



Financial Inclusion for Self Help Groups

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ABSTRACT

Rangarajan’s Committee on Financial inclusion may be defined 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. Rangarajan’s Committee on Financial inclusion may be defined 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.” With a view to reach financial inclusion to the poor and rural mass in this country the government of India identified the financial inclusion is a strategy to achieve the inclusive growth provided and it is supported by various factors like real initiatives from Banks and Financial Institutions, technological development, financial literacy and so on. Amongst various measures to fight this menace, micro finance practices in India seem to provide a solution. The SHG – Bank Linkage programme had proved its efficiency as a main stream programme for Banking and emerged as one of the need based policies and programmes to cater the neglected groups of society such as woman, poor and deprived sections of rural areas. Several studies made by national and international experts on micro finance have found the SHG profitable, viable and as a successful tool or social empowerment and also no bank has reported any NPA under the SHG Bank linkage. The beautiful advantages of the programme are on time repayment of loans to banks, reduction in transaction cost to the poor and to the banks, door – step savings and credit facilities to the poor and exploitation of the untapped business potential in rural India. The programmed

started as an outreach programme has in fact, achieved more than mere provision of thrift and credit facilities to the poor women. The government of India and State governments can play vital roles in encouraging SHGs. They should formulate and redefine their strategies and policies such a way to stress on extensive awareness campaign, skill development and training programmes, co – ordination between banks and SHGs, effective flow of credit need for strong follow – up in those states where it is yet at nascent stage. It is also necessary to develop a sound and transparent regulatory structure for micro finance institutions for healthy growth of the sector along with supportive refinance and legal.

FINANCIAL INCLUSION FOR SELF HELP GROUPS

The poverty in India is wide spread as well as deep rooted and continues to be one of the biggest policy concerns. Amongst various measures to fight this menace, Microfinance practices in India seem to provide a solution. The Task Force on supportive policy and regulatory Frame work for Microfinance constituted by NABARD defined microfinance as “the provision of thrift, saving, credit and financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improving their standard of living.” The Banking system in India witnessed unprecedented growth and achieved phenomenon out reach. Apart from the existing banking network, with a view to developing a supplementary credit delivery system i.e. cost effective and user friendly for both banks and the

poor, micro finance initiatives were encouraged in India. These initiatives have been centered around two models i.e. the SHG – Bank linkage programme & the Micro Finance Institutions (MFI's) model. Women, who number 495.7 million according to 2001 census, represent 48.3% and 933 females per thousand males. It reveals that the decline of women number in total population of the country. Moreover nearly 1.5% of women have their own property. About 11% women are in employment and mere 5% have been participating in business. The present paper is an attempt to study the Micro Finance through SHG's.

The Concept of Self Help Group's (SHGs):

Micro financing is a new method to meet the credit requirement in rural areas. Since the bank borrowing requires collateral and the deprived class does not have any type of such collaterals, the success of Bangladesh Grameena Banks attracted the attention of Indian Policy makers towards the Micro finance and micro credit, which are the new entrants in realm of present rural financing.

The Self Help Group (SHG) bank linkage model has emerged as the most dominant model of Micro Finance delivery in India. A Self Help Group (SHG) is a registered or unregistered group of micro entrepreneur's with homogeneous social and economic background, voluntarily coming together with an average size of about 15 individuals. They come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use this pooled resource to make small interest bearing loans to their members. The

process helps them imbibe the essentials of financial intermediation including prioritization of needs, setting terms & conditions and account keeping. This gradually builds financial discipline in all of them. The Self Help Group (SHG) members begin to appreciate the fact that resources are limited and have a cost. Once the groups show this mature financial behavior, banks are encouraged to make loans to the Self Help Group (SHG) in certain multiples of the accumulated savings of the Self Help Group (SHG). The bank loans are given against group dynamics without any collateral and at market interest rates. Since the group's own accumulated savings are part and parcel of the aggregate loans made by the groups to their members, peer pressure ensures timely repayments.

Self Help Group's (SHGs) – Bank Linkage Programme:

The SHG – Bank linkage programme was started as an action research project in 1989. The pilot project was launched by NABARD in 1992 with policy support from Reserve Bank of India. The pilot project was designed as a partnership model b/w three agencies, via the SHG's, Banks and Non Governmental Agencies (NGO's). The SHG's were expected to facilitate collective decision making by the poor and provide door step banking, the banks as wholesalers of credit, were to provide the resources, while the NGO's were to act as agencies to organize the poor, build their capacities and facilitate the process of empowering them.

Table: 1- Overall Progress under Micro-Finance during the last three years (₹ in crore)

Particulars		2012-13		2013-14		2014-15	
		No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
A) SHGs Bank linkage Model							
Savings of SHGs with Bank as on 31 March	Total SHGs	50097 94	3785.39	6121147 (22.2)	5545.62 (46.5)	6953250 (13.6)	6198.71 (11.8)
	Out of which SGSY	12030 70	809.51	1505581 (25.1)	1563.38 (93.1)	1693910 (12.5)	1292.62 (17.3)

Bank loans disbursed to SGHs during the year	Total SHGs	1227770	8849.26	1609586 (31.1)	12253.51 (38.5)	1586822 (1.4)	14453.30 (17.9)
	Out of which SGSY	246649	1857.74	264653 (7.3)	2015.22 (8.5)	267403 (1.0)	2198.00 (9.1)
Bank loans outstanding with SGHs as on 31 March	Total SHGs	3625941	16999.91	4224338 (16.5)	22679.84 (33.4)	4851356 (14.8)	28038.28 (23.6)
	Out of which SGSY	916978	4816.87	976887 (6.5)	5861.72 (21.7)	1245394 (27.5)	6251.08 (6.6)
B) MFI - Bank linkage Model							
	2012-13		2013-14		2014-15		
	No. of MFI	Amount	No. of MFI	Amount	No. of MFI	Amount	
Bank loans disbursed to MFIs during the year	518	1970.15	581 (12.2)	3732.33 (89.4)	691 (18.9)	8062.74 (116.0)	
Bank loans outstanding with MFIs as on 31 March	1109	2748.84	1915 (72.7)	5009.09 (82.8)	691 (21.0)	8062.74 (102.6)	
Note: Actual number of MFIs provided with Bank loans would be less as several MFIs could have availed from more than one Bank.							

The performance of SHG – Bank Linkage Programme continued to be the predominant micro finance model in India. (During 2012– 13, 686,408 new SHGs were credit linked with banks, taking the cumulative number of SHGs credit linked to 2.92 million. In addition, 457,410 existing SHGs received repeat finance during the year.

Table 2: Microfinance – Savings of SHGs with Banks Region-wise and Southern States as on 31 March 2014(Amount ` lakh)

Sr. No.	Region / State	Commercial Banks		Regional Rural Bank		Cooperative Bank		Total	
		No. of SHGs	Saving Amount	No. of SHGs	Saving Amount	No. of SHGs	Saving Amount	No. of SHGs	Saving Amount
A	<i>Northern Region</i>	185795	22641.01	85340	5505.92	80666	6060.38	351801	34207.31
B	<i>North Eastern Region</i>	115046	4911.93	147368	5765.88	29774	1489.28	292188	12167.09
C	<i>Eastern Region</i>	701945	38370.61	428915	51919.82	243382	21724.17	1374242	112014.60

D	Central Region	352294	26906.84	359743	18232.35	53928	6224.38	765965	51363.57
E	Western Region	512306	53142.45	135931	2800.95	297383	36724.08	945620	92667.48
F	Southern Region	2185529	221416.40	663573	45712.57	374332	50321.87	3223434	317450.84
GRAND TOTAL		4052915	367389.24	1820870	129937.49	1079465	122544.16	6953250	619870.89
Southern Region									
1	Andhra Pradesh	1025638	97455.56	395965	26154.09	26613	1919.33	1448216	125528.98
2	Karnataka	219056	21224.22	157359	14304.26	158173	27176.84	534588	62705.32
3	Kerala	306422	32282.68	34190	849.88	53585	4423.76	394197	37556.32
4	Tamil Nadu	618627	69400.56	75202	4377.38	132881	16595.32	826710	90373.26
5	Puducherry	15786	1053.38	857	26.96	3080	206.62	19723	1286.96
TOTAL		2185529	221416.40	663573	45712.57	374332	50321.87	3223434	317450.84

NABARD intensified the implementation of the programme in the 13 identified priority states. Some of which account for the back or the rural poor viz UP, Orissa, WB, MP, Maharashtra, Gujarat, Rajasthan, Chhattisgarh, Jharkhand, Bihar, Assam, Himachal Pradesh and Uttarkhand. According to the programme spread rapidly in these states indicates a marked shift from its initial localization in the Southern region. In terms of relative shares of different agencies Commercial banks continue to maintain their lead both in terms of number s or SHGs credit linked and loan disbursed through RRB and take the second position of the banks.

Region wise including southern states progress under Micro finance – savings of SHGs shown in the Table 2. As on 31st March 2017, among six regions the first place goes to Southern region. Southern region is with 32, 23,434 SHGs and amounted to Rs 3, 17,450.84 lakhs (51.21%). The least place goes to North Eastern region with number of SHGs 2,92,188 (4.20%) and amounted to Rs 12,167.09 lakhs (1.96%). Where as in Southern region, nearly 44.92% of total SHGs and 39.54% of total amount, second and third places goes to Tamil Nadu and Karnataka SHGs 25.65%, 16.58% and share of total amount 28.47% and 19.75%. Accordingly the programme spread rapidly in these states indicating a marked shift in Southern states. The number of SHGs and amount of Non – Southern regions rose from 29% at the end of 2001 to 53.64.

Table 3: Microfinance – Bank Loans Outstanding against SHGs Region-wise and Southern States as on 31 March 2014(Amount ` lakh)

Sr. No.	Region / State	Commercial Banks		Regional Rural Bank		Cooperative Bank		Total	
		No. of SHGs	Loans O/s	No. of SHGs	Loans O/s			No. of SHGs	Loans O/s
A	Northern Region	65759	49748.24	41415	17852.18	45317	13912.91	152491	81513.33

B	<i>North Eastern Region</i>	69571	38826.10	50297	22853.97	13917	5667.72	133785	67347.79
C	<i>Eastern Region</i>	561579	236556.29	313118	108645.63	152873	24288.96	1027570	369490.88
D	<i>Central Region</i>	317021	157725.85	153582	77276.47	27319	11237.28	497922	246239.60
E	<i>Western Region</i>	331693	104591.78	38064	13365.98	87719	18990.72	457476	136948.48
F	<i>Southern Region</i>	1891640	1429022.95	507504	374464.01	182968	98801.03	2582112	1902287.99
GRAND TOTAL		3237263	2016471.21	1103980	614458.24	510113	172898.62	4851356	2803828.07
<i>Southern Region</i>									
1	Andhra Pradesh	1062726	868646.25	390122	290009.69	18436	15297.68	1471284	1173953.62
2	Karnataka	168624	137616.81	75418	50527.29	56696	17386.23	300738	205530.33
3	Kerala	223741	80591.57	12042	8675.00	21977	12264.09	257760	101530.66
4	Tamil Nadu	424763	329292.48	29582	24911.20	84522	51738.52	538867	405942.50
5	Puducherry	11786	12875.84	340	340.83	1337	2114.51	13463	15331.18
	TOTAL	1891640	1429022.95	507504	374464.01	182968	98801.03	2582112	1902287.99

Banks loans outstanding against SHGs region wise region wise and Southern states as on 31st March 2010 was disclosed in Table 2. More than 53% of SHGs were identified with Southern region and the lowest 2.75% with North Eastern region. The highest amount of total loans outstanding with Southern region was about 67.85% and the lowest of 2.4% with North Eastern region. The second place goes to eastern region in both number of SHGs as well as amount of loans outstanding. While comparing with in Southern region states a major number of SHGs 14, 71,284 (56.98%) and amount of loan outstanding Rs 868646.25 lakhs (61.72%). The least place goes to Pondicherry as number of SHGs 13,463 (0.52%) and amount of Rs 15,331.18 (0.81%).

Table 4: Bank loans disbursed to SHGs – Agency-wise Position (in crore)

Agency	During the year	Total Loans disbursed by Banks to SHGs during the year				Per SHG loan disbursed (Rupees)	Out of total: Bank loan disbursed to SHGs under SGSY	
		No of SHGs	% share	Amount	% share		No of SHGs	Amount
Commercial Banks (Public & Private Sector)	2014 – 15 % growth	1004587	62.4	8060.53	65.8	80237	133117	1102.38
		977521	61.6	9780.19	67.7	100050	157560	1215.50
		- 2.7		21.3		24.7	18.4	10.3
Regional Rural Banks	2014 – 15 % growth	405569	25.2	3193.49	26.1	78741	81662	655.27
		376797	23.7	3333.20	23.1	88461	67531	682.41
		-7.1		4.4		12.3	-17.3	4.1
Cooperative Banks	2014 – 15	199430	12.4	999.49	8.2	50117	49874	257.57
		232504	14.7	1339.92	9.3	57629	42312	300.09

	% growth	16.6		34.1		15.0	-15.2	16.5
Total	2014 – 15	1609586	100.0	12253.51	100.0	76128	264653	2015.22
	% growth	1586822	100.0	14453.30	100.0	91083	267403	2198.00
		-1.4		17.9		19.6	1.0	9.1

Table 5: Bank loan outstanding against SHGs – Agency-wise Position (` in crore)

Agency	Position as on	Total Bank Loans outstanding against SHGs				Per SHG bank loan o/s (Rupees)	Out of total: Bank loan outstanding against SHGs under SGSY	
		No of SHGs	% share	Amount	% share		No of SHGs	Amount
Commercial Banks (Public & Private Sector)	2014 – 15	2831374	61.7	16149.43	71.2	57037	645145	3961.53
	% growth	3237263	66.7	20164.71	71.9	62289	798304	4072.03
		14.3			24.9	9.2	23.7	2.7
Regional Rural Banks	2014 – 15	977834	23.1	5224.4	23.0	53428	258890	1508.10
	% growth	1103980	22.8	6144.58	21.9	55658	368795	1725.94
		14.3		17.6		4.2	42.4	14.4
Cooperative Banks	2014 – 15	415130	9.8	1306.00	5.8	31460	72852	392.09
	% growth	510113	10.5	1728.99	6.2	33894	78295	453.11
		22.9		32.4		7.7	7.5	15.6
Total	2014 – 15	4224338	100.0	22679.85	100.0	53689	976887	5861.72
	% growth	4851356	100.0	28038.28	100.0	57795	1245394	6251.07
		14.8		23.6		7.6	27.5	6.6

Coverage of Women SHGs

The details of total number of women SHGs saving linked, credit linked and loans outstanding for the last two years are given in table 6

Table 6: Position of Women SHGs (` in crore)

Particulars	Year	Total SHGs		Exclusive Women sHG		% age of women SHGs to total SHGs	
		No.	Amt	No.	Amt	No	Amt.
Saving linked SHGs	31.03.2009	6121147	5545.62	4863921	4434.03	79.5	80.0
	31.03.2010	6953250	6198.71	5310436	4498.66	76.4	72.6
Loans disbursed	2008-09	1609586	12253.51	1374579	10527.38	85.4	85.9
	2009-10	1586822	14453.30	1294476	12429.37	81.6	86.0
Loans Outstanding	31.03.2009	4224338	22679.84	3277355	18583.54	77.6	81.9
	31.03.2010	4851356	28038.28	3897797	23030.36	80.3	82.1

Micro Finance Development and Equity Fund

To strengthen the efforts of NABARD towards promotional support for micro finance, the Government of India in the Union Budget for 2016-17 had further increased the corpus of Micro Finance Development and Equity Fund (MFDEF) to ` 600 crore. Recognising the need for upscaling the micro-finance interventions in the country, the Hon'ble Union Finance Minister, while presenting the budget for the year 2000-01, had created Micro Finance Development Fund (MFDF) with an initial contribution of ` 100 crore, to be funded by Reserve Bank of India, NABARD and commercial Banks in the ratio of 40:40:20. In the Union Budget for 2005-06, the Government of India had decided to re-designate the mFDF into mFDEF and raised its corpus from ` 100 crore to ` 200 crore. The mFDEF is managed and administered by NABARD under the guidance of an mFDEF Advisory Board. The objective of mFDEF is to facilitate and support the orderly growth of the microfinance sector through diverse modalities for enlarging the flow of financial services to the poor, particularly for women and vulnerable sections of society consistent with sustainability.

CONCLUSION

The Task Force on supportive policy and regulatory Frame work for Microfinance constituted by NABARD defined microfinance as “the provision of thrift , saving, credit and financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improving their standard of living.” Since the SHGs were able to mobilize savings from the poor who were not expected to have any savings and could also recycle effectively the pooled saving among the members, they succeeded in performing banking services to their members may be in a primitive way but in a manner which was cost effective, simple, flexible at the door steps of the members and above all without defaults in repayment by borrowings which is well managed by the poor illiterate women. Women, who number 495.7 million according to 2001 census, represent 48.3% and 933 females per thousand males. It reveals that the decline of women number in total population of the country. Moreover nearly 1.5% of women have their own property. About 11% women are in employment and mere 5% have been participating in business. The

present paper is an attempt to study the Empowerment of women through SHG's in Andhra Pradesh.

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