland, Sikkim registered a negative growth of SHGs leading to decline in absolute number of SHGs in such States over the year 2020-21. The decline in savings accounts of SHGs is mainly due to data sanitization, closure of dormant accounts, under reporting for certain states, and change in the SHG Bank Linkage model for example like SHGs have shifted to linkage through Banking Correspondents.

As regards, the regional share of SHGs during the year 2020-21, Southern Region accounted for major share of 35.30 per cent, followed by Eastern Region (27.82 per cent), Western Region (13.82 per cent), Central Region (11.99 per cent) and North Eastern Region (5.65 per cent). The North- ern Region had the lowest share of 5.43 per cent of total SHGs in the country. The share of Southern Region in terms of number of SHGs linked with banking sector considerably declined to 35.30 per cent in 2020-21 from (48.3 per cent) in 2014-15.

**Distribution of Loans to SHGs**

The banking sector has fulfilled the desires of the women members of the self-help groups in terms of the amount of institutional credit disbursed to SHGs in India. The institutional credit agencies like Commercial Banks, Regional Rural Banks and Cooperative Banks have been providing loans to the women members of SHGs since 1992. The growth

in number of SHGs availing bank loan and amount of institutional credit disbursed to SHGs is 19.33 per cent and 23.06 per cent respectively during 2018-19. The particulars relating to disbursement institutional credit to the SHGs are presented in table-2

**Table-2: Loans Disbursed to SHGs by Banks**

Year	No. of SHGs(Lakh)	Amt. of Loans(Crors)	Average Loan per SHGs (Amt. in Rs.)
2006-07	11.06	6570.39	59407
2007-08	12.28	8849.26	72062
2008-09	16.10	1225.51	76109
2009-10	15.87	14453.30	91073
2010-11	11.96	14547.73	121637
2011-12	11.48	16534.77	144031
2012-13	12.20	20585.36	168733
2013-14	13.66	24017.36	175823
2014-15	16.26	27582.31	169633
2015-16	18.32	37286.90	203531
2016-17	18.98	38781.16	204326
2017-18	22.61	47185.88	208695
2018-19	26.98	58317.63	216151
2019-20	31.46	77659.35	246851
2020-21	28.87	58070.68	201145

Source: NABARD:Status of Microfinance in India- Various Issues.

The table above shows that only 28.87 lakh SHGs out of 100.14 lakh SHGs which have saving linked SHGs have got institutional credit during 2020-21 as against 11.06 lakhs SHGs in 2000-07, indicates that only 26.34 per cent of the total SHGs in the country have taken loans in 2020-21 as against 26.58 per cent. More than 73 per cent of the SHGs have denied the loans from the institutional credit agencies. Is it the treatment and priority given to the women entrepreneurs by the banking sector in India? Why should the government neglecting the women in the disbursement of the bank credit. The table further reveals that the number of SHGs which are taken loans from banking sector is increased from 14.06 lakhs in 2006-07 to 16.10 lakh in 2008-09, later, it declined by 1.43 per cent in 2009-10. During 2010-11, the number of SHGs has declined to 25 percent. Thereafter, there is a steady and continuous increase in the number of SHGS. The loan disbursed by the banking sector to the SHGs has increased from Rs.6570 crores in 2006-03 to Rs.58071 crores during 2020-21, registering a growth of 8.84 times. There is a phenomenal growth in the total loans made by the banking sector to the SHGs during the one and half decades.

The average loan disbursement by the banking sector to the SHGs has increased from Rs.0.59 lakh during 2006-07 to Rs.2.01 lakhs during 2020-21. The average loans disbursement per SHG has shown more than three and half fold increased during the same period. There is a continuous and steady increase in the average loan per SHG throughout the period except 2014-15, a slender size per 2009-10. Loans Outstanding Against SHGs

The loan outstanding has accumulated at SHGs level because non-repayment of loans in the stipulated time. If the members of SHG have promptly repay the loan dues in time, the outstanding loans will not be increased/accumulated. The particulars relating to the number of SHGs having loan outstanding and loan outstanding amount per SHGs are shown in table-3

**Table-3: Loans Outstanding Against SHGs**

Year	No. of SHGs	Amt. Outstanding	Outstanding amount per SHGs
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2006-07	28.95	12366.49	42717
2007-08	36.26	16999.91	46883
2008-09	42.24	22679.84	53693
2009-10	48.51	28038.28	57799
2010-11	47.87	31221.17	65221
2011-12	43.54	36340.00	83464
2012-13	44.51	39375.30	88464
2013-14	41.97	42927.52	102281
2014-15	44.68	51545.46	115366
2015-16	46.73	57119.23	122233
2016-17	48.48	61581.30	127024
2017-18	50.20	75598.45	150595
2018-19	50.77	87078.15	171554
2019-20	56.77	108075.07	190373
2020-21	57.80	103289.71	178702

Source: N ABARD:Status of Microfinance in India- Various Issues.

The table above clearly exhibits that the number of SHGs having loan outstanding has increased from 28.95 lakhs in 2006-07 to 57.80 lakh during 2020-21 registering an increase of 99.65 percent. The number of SHGs has considerably increased by 19.56 lakh in 2009-10 over 2006-07. Thereafter, member of SHGs has reduced up to 2013-14. Later on, it has continuously increasing and reach to 58 lakh during 2020-21. The total bank loan outstanding under SHG-BPL has significantly increased from Rs.12367 crores in 2006-07 to Rs.103290 crores in 2020-21, showing more than eight-fold increase. There is a steady and continuous increase in the total loan out standings between 2006-2021. It is also reflected in the average loan outstanding amount per SHG. The average loan outstanding per SHG has continuously increasing from Rs.0.43 lakhs in 2006-07 to Rs.1.79 lakhs in 2020-21 showing more than four-fold increase.

**Recovery Performance by Banks**

The SHGs loan amount is repaid to the bank within stipulated time. The SHGs will get financial incentive by the government. If the SHGs do not repay the loan amount within the stipulated time; it will become Non-Performing Asset (NPA). The non-performing assets of the banks against loans to SHGs have gone up from Rs.823.04 crores during 2009-10 to Rs.462805.51 crores during 2017-18 and further it increased to Rs.488921 crores during 2020-21. It shows that there is a 562 fold increase in the NPAs in 2020-21 over 2009-10. It indicates that the NPAs or the recovery performance of the banking sector has a phenomenal growth between 2010 and 2021, shows that the recovery performance of the loans is not satisfactory at gross root level.

The non-performing asset rate in bank to loans to SHGs in India under SHG-Bank linkage program in spite of the maximum bank loan disbursement and maximum credit linkage of SHGs, the banking sector managed to bring down the NAP rate to 4.72 per cent during 2020-21 from 6.75 per cent in 2016-17. The NPA rate is only 2.90 percent during 2007-08 and continued the same NPA level during 2008-09 and 2009-10. But the NPA level has considerably increased from 2.90 percent in 2009-10 to 7.40 percent in 2014-15, it shows that there is a two and half-fold increase with in six year period. This can be attributable to the non-repayment of bank loan by the member of SHGs at gross root level, expecting bank loans waiving could take place in some of the state which faced the elections.

**Conclusion**

The total number of self-help groups which have maintained savings with banks is 100 lakhs during 2018-19 but only 26.98 lakhs i.e 26.95 percent of the SHGs have obtained credit from the financial institutions. Out of 74.62 lakh SHGs, only 11.96 lakhs i.e. 16.03 percent of the SHGs have got micro-credit from

the institutional credit agencies during 2010-11. The above analysis indicates that the number of SHGs which got micro credit has increased from 16 percent to 27 percent i.e only 11 percentage points increased in 2018-19 over 2010-11. About 73 percent of the SHGs are out of the purview of the public financial institutions. Majority of the women members of SHGs are away from the institutional credit agencies. These marginalized women have to depend on informal financial services for their credit needs. So that the financial informal sector (mostly moneylenders) has continued to rule in the rural economy. There is a need to break the monopoly of door step availability of credit to these marginalized sections by the informal sources of credit. The credit needs of the women members have enormously increasing for the last two decades. The average loan disbursement per SHG has increased from Rs.1.22 lakhs during 2010-11 to Rs.2.16 lakhs during 2018-19. This is inadequate to meet the credit requirements of the members in the SHGs. Hence it should be made four to five times of the micro credit per SHGs. The bank loans are not regularly paid by the members of the SHGs. Hence, the amount of loan outstanding has continuously increased since 2010-11. It is evident from the fact that the average outstanding bank loans against SHGs shows higher level. The average outstanding per SHG has increased from Rs.65, 224 during 2010-11 to Rs.171543 during 2018-19, shows two and half-fold increase. As a result of it the overall NPA rate in bank loan to SHGs is steadily increasing since 1910-11. However, the overall NPA rate in bank loan to SHG is 5.19 percent as on 31-03-2019 registering a fall of 93 basis points from the previous level of 6.12 percent. The above analysis reveals that the steady declining the rate of NPA is indicating the recovery of loans made of SHGs is improving during the last few years.

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