SELF HELP GROUPS: PHILOSOPHY, EVOLUTION AND GROWTH

4.1 INTRODUCTION

Microfinance is unanimously accepted as a unique approach towards banking with the poor. Under this approach the credit delivery mechanism relies largely on the Self Help Groups (SHGs). Self Help Groups are also observed to be a positive approach towards meeting various economic problems, especially those related with poor women population of India. The SHGs can help the women to break barriers and march towards empowerment. The women members of the SHGs are also stated to act as change agents in the village communities. This SHG-approach which began as a pilot study of NABARD in 1992 has now transformed into a nation-wide movement. It can also be mentioned that SHG-approach acts as an effective tool for poverty alleviation in rural India. An increasing number of poor population, mostly women, are members of Self Help Groups formed nation-wide. They are actively engaged in savings and credit as well as many other activities like literacy, childcare, nutrition etc. Many women Self Help Groups are working tirelessly for getting rid of social ills like dowry system, suppression of women, female infant foeticide etc. Thus the Self Help Groups are proving to be an effective step in providing women the possibility to break gradually away from exploitation and isolation. The Self Help Group system also holds its major contribution in empowering the women fraternity in general and the rural women in particular.

Theoreticians of the SHG idea claim that in the Indian scenario despite fifty years of planned development, the rural poor still lie out of the reach of the formal credit system to meet their credit needs. The high transactional cost of banking, inadequate banking structure in the rural areas, cumbersome documentation procedures, need of collaterals etc. are observed to be the main reasons for such failure of banking sector. Though there were lot many efforts taken by the government through various state
aided rural development programmes, many weaknesses like political, administrative, managerial reasons are often cited for the failure of the same. These all reasons and failures have acted as the stimulators for the SHG conceivers to adopt and make a break through in the field of credit disbursement to the poor.

4.2 CONCEPT OF SELF HELP GROUP

According to NABARD:
“Self Help Group (SHG) is a small voluntary association of poor people, preferably from the same economic background. They come together for the purpose of solving their common problems through self-help and mutual help. The SHG promotes small savings among its members. The savings are kept with a bank. This common fund is in the name of the Self Help Group. Usually, the number of members in one SHG does not exceed twenty”.

Ordinarily Self Help Group refers to aid to self. “Self help emphasizes self determination, self reliance, self production and self empowerment by mobilizing internal resources of the persons, the group or the community”. The Self Help Group system propagates the principle of self-help first and then mutual help as well. It attracts the individuals because it shows the ability of developing self initially. In addition when working in group it also provides for help to others. It is commonly observed that the Self Help Groups are formed initially on areas of common interest that enable the group members to uni-direct their efforts for their development. They function on the principle of co-operation and provide for a forum for members to extend support to each other. It enables the members to co-operate and work in a group environment. The important benefit of Self Help Groups is that they provide for savings mechanism, which brings the group together in the initial phase. They also provide a cost effective delivery mechanism for small credit to its members.

The Self Help Group has also been defined as a voluntary group valuing personal interactions and mutual aid as a means of altering or ameliorating the problems
perceived as alterable, pressing and personal by most of its participants⁴. The Self Help Groups are associations of people formed initially with economic goal but subsequently leading to a platform for meeting social and political goals as well. The Self Help Group members being poor cannot take risk neither can they offer anything as guarantee against loans from formal financial institutions. However, micro savings, internal lending, external credit and income generating activities have emerged as the major contributions of the Self Help Groups.

4.3 COLLABORATION

Self help promotes feeling of collaboration among individuals facing similar problems. It provides for an effective and inexpensive mechanism for overcoming the day to day difficulties among individuals. Lawson & Anderson⁵ (1996) have defined collaboration as a process of pooling resources, linking and allying with one another to develop innovative, new responses for tackling social problems including poverty. Bailey & Koney⁶ (1996), Weil⁷ (1996) and Parsloe⁸ (1990) have pointed out that collaboration is necessary to address social issues that require multi-agency approach to alleviate them. SHGs are one such medium to achieve social collaboration. Graham & Barter⁹ (1999) have described collaboration as a relational system in which two or more stakeholders pool together resources in order to meet objectives that neither could meet individually. According to Hord¹⁰ (1986) collaboration proposes joint sharing and decision making in the interest of change, as well as changes in relationships to facilitate these ends. He has also indicated that motivation to engage or refrain collaboration is necessarily influenced by differences among stakeholders in expertise, status, empowerment and access to external and internal resources.

This feeling of collaboration may be perceived to be the source of concept of Self Help. For Self Help the group approach is observed to be the most sustainable. Initially there were co-operatives which functioned on similar lines with certain modifications. However 'Collaboration' differs from 'co-operation' in the sense that cooperation facilitates support and assistance for fulfilling the goals of an individual
stake-holder, whereas collaboration insists on goals that are mutually agreed upon based on an established value base to which all stake-holders have a commitment. This makes the Self Help Group approach more sustainable. It intends to fulfil the needs of every member of the group. Obviously each one of the group is interested in the functioning of the group.

4.4 NEED FOR SHG-FORMATION

Individually, a poor person tends to be rather tentative and uncertain in his behaviour, but group membership smoothens the rough edges of his behaviour pattern, making him more reliable\(^1\). A poor person especially woman finds herself exposed to all kinds of hazards and is in need of guidance and advice from people she trusts. Membership in a group gives her a feeling of protection. Thus, formation of a group would ensure the best participation of the poor in a credit programme. Being in a group provides benefits of collective perception, collective decision making and collective implementation. The strength that a woman gains in a group can never be exercised by her singly.

Credit is necessary for both man and woman. The vicious cycle of low income-low savings-low investment-low income can be broken by infusing credit in the cycle. Credit transforms the vicious cycle into a favourable cycle; credit-more investment-more income- more savings- more investment- more income.

Credit through group approach can serve wider range of benefits. It leads to group savings. Group members develop the habit of saving regularly. Savings enhance the self confidence of the individuals. It helps to meet emergencies and take risks as well. Thus savings plus credit is the underlying philosophy in inception of Self Help Groups.
4.5 FEATURES OF SELF HELP GROUPS

Generally, Self Help Groups encompass several activities of men and women but the Indian focus is on financial aspects of Self Help Groups. Ideally self help groups are expected to develop a discipline in the lives of the members of the group. This discipline is mainly the financial discipline which brings along social and economic discipline as well. The salient features of Self Help Groups are as enlisted below:

a. **HOMOGENIETY:**
It is sharing similarities, like similarity of gender, caste etc. In most cases it is gender similarity that is dominant in the formation of Self Help Groups. We generally find men-SHG or Women-SHG largely in existence. In rare case combined SHGs are identified. Homogeneity is also observed in terms of economic status and interest. Normally the members having similar interests and hailing from similar background make a sound group. However, different situations require different forces to bind the poor together and there can be no generalisations.

b. **REGULAR THRIFT:**
This is an important feature of Self Help Groups. Small saving on a regular basis is the key to success of any Self Help Group. This develops the habit of saving on a regular basis among the members. Initially the savings are collected within the group. Once this is regularized the group gets linked with any bank by depositing the money therein. This also habituates the members with the banking transactions.

c. **REGULAR MEETINGS:**
Self Help Groups are also characterized with regular meetings of the members of the groups. These meetings held normally once in a week or fortnight provide a common place for the members to discuss over their common concerns so as to ventilate their narrow feelings. These meetings add to the better understanding and cohesiveness among the group members. Meeting being held in the non-working hours can be conveniently attended by all.
d. **INTERNAL LENDING:**

The Self Help Groups once get habituated to savings; they begin with the internal lending. This is lending within the group from the amount collected by the group. This is done as per the norms laid down at the time of establishment of the group. This gives the benefits of credit though on a small scale to the members of the group. The habit of repayment of the loan such taken is also developed within the group.

e. **LINKAGE:**

Self Help Groups are further linked with banks – the lending institutions. The formation of Self Help Groups is many times the deciding factor regarding linkages. The Self Help Groups may be directly linked with the banks or may be through the NGOs or the Micro Financing Institutions. These forward linkages provide for credit to the group, which in turn distributes the loan among the members of the Self Help Group. An interesting fact about the credit linkage with banks is that unlike formal banking mechanism, the banks do not ask for any collateral while granting loan to Self Help Groups. On successful repayment of the earlier loan the group becomes eligible for further loan from the bank. There are ample of examples of refinance, which almost every bank can quote.

In addition the basic principles of Self Help Groups are group approach, mutual trust, organization of small and manageable groups, cohesiveness, spirit of thrift, demand based lending, collateral free, women friendly loan, peer group pressure in repayment, skill training, capacity building and employment\textsuperscript{13}. The success of the group lies in the degree of mutual trust and faith maintained within the group. Along with this the group is also exposed further to bank transactions through the linkages. It not only learns depositing and withdrawing transactions but is also benefited by knowledge of borrowing and lending operations.

The basic features of SHGs promoted by NGOs and banks in various parts of the country are given in table 4.1. One of the important features observed is homogeneity in the group in terms of social and economic status. The basic functions are saving
mobilization, creation of common fund out of saving, availing credit from banks and loaning to members. Various purposes of loan includes loans for consumption, clearing outside debt, social, medical, education, business, agriculture etc.

Table 4.1
Basic Features of SHGs Promoted By NGOs/Banks

<table>
<thead>
<tr>
<th>1. Organization</th>
<th>Homogeneity in terms of economic/ socio-economic status, common identity of activities etc.</th>
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<tbody>
<tr>
<td>2. Nature of target groups</td>
<td>Generally poor and weaker sections of the people in rural areas and particularly women.</td>
</tr>
<tr>
<td>4. Financial instruments</td>
<td></td>
</tr>
<tr>
<td>(a) Common fund</td>
<td>Created of savings, interest earned on loan, donations etc.</td>
</tr>
<tr>
<td>(b) Savings mobilization</td>
<td>While in certain cases no fixed rate of savings, in some cases regular and fixed rate of savings, and in some cases as per capacity of the members.</td>
</tr>
<tr>
<td>(c) Loaning</td>
<td>Decided by the purpose, quantum and the resources available with the SHGs. Purpose of loans for individuals include consumption, clearing outside debt, social, medical, education, business, agriculture etc. and loans for common production activities.</td>
</tr>
<tr>
<td>(d) Repayment period</td>
<td>Generally lower than prescribed by banks.</td>
</tr>
<tr>
<td>(e) Rate of interest</td>
<td>Varies from 12 to 20 percent. In a few cases the interest rates are determined by the NGOs.</td>
</tr>
<tr>
<td>5. Linkage with banks</td>
<td>Banks treat SHGs as borrowers.</td>
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</table>


4.6 SIGNIFICANCE OF SELF HELP GROUPS

Self Help Groups are necessary to overcome exploitation, create confidence for economic self-reliance among the poor, particularly women who are still fighting for
a place in the social structure. The Self Help Groups become the basis ‘for action and change’ and build a relationship of mutual trust between the promoting organizations and the rural poor through constant contact and genuine efforts. The credit delivery through Self Help Groups emerges as an alternative to the existing system of credit disbursement by the banks. The well-knit network of banks in India is seen to be employed to a large extent for the benefit of the rural and urban poor. In addition the Self Help Groups have been found to help inculcate among their members sound habits of thrift, saving and banking. Experience in various countries has brought to light the fact that Self Help Groups play a significant role in mobilizing substantial amounts of savings and providing loans to members. The SHGs are able to provide banking services to their members which may not be sophisticated but are cost effective, simple, flexible, accessible to their members and mainly without any defaults in repayment of loans. Self Help Groups have also been able to bring in many social reforms especially in the context of women.

The Self Help Groups also play a dominant role in poverty alleviation in rural India. Formation of SHG is a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes. A growing number of poor people from various parts of India are members of Self Help Groups and actively engage in savings and credit as well as other activities like income generation, literacy, child care and nutrition. In addition the Self Help Group system has proven to be very relevant and effective in offering women the possibility to break gradually away from exploitation and isolation. SHGs have become a forum for the collective voice of the poor against common oppression and exploitation, to understand individual and common problems and improve their skills and capacities to manage resources.

A large number of case studies on women Self Help Groups reveal that individually these women had accepted their poverty and miseries as due to divine fate or destiny and had little hope of improving their lot of life. But, the formation of Self Help Groups has led to a growing awareness and education among the members of the Self
Help Groups. The availability of information has led to confidence building and the ability to handle complex issues. It can be observed that the Self Help Groups system provides for an integrated approach for overall development of women.

4.7 FORMATION OF SELF HELP GROUPS

According to Rao et. al.20 (1999) a systematic and scientific approach in the formation of SHGs is of utmost importance to guarantee long term sustainability of these informal community based organizations. It has been observed by Fernandes21 (1992) that SHGs formed and promoted for limited purposes of availing subsidy laced bank loans, grants and other materialistic benefit generally disintegrate, while according to Srinivasan & Rao22 (1996) the SHGs developed for genuine purpose of self help in the wake of needs had better chances of long term sustainability. SHGs like any other type of groups have distinct phases through which they pass over a period of time.

According to Johnson & Johnson23 (1994) there have been well over 100 theories to describe the development stages of groups. Hill & Gruner24 (1973) have opined that most of these theories are based on Sequential Stage Theory while others are best described as in the Recurring Phase Theory. Theories based on sequential stage of group development are based on the identification of definite phases in the life cycle of group. The most famous of these theories has been proposed by Tuckman25 (1965) and Tuckman & Jensen26 (1977). Tuckman studied a number of groups of varying nature and objectives such as therapy, training, and focus groups and identified four distinct development stages, viz. **Forming, Storming, Norming and Performing.** These distinct stages are characterized by the specific focus attributed by the groups during each stage and the related consequences on the behaviour of the members.

**Forming Stage** is marked with initial attraction towards each other in a group. The stage is characterized by initial euphoria of coming together, chaos and uncertainty. Kruger & King27 (1998) have indicated that during forming stage each member tries to figure out his/her own role in the group and gets indulged in evaluating his likely
individual gains against group objectives. Being the very first stage the members are observed to carry suspicion and anxiety among themselves during this stage.

**Storming Stage** is characterised by the expression of varying thoughts by the individual members, which reflects the prevailing conflict and confusion in the group. Kruger & King (1998) have indicated that this stage is completed with the evolution of leadership and decision-making capabilities within the group.

**Norming Stage** is reached when the group under the chosen leader/s starts evolving group norms and the group’s solidarity comes into force. The group becomes more cohesive and development oriented as gradually the individualistic tendencies are substituted by the collective attitude.

**Performing Stage** is the state of readiness, the readiness to act. Leadership is established, role clarity is developed and the group behaves in a unified manner so as to achieve its mission with the help of collective action. This is where the group comes into existence in the real sense.

Gerber (1994) as quoted by Harper (1995) has also identified the above four stages in the development of SHG’s. Other researchers such as Moreland & Levine (1982) have proposed a sequential theory based on the status of membership. They termed the various stages of group development as prospective membership stage, new member stage, full member stage, marginal member stage and ex-member stage. Similarly Worchel et al. (1992) have also identified six sequential stages of group development on the basis of prevailing 'feelings' in the members. These are discontent stage, participative stage, identifying with the group stage, involvement in the group activities stage, proactive involvement stage and disintegration stage.

Based on Tuckman's theory, Johnson & Johnson (1997) identified seven stages in the development of co-operative learning groups. These are as follows-

(i) Defining and structuring procedures and becoming oriented,
(ii) Conforming to procedures and getting acquainted,
(iii) Recognizing mutuality and building trust,
(iv) Rebelling and differentiating,
(v) Committing to and take ownership of the goals, procedures, and other members,
(vi) Functioning maturely and productively and
(vii) Terminating.

In contrast to sequential stage theories, the recurring phase theories are based on the issues that arise in a group from time to time and thus affect the group behaviour. These theories revolve around the group issues and not individual feelings as in case of sequential stage theories.

The other noticeable difference between the sequential stage and recurring phase theory is that the former is of irreversible nature, i.e. the stages are fixed in a chronological order and are never repeated, while, the latter is based on re-occurrence of phases depending on the issues being confronted by the groups. A few of the recurring phase theories, as proposed by various social scientists, are as under;

Bales\textsuperscript{33} (1965) indicated about a state of equilibrium, within a group, between a task oriented work and emotional expressions (behaviour) of the members. This state of equilibrium decides a long enduring mutual rewarding relationship among the group members and it keeps recurring from time to time.

Another theory of Schultz\textsuperscript{34} (1958) proposed that group development is reflective of the concern of members towards affection, inclusion and control and is repetitive in nature (Schultz, 1958).

Bion\textsuperscript{35} (1961) stated that group development depends on the three basic themes of the dependency on the leader, desire for emotional support among the members and confrontation among the members with threats to abandon the groups. Such tendencies recur during the group development.

In India the SHG formation has in general been documented by NABARD as in table no.4.2 below. Here, NABARD has categorised the SHG formation into four distinct phases; Pre-formation, formation, stabilization and growth and expansion. The role played by the promoting institutions is also stated.
Table no. 4.2
Stages of SHG Development & Role of NGO’s/ SHPI

<table>
<thead>
<tr>
<th>Stage of Development</th>
<th>Time Period</th>
<th>Role Of NGO/SHPI</th>
<th>Focus Of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-formation</td>
<td>1-2 months</td>
<td>Initiator/ Promoter</td>
<td>Identifying the poor through participatory rural appraisal methods in small hamlets/villages/towns.</td>
</tr>
<tr>
<td>Formation</td>
<td>3-6 months</td>
<td>Facilitator</td>
<td>Motivation to form groups, select group leaders, develop rules and norms, conduct meetings, pooling savings, issue and collection of small loans, group cohesion, adjustment systems and maintenance of accounts.</td>
</tr>
<tr>
<td>Stabilization (Phase 1)</td>
<td>7-12 months</td>
<td>Advisory/ Managerial</td>
<td>Leadership stabilization, training of leaders and members, regularized and increase savings, handling of groups level transactions, informal interactions with other groups/clusters, addressing community interests. Begin the process of issuing loans, handling/helping defaulters to repay. Sourcing loans for groups through normal credit system etc.</td>
</tr>
<tr>
<td>Growth and expansion</td>
<td>19 months</td>
<td>Advisory/ managerial/ consultative/ institution building</td>
<td>Strengthen linkages with banks, creation of assets for groups and members, spreading capacity building and promotion of new groups, attempts at cluster development and federation of SHG’s.</td>
</tr>
</tbody>
</table>

Source: NABARD36 (1994) SHPI = Self Help Promoting Institutions

It is well understood from table no.4.2 that in the pre-formation phase an initial survey is carried out to identify the target population. This is expected to consume around 1-2 months. Proper care is expected to be taken while locating the members of the prospective group because it directly influences the sustainability of the group.

The next stage is that of formation of the group. This involves the framing of rules and regulations of functioning of the group, conducting of group meetings, initiation
of group savings and then internal lending, maintenance of accounts etc. The promoting institution needs to act as a facilitator in this stage. The formation stage requires almost three to six months.

The third stage is the stabilization stage. In this stage the group makes way to stabilise itself. For this the group leader and members undergo training for self development. In addition efforts are made to increase the savings and orient the members about social strengths of the group. Focus is laid on regularity in savings and loaning. Timely repayment of borrowed loans is also emphasised.

The fourth stage is the stage of growth and expansion. Here the group strives for growth and expansion. The group tends to undertake any income generating activity. The linkages with banks are also strengthened. Efforts are made for capacity building of the members. Further formation of clusters or SHG-federations is also undertaken in this stage. The assistance of promotion institutions is needed in consultative or managerial capacity.

4.8 FUNCTIONING OF SHGS

In India SHGs are formed for a variety of purposes and by a variety of people. Most SHGs in India have 10 to 20 members, who can be either only men, or only women, or only youth, or a mix of these.

The rules and regulations of SHGs vary according to the preferences of the members and those facilitating their formation. A common characteristic of the groups is that they meet regularly (typically once per fortnight or once per month) to collect the savings from members, decide to which member to give a loan, discuss joint activities (such as training, running of a communal business, etc.), and to mitigate any conflicts that might arise. Most SHGs have an elected chairperson, a deputy, a treasurer, and sometimes other office holders.
As soon as the SHG is formed and a couple of group meetings are held, an SHG can open a Savings Bank account with the nearest Commercial or Regional Rural Bank or a Cooperative Bank. This is essential to keep the thrift and other monies of the SHG safely and also to improve the transparency levels of SHG's transactions. Opening of SB account, in fact, is the beginning of relationship between the bank and the SHG. The Reserve Bank of India has issued instructions to all banks permitting them to open SB accounts in the name of registered or unregistered SHGs.

Whatever are the monthly transactions, a record of the same is to be maintained by the group. Details about the meetings are also required to be kept by the leader of the group. Most of the times initially, the promoting institution like NGO officials or government officials are seen to help the members with the record maintenance. Over the passage of time gradually the members inculcate the record keeping knowledge and habit. This helps in bringing transparency within the group.

By initially managing their own common fund for some time, SHG members not only take care of the financing needs of each other, but develop their skills of financial management and intermediation as well. Lending to members also enhances the knowledge of SHG members in setting the interest rate and periodic loan installments, recovering the loan, etc. Thus the establishment of SHGs makes the rural population familiar with financial terms and financial planning.

It appears as though the vast majority of rural SHGs invest the loan amounts in a mix of consumption and productive purposes. As credit needs of the poor are determined in a complex socio-economic environment, where the dividing line between credit for 'consumption' and 'productive' purposes is rather blurred, it is difficult to adopt the traditional banking approach to lending and to insist that loans are not used for consumption. Most SHGs therefore start without any external financial capital by saving regular contributions by the members. These contributions can be very small (e.g. 10 Rs per week). After a period of consistent savings (e.g. 6 months to one year) the SHGs start to give loans from savings in the form of small internal loans for micro enterprise activities and consumption. Only those SHGs that have utilized their own
funds well are assisted with external funds through linkages with banks and other financial intermediaries.

4.9 HISTORICAL BACKGROUND OF SELF HELP GROUPS

The existence of traditional saving groups has been well documented and has a long and successful history in India. Informal SHGs oriented to saving and credit functions are not a new phenomenon\(^{37}\). But the manner of its functioning was neither systematic nor did it have any support from the policy makers.

The genesis of Self Help Groups could be traced to “Mutual Aid” in Indian village community. In the traditional rural societies, self-help takes various forms. It was the farm operations or the housing operations that attracted the sharing approach among the villagers. The villagers performed on the self-help and mutual help principles. However, in the west, the theoretical approach to collective action was among others, developed by Olson and he states ‘people will participate in collective action when they are organized in small groups when the expected private benefits from the collective action exceed the expected private costs of participation’\(^{38}\). Thus the cost-benefit approach forms to be the basis of the success of any such activity being undertaken for the fulfillment of the credit needs of the rural poor.

The existence of traditional savings group has been well documented and has a long successful history in India. ‘Informal Self Help Groups oriented to saving and credit functions are not a new phenomenon’\(^{39}\). Some forms of credit instruments were in operation even before 1904 when the Co-Operative Credit Societies Act was passed. Credit instruments like nidhis and chit funds were popular especially in southern India. They had several distinguishing features such as encouraging thrift and inculcating in the members the habits of punctuality and planning for future. But their contribution remained to be insignificant in the wake of the huge requirement of credit needed by the poor being sufficed by the private moneylenders.
Later the entry of co-operative credit system can also be seen to be as a form of the Self Help Groups that aimed at bringing together poor people by promoting small savings and mutual self-help concepts. However the formal cooperative structures were too large and dominated by the poor. The interests of the non-poor clashed with those of the poor and the poor were not allowed any say in the working of the co-operatives\textsuperscript{40}. Over years the vested interests have ensured that the cooperative institutions became bureaucratized and politicized to safeguard the narrow self interests of a few. The self-help character of these institutions has been lost and overdues have been disappointing. The poor in the cooperatives would become members, but not cooperators and would continue to live on the decisions made by others- something that the SHGs help them break away from\textsuperscript{41}. The failure and weaknesses of the cooperative system led to the growth of the commercial banking system in rural areas of India.

Despite of lot of efforts being made by the government and the policy makers, the credit delivery system could not cut the glass to reach the rural areas and the poor especially. Though the banking network was strong, a large number of the rural poor remained outside the purview of the formal credit system. This led to an urgent need for developing a mechanism that could serve the credit requirements of the poor belonging to both the rural as well as the urban areas. For this a lot of thinking needed to be made and here the practices and models adopted in other nations were studied for their viability in Indian context. The origin of the Self Help Groups concept strongly came into existence through the Bangladesh Grameen Bank Model.

\textbf{4.9.1 BANGLADESH AS PIONEER IN MICROFINANCE}

Prof.Dr.Mohammed Younus, the Nobel laureate, was the propeller of the action research project ‘Grameen Bank’. The origin of Self Help Group, during early 1980s, was made in an experimental attempt in Bangladesh by Dr.Younus, Professor of Economics in the Chittagong University of Bangladesh. He encouraged the landless and the marginalized women known as beggars to undertake petty trade with little
loan given from his own pocket at the initial stage. The guiding concept was that the poor know best how to improve their economic conditions provided adequate credit is made available.

The Grameen Bank project started in 1976 and it was formally recognized as a bank through an ordinance, issued by the government in 1983. The grameen Bank provides loans to the landless poor, particularly women, to promote self-employment. At the end of December 2001, it had a membership of 23.78 lakhs and cumulative micro-credit disbursements of Tk 14.653 crores\textsuperscript{42}. This effort has turned into a grand success with its innovative approach to motivate the rural, marginalized poor and the disadvantaged women to inculcate banking habits through small savings and credit activities. The success of the experiment evoked interest among more banks. In June 1979, the central bank of the country, the Bangladesh Bank stepped in and organized sponsorships from various nationalized commercial banks for extension of the scheme to more areas. In 1980, the project caught international attention and financial aid started flowing in from different donor institutions like Ford Foundation, GTZ, IFAD etc.

The Bangladesh Rural Advancement Committee (BRAC), Association for Social Advancement (ASA) and PROSHIKA are the other principal Micro-credit Finance Institutions (MFIs) operating for over two decades and their activities are spread in all the districts of that country. BRAC is the largest NGO of Bangladesh with a total membership of 41.38 lakh. Initially set up in 1972 as a relief organization, it now addresses the issues of poverty alleviation and empowerment of poor, especially women, in the rural areas of the country. This institute also works in the field of literacy, legal education and human rights. BRAC has worked significantly in the fields of education, health, nutrition and other support services.

PROSHIKA, derives its name from three Bengali words, namely Proshikshan (training), Shiksha (education) and Kaj (action). PROSHIKA is also active in the areas of literacy, environment, health and organization building, while ASA and
Grameen Bank are pure micro finance institutions. The micro-finance practices of these institutions revolve around five basic features:

- They primarily have women as their target group.
- They adopt group approach for achieving their targets. The group approach focuses on organising the people into small groups and then introducing them to the facility of micro-financing. The MFIs of Bangladesh place a great deal of importance to group solidarity and cohesiveness.
- Savings is an essential precondition in all these MFIs for availing credit from them.
- The officials of the Bangladesh MFIs remain present in the weekly meetings of the groups and collect the savings, update the pass books and even disburse the loans, and
- The systems and procedures of the MFIs are quite simple and in tune with the requirements and capabilities of their clients.

4.9.2 INDIAN SCENARIO

The ability of the formal banking sector to serve the needs of the poor people is quite apparent. Institutional credit has not reached to the lower income groups. The thrust of the organized sectors, within the priority sector-lending framework, has been on productive activities, whereas the poor, the majority of whom are landless, need credit mainly for financing income-consumption gap or for tiding over occasional crisis and emergencies. Obviously, the need, terms and modes of delivery do not match. In addition the need of the poor for saving their scant funds too is not met with by the formal banking structure. Probably, this is due to the procedural constraints or the insufficient staff with the banks in the rural areas. These could be the reasons for the increased dependence of rural people, especially of the poor women, on informal credit sources like moneylenders, contractors, traders and intermediaries.
In order to establish a link between the thrift, small savings, consumption and production credit needs of the poor with the banks, a cost effective mechanism needed to be innovated. Some formal institutions experimented for savings mobilization. For example, ‘savings stamps’ for tiny amounts like 10 to 25 paisa could be bought from the village post offices and pasted on a special passbook till it became a respectable figure of at least two rupees when it would be entered in the regular passbook. However herein an individual was needed to go to a post office every time one wanted a savings stamp. The Syndicate Bank introduced the ‘Pygmy Deposit’ scheme with a part-time banker- a person trusted by villagers like the village priest or the school teacher. This banker would go door to door and collect tiny savings and also keep their accounts. This had a limitation of the thrift collector visiting only on specific days. Thus the necessity of having an easy access to a safe deposit still remained.

SHGs are observed to be a better solution to all these limitations. They act as the thrift collectors without the bank paying any honorarium to the SHG. Instead the groups pool the savings and deposit the pooled sum with the bank. The SHG movement in India is basically aimed at utilizing the SHG’s as an 'intermediary' between the banks and the rural poor to help drastically reduce transaction costs for both the banks and the rural clients.

India has adopted the Bangladesh’s model in a modified form. To alleviate poverty and to empower women, micro-finance has emerged as a powerful instrument in the new economy. With availability of micro-finance, self-help groups (SHGs) and credit management groups have also started in India. And thus the movement of SHG has spread out in India.

In India, banks are the predominant agency for delivery of micro-credit. In 1970, Ilaben Bhat, founder member of ‘SEWA’ (Self Employed Women’s Association) in Ahmedabad, had developed a concept of ‘women and micro-finance’. The Annapurna Mahila Mandal’ in Maharashtra and ‘Working Women’s Forum’ in Tamilnadu and
many National Bank for Agriculture and Rural Development (NABARD)-sponsored groups have followed the path laid down by ‘SEWA’. ‘SEWA’ is a trade union of poor, self-employed women workers.

Since 1987 ‘Mysore Resettlement and Development Agency’ (MYRADA) has promoted Credit Management Groups (CMGs). CMGs are similar to self-help groups. The basic features of this concept promoted by MYRADA are:
1] Affinity,
2] Voluntarism,
3] Homogeneity and 
4] Membership should be limited to 15-20 persons.

Aim of the CMG is to bestow social empowerment to women.

In 1991-92 NABARD started promoting self-help groups on a large scale. And it was the real take-off point for the ‘SHG movement’. In 1993, the Reserve Bank of India also allowed SHGs to open saving accounts in banks. Facility of availing bank services was a major boost to the movement.

The movement of SHG was nourished in the states of Gujarat, Maharashtra, Andhra Pradesh, Rajasthan, Tamilnadu and Kerala. Now nearly 560 banks like NABARD, Bank of Maharashtra, State Bank of India, Co-operative Banks, Regional rural banks, the Government institutions like Maharashtra Arthik Vikas Mahamandal (MAVIM), District Rural Development Agency (DRDA), Municipal corporations and more than 3,024 NGOs are collectively and actively involved in the promotion of SHG movement.

4.10 SHG BANK LINKAGE PROGRAMME (SBLP) OF NABARD

India is probably the first nation to bring into use its wide formal banking network for providing credit access to the poor. The rationale was that providing access to credit would create assets in the hands of the poor. Studies have shown that the
economically active poor need access to the formal money market rather than subsidized credit.

NABARD, with its headquarters at Mumbai, is an Apex Development Bank in India for financing and promoting agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts so as to promote integrated rural development. In wake of banking sector reforms implemented in early 1990’s the role of commercial banks in providing credit to rural poor came under intensive scrutiny. It became a matter of debate as regards the sustainability of entire banking operation for providing banking services-both in terms of savings and credit-to the rural poor. Sheokand\textsuperscript{46} (1998) has indicated that as the rural poor's share in availing formal sector credit got further marginalized, NABARD, in 1992 launched the SHG - Bank linkage programme with the policy backup of the Reserve Bank of India. According to Shanmugam\textsuperscript{47}(1998) the SHG – Bank linkage programme initiated by NABARD, in active collaboration with Non-- Governmental Organisations (NGOs), aimed at enhancing the coverage of rural poor under institutional credit thereby focusing on poverty alleviation and empowerment.

Prior to this, NABARD's initiative in promoting active partnership between banks and SHGs was encouraged by the findings of a study conducted in 1988-89 by NABARD in collaboration with member institutions of Asia Pacific Rural and Agricultural Credit Association (APRACA), Manila. The study covered 43 NGOs involved in promoting savings and credit SHGs in 11 states of the country. The findings of the study team were startling and pointed that the poor needed small and frequent doses of credit that are hassle free for consumption and emergency purposes. It need be noted that NABARD emphasised on finding ways and means to improve accessibility of the poor to avail credit through the existing banking network instead of creating multiple organisations to overcome the weakness in the system. As per a NABARD report (1995) the scheme on SHGs was made applicable to RRBs and co-operative banks of the country in 1993 and in April'96, RBI advised the banks that lending to SHGs should be considered as an additional segment under priority
sector advances and it be integrated with mainstream normal credit operation. Rao & Dasgupta (1999) have commented that the SHG-bank linkage programme has gained considerable movement in southern region of the country, though the northern states too are also catching up fast and an overwhelming (78%) of the listed SHGs are Women Self Help Groups (WSHG’s), that is the SHGs which constitute of only women members.

Since the inception of NABARD promoted SHG linkage programme there has been an appreciable increase both in formation of SHG and their linkage with the banks. The SBLP tries to use the existing formal financial network to increase the outreach to the poor while ensuring necessary flexibility of operations for both the bankers and the poor. The concept and importance of SHGs has been accepted and adopted by policy makers and they will form the backbone of rural poverty alleviation strategies, implemented by Government of India. The SHG Linkage programme offers a win-win situation for the credit delivery system comprising banks of all types.

4.10.1 TYPICAL SHG-MODEL

A typical model of SHG is depicted in figure 4.1 below. Some of the features might vary from one SHG to other. However, the typical model holds true for most of the SHGs. Every household has two main resources physical and human. In majority of poor households the physical resources are in scarcity while the human resources are in abundance. But unfortunately there is no mechanism for utilising human resources for enhancing physical resources.

With the advent of Self Help Group the mechanism is observed to be built up. By means of SHG the human capital is channelized into a group which is promoted by NGOs, Banks or other promoting agencies. Group formation mainly leads to access to credit, technical training and common platform for sharing of social issues and problems. The functioning of the group further leads to multifaceted benefits for the
members of the group. The end result is increase in employment, savings, investment and ultimately empowerment.

Figure 4.1 A TYPICAL SHG MODEL

HOUSEHOLD RESOURCES

• Physical Capital (limited)
• Human Capital

![Diagram of SHG Model]


4.10.2 MODELS OF SHG-BANK LINKAGE

The explorations made by NABARD for checking the possibilities of establishing linkage between SHGs and banks led to recognizing the fact that SHGs could work as local financial intermediaries. In India three different models of linkage of SHGs to the financial institutions have emerged. They are as given below in figure no. 4.2:
Figure 4.2 SHG-Bank Linkage Models

SHG-Bank Linkage Model I
Banks as SHPIs and Credit giving agency

SHG-Bank Linkage Model-II
NGOs as SHPIs

SHG-Bank Linkage Model-III
NGOs as SHPIs and Credit giving agency

The distinct patterns of promotion and credit support to the SHGs can be clearly understood from figure no.4.2 above.
**Model I: SHGs formed and financed by banks**

In this model, banks themselves take up the work of forming and nurturing the groups, opening their savings accounts and providing them bank loans.

**Model II: SHGs formed by formal agencies other than banks, like NGOs and others, but directly financed by banks**

In this model the NGOs and formal agencies in the field of microfinance act only as facilitators. They facilitate organising, forming and nurturing of groups, and train them in thrift and credit management. Banks give loans directly to these SHGs.

**Model III: SHGs financed by banks using NGOs and other agencies as financial intermediaries**

This is the model wherein the NGOs take on the additional role of financial intermediation. In areas where the formal banking system faces constraints, the NGOs are encouraged to approach a suitable bank for bulk loan assistance. This, in turn, is used by the NGO for onlending to the SHGs. In areas where a very large number of SHGs have been financed by bank branches, intermediate agencies like Federations of SHGs are coming up as links between bank branch and member SHGs. These Federations are financed by banks, which, in turn, finance their member SHGs.

Each of these models has certain merits and demerits. These were discussed critically by Rajigain T.S. as follows:

The model wise advantages and limitations of SHG’s are shown in the table 4.3 below:
Table 4.3
Advantages and limitations of SHG-Bank Linkage Models

<table>
<thead>
<tr>
<th>Model</th>
<th>Advantages</th>
<th>Limitations</th>
</tr>
</thead>
</table>
| Model I | • Exposes bankers to social realities first hand.  
• Possible solution where NGOs are not present. | • Wide scale application may not be feasible because of other priorities of bankers. |
| Model II | • Each partner institution plays a role best suited for it. Banks lend, NGOs organize poor into SHGs and SHGs manage small group finance in their own interest.  
• The whole system is localized.  
• SHGs and local NGO learn to deal with an accessible bank branch and vice versa. | • In spite of wider acceptability of the model, majority of field level bankers are yet to be sensitized and do not view it as banking mandate.  
• In many places, it is still difficult to open a savings account.  
• Absence of NGOs in many parts of India. |
| Model III | • It further reduces the transaction cost and risk cost of the bank as the banks lend a larger sum to an NGO, which guarantees repayment.  
• Easier for the poor to deal with an institution which they know and trust.  
• Easy to be adopted by stakeholders. | • NGOs are not traditionally equipped to work as financial intermediaries.  
• Calls for substantial investment in capacity building of NGO.  
• Adds one more intermediary structure.  
• Wide scale adoption not possible. |

Source: Adopted from Rajigain, T.S. (1999)
Thus it is observed that all the three models have their own set of advantages and limitations as well. Depending upon the situation and circumstances the best suited model may be adopted for SHG promotion. However, the second model is the most popular model. Almost three-fourths of all the SHGs come under this model. Only 20% of the SHGs are covered under the first and 6% under the third model respectively.

4.11 APEX BODIES INVOLVED IN SHG-PROMOTION

A. Small Industries Development Bank of India (SIDBI)

SIDBI had launched the Rs.1000 million SIDBI Foundation for Micro Credit (SFMC) in November 1998. It is a fully functional separate department of SIDBI since January 1999. The Foundation is supposed to assist NGOs and voluntary organizations on soft terms, which would in turn extend micro credit to poor people. The purpose of the SFMC is to create a national network of strong, viable, and sustainable micro-finance institutions from the informal and formal financial sector to provide micro-finance services to the poor, especially women. Its strategic intent is to expand outreach in such a way so as to bring into its ambit a wide range of MFIs that are striving towards financial sustainability. SFMC also seeks to nurture and equip them to deliver quality microfinance services to the poor. Capacities are to be built, of MFIs, micro-finance providers, consultants, trainers, etc, as also the end-users, like SHGs, clusters etc. The intervention of SFMC may provide for loan support to MFIs, capacity building support to the entire sector, policy advocacy and action research. Within action research, innovative ideas are encouraged and feasible ones are commercialized with respect to savings, leasing, investment products etc. Studies on, and experiments with, new methodologies and practices, are promoted.
B. Rashtriya Mahila Kosh

RMK disburses credit through non-governmental organizations, women development organizations, co-operative societies, Indira Mahila Block Samitis registered under Indira Mahila Yojana, suitable state government agencies, and refinance to mahila/urban co-operative banks. The loans are given for income generation purposes unless specifically sanctioned for other purposes. The maximum amount of the loan is Rs.7500/- per borrower.

C. SHARE- MFI/NGO

SHARE is a MFI that is registered as society in the year 1989. The organization operates 12 branches in 5 districts in the state of Andhra Pradesh. SHARE provides financial and support services to very poor rural women whose per capita income is less than Rs. 250 per month and asset-holding is less than Rs. 20,000. As on September 19, 2000, SHARE was working in 502 villages and had 13,140 members. A sum of Rs. 86,352,400 was disbursed among these members with a perfect repayment rate of 100%. Loans were provided without any collateral. SHARE is financially supported by NABARD, SIDBI, HUDCO, the World Bank, Grameen trust, the Friends of Women’s World Banking, Tata Trust’s Dr. Reddy’s Foundation, Ford Foundation and IDS.

D. Working Women’s Forum/ICNW

The Working Women’s Forum (WWF), is a nationally and internationally renowned union of women workers in the informal sector which is a mass movement of over 350,000 poor women. In 1978, the WWF was established at Madras (Chennai). The early initiators of WWF considered credit assistance from formal banking institutions as a strategy to escape moneylenders and middlemen. However, women had to put up with conceptual and functional inadequacies of the operations within these mainstream banks. In 1981, 2,500 women leaders with a share of Rs.20 each and
seed capital of Rs.50,000 initiated and established their own Working Women’s Co-operative Society1. Since then a series of cooperatives have been promoted by the WWF in the states of Andhra Pradesh, Tamilnadu and Karnataka under the respective State Co-operative Acts. Since WWF’s inception in 1978 in Madras (Chennai) city, its credit activities have grown both intensively and extensively in such a way that from about 800 members it now has over 350,000 members.

Nearly 140 million rupees have been loaned to women, 85% of whom belong to the indigenous communities, involved in 167 different enterprises in 14 cultural contexts. (Working Women’s Forum, 1995). Over time, the series of 14 State Co-operatives promoted by the WWF in all the 3 southern states were merged into a new institutional framework governed by central laws and called as “The Indian Co-operative Network for Women”, with the freedom for country-wide operations. The ICNW is the first of its kind in India to affiliate credit networks in other states in India, especially in Orissa and Uttar Pradesh where WWF has partnerships with NGOs working for tribal and disadvantaged groups of women. The ICNW is now also a member of the International Raiffeisen Union, Germany, which gives it an international status.

E. MYRADA

Since 1987, the Mysore Rehabilitation and Development Agency (MYRADA), Karnataka has consistently fostered the SHG concept and strategy as the Indian model of banking with the poor. With the help of NABARD, MYRADA trained over 3,000 bankers to assess and encourage SHGs. One of the key indicators that the banks apply while assessing SHGs is the adequacy and quality of the finance and management systems adopted by the SHG. This is necessary since a majority of MYRADA’s SHGs are managing funds in excess of Rs.0.2 million. MYRADA recommends an annual audit of all SHGs by chartered accountants. Initially this cost of the audit was shared between MYRADA and the SHG. In 1998-99, however, most of the 4000 SHGs of MYRADA met the entire cost. (Myrada, 1999)
A. Swarnajayanti Gram Swarozgar Yojana (SGSY)

SGSY is a single cell self-employment program for the rural poor officially launched on April 1, 1999 by the Government of India. The scheme was primarily intended to overcome the failures of the IRDP scheme. The scheme offers credit-cum-subsidy to the beneficiaries and banks involved in this process. The scheme seeks to promote multiple credit rather than a one-time credit input. Beneficiaries are encouraged to increase their credit intake over time. The scheme also provides for skill development through training courses in technology, marketing, information, etc. Funds under the scheme are shared by the Central and state governments in the ratio 75:25. The scheme is implemented by the District Rural Development Agencies through the Panchayat Samitis. Each of the SHG formed under the scheme is entitled to a maximum subsidy of 50% of the project cost subject to a ceiling of Rs.1.25 lacs per group.

B. Swarna Jayanti Shahari Swarojgar Yojana (SJSRY)

The Swarna Jayanti Shahari Swarojgar Yojana is a centrally sponsored scheme introduced mainly as a substitute for the urban poverty alleviation programmes viz. Nehru Rozgar Yojana (NRY), Prime Minister’s Integrated Urban Poverty Eradication Programme (PMIUPEP) and Urban Basic services for the Poor (UBSP). The SJSRY aims at eradicating absolute poverty from the urban areas. The SJSRY has two sub-schemes, the Urban Self Employment Programme (USEP) and the Development of Women and Children in Urban Areas (DWCUA).

The USEP helps individual urban poor beneficiaries for setting up self employment ventures. Normally the project cost is limited to Rs.50000 per individual. The subsidy is provided at the rate of 15% of the project cost subject to a ceiling of Rs.7500 per beneficiary.
The DWCUA helps the urban women for setting up a gainful employment through group activity. This scheme has a distinct feature of providing special incentive to the poor women of urban areas who come to set up self employment enterprises as a group and not as an individual. The basic aim of this scheme is generating income as well as empowering the women. The minimum number of members for a group is fixed as ten. Normally, the project cost is expected to be upto Rs.2.50 lacs. The DWCUA provides a subsidy of Rs.1.25 lacs or 50% of the project cost whichever is less. Recently this has been changed to 35% of the loan amount sanctioned to the group.

In 2007 SJSRY was exposed to a major restructuring with focus on self employment and development of microenterprises by the poor especially women, SC/ST and minorities. Considering the increasing number of urban poor as against decrease in rural poverty, the allocation for 2007-08 for SJSRY was enhanced from Rs.250 crores in 2006-07 to Rs.344 crores in 2007-08\textsuperscript{52}. Thus the funds increased by 38%.

C. Indira Mahila Yojana (IMY)

The IMY is a program launched by the Government of India in August 1995 as a central project for the ‘holistic empowerment of women’. The basic thrust of IMY is the formation of SHGs of women in villages at the anganwadi levels and to encourage thrift and savings activities as an entry point. A SHG is defined as a group of 10-20 women which comes together voluntarily around a common objective. All these groups including the ones formed under other government programs or by NGOs are to be federated at the anganwadi or village levels as Indira Mahila Kendra. It is expected that there will be 100-250 women in each IMK which, it is recommended, be registered as a society. Further, the representatives of the IMKs from a given block are to constitute the Indira Mahila Block /society which is also to be a registered body.
D. Mahila Samriddhi Yojana (MSY)

The MSY was implemented by the Department of Women and Child Development, Government of India, and has been in operation since 1993. This scheme is aimed at women’s empowerment through the building of confidence by encouraging thrift and savings. At the field level, the grassroots functionaries are most often the anganwadi workers. These functionaries motivate the women and liaise to bring them in contact with post offices in order to open accounts and make savings deposits. Data relating to the number and amounts of the accounts opened, amounts withdrawn and the number of accounts closed are compiled by the Department of Posts, disaggregated district-wise and state-wise and furnished to the Department of Women and Child Development, Government of India.

E. The Swa-Shakti Project

Swa-Shakti (Rural Women’s Empowerment Project) is a World Bank and International Fund for Agriculture Development (IFAD) assisted initiative. It was sanctioned in 1998 as a centrally sponsored project for a period of five years in the states of Uttar Pradesh, Madhya Pradesh, Bihar, Haryana, Karnataka and Gujarat. The Government of India implements the Swa-Shakti project through the state Women’s Development Corporations, who in turn contract NGOs to form and service SHGs. The aim of the project is to establish self-reliant SHGs, so as to improve the quality of their lives through greater access and control over resources. A Project Support Unit at the central level provides technical and managerial support. The project also has a Lead Training Agency and a Lead Monitoring and Evaluation Agency at the central level and the State Training Agencies and State Monitoring and Evaluation Agencies at the state levels. A Computerized Project Management Information System that includes both project and process information and a Computerized Financial Management System, provide the necessary information and back-up for the effective implementation of the project. Within the above mentioned states, as of November 30, 2000, the Swa-Shakti project had totally covered 35 districts, 203
blocks, contracted 8096 groups, 88 NGOs and formed 5673 SHGs. Concurrent monitoring and evaluation of the projects are carried out on a periodic basis, which focuses on the quality of project implementation at all the levels.

F. Maharashtra Rural Credit Program

Besides centrally sponsored schemes and projects, different states have taken initiatives in the context of providing micro credit to poor women. For example, in the state of Maharashtra, the Mahila Arthik Vikas Mahamandal Ltd. (MAVIM) was established in 1975 by the government of Maharashtra, with the intention of assisting the economic upliftment and rehabilitation of needy women. MAVIM has been entrusted with the responsibility of fostering women’s access to credit. In this context, MAVIM focuses on, forming SHGs, developing entrepreneurship, gender sensitization, functional literacy and spreading social awareness. Currently MAVIM is working in 951 villages in Maharashtra, and has succeeded in forming 4850 SHGs covering 68,000 poor women. Additionally, the Maharashtra Rural Credit Programme (MRCP), assisted by the International Fund for Agricultural Development (IFAD) is being implemented in 12 districts in Maharashtra. MAVIM is also appointed as a nodal agency for the Rashtriya Mahila Kosh, whereby it allocates funds to SHGs that have proved their sustainability.

4.13 GROWTH OF SELF HELP GROUPS IN INDIA

There are many agencies which are involved in the formation of SHGs. Various development strategies are now being implemented through SHGs. It is recognized as an effective vehicle for propagation of policy matters and issues. May it be spread of health awareness, or watershed management or spread of basic education for children, for each of these and many other, SHGs form to be the medium. With such dynamic outcome and potential, spread of SHGs is in leaps and bounds. The growth rate according to NABARD reports is no less than 30%. However the documentation of
the number of SHGs formed can be had only from a few sources like NABARD, DRDA and MAVIM.

The reports published by NABARD since 2006-07 have incorporated the growth of SHGs in two segments viz.: SHGs promoted under SGSY and those under NABARD. Infact, the number of SHGs that are savings linked with various banks irrespective of their promotion agencies are recorded and documented by NABARD. The SHGs promoted under the Swarna Jayanti Gram Swarojgar Yojana are under the efforts of District Rural Development Agencies. There is also the Swarna Jayanti Shahari Swarojgar Yojana under which SHGs are promoted by the Municipal corporations in the urban areas. The documentation thereof can be obtained from respective Municipal Corporations. In addition to these there are many such agencies which have adopted SHGs as the vehicle of achieving their social goals. Many NGOs are also using SHG-formation as the media for meeting their objectives.

However, the accumulated data of total SHGs formed and credit linked is not available at any office. Hence, data figures of the major programmes under which SHGs are formed and credit linked are examined for study. These include mainly the SHG-Bank Linkage Programme of NABARD, implemented in rural areas, which forms to be one of the biggest microfinance programmes in the world and the SJSRY implemented in the urban areas.

It can be assumed that whatever may be the promoting agency, every SHG opens an account with a bank. Obviously the number of SHGs savings linked with the banks (Commercial, private and Regional rural banks) can be treated to be a reliable database. Further the credit linkage with the banks speaks of the financial activeness of the SHGs.

The progress of SHG-Bank linkage can be studied separately for two periods viz;
1. 1992-2006
2. 2006-2009
The main reason behind classification in two periods is that upto 2005-06 NABARD provided statistics of SHGs which were credit linked. From 2006-07 the manner of presentation of SHG statistics by NABARD underwent drastic change. Then from the data detailed the Savings linked SHGs and credit linked SHGs distinctly. In addition the SHGs under SGSY were also shown separately in the data base. Obviously to understand the trend in growth of SHGs the two periods are studied separately.

**PART-I: PERIOD 1992-2006**

**4.13.1 Growth for period 1992-2006**

An attempt is made to study and analyse the growth of SHGs from 1992 to 2006. The initial years from 1992-99 were the years of inception and infancy for the SHG-Bank linkage programme (SBLP). It was a period of experimentation and with positive and encouraging outcomes; from 1999 the SBLP gained momentum.

The cumulative progress of number of SHGs and financing of the SHGs from 1992 onwards upto March 2006 is given below in table no.4.4.

It can be observed from table no.4.4 that the progress of SHG-Bank Linkage programme has been commendable over a span of one and a half decade. The real momentum was gathered from 1999-2000. Thus the last one decade has witnessed commendable growth both physically as well as financially in the field of Self Help Groups.
Table 4.4
Cumulative Progress of SHG-Bank Linkage Programme in India
(Year 1992-2006)

<table>
<thead>
<tr>
<th>Year</th>
<th>SHGs linked (cumulative)</th>
<th>Growth (%)</th>
<th>Bank Loan (Rs. Crores)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>255</td>
<td>---</td>
<td>0.29</td>
<td>---</td>
</tr>
<tr>
<td>1993-94</td>
<td>620</td>
<td>143</td>
<td>0.65</td>
<td>124</td>
</tr>
<tr>
<td>1994-95</td>
<td>2122</td>
<td>242</td>
<td>2.44</td>
<td>275</td>
</tr>
<tr>
<td>1995-96</td>
<td>4757</td>
<td>124</td>
<td>6.06</td>
<td>150</td>
</tr>
<tr>
<td>1996-97</td>
<td>8598</td>
<td>81</td>
<td>11.84</td>
<td>95</td>
</tr>
<tr>
<td>1997-98</td>
<td>14317</td>
<td>67</td>
<td>23.80</td>
<td>100</td>
</tr>
<tr>
<td>1998-99</td>
<td>32995</td>
<td>130</td>
<td>57.10</td>
<td>140</td>
</tr>
<tr>
<td>1999-00</td>
<td>114775</td>
<td>248</td>
<td>193.00</td>
<td>238</td>
</tr>
<tr>
<td>2000-01</td>
<td>263825</td>
<td>130</td>
<td>480.90</td>
<td>149</td>
</tr>
<tr>
<td>2001-02</td>
<td>461478</td>
<td>75</td>
<td>1026.3</td>
<td>113</td>
</tr>
<tr>
<td>2002-03</td>
<td>717360</td>
<td>55</td>
<td>2048.70</td>
<td>100</td>
</tr>
<tr>
<td>2003-04</td>
<td>1079091</td>
<td>50</td>
<td>3904.20</td>
<td>91</td>
</tr>
<tr>
<td>2004-05</td>
<td>1618456</td>
<td>50</td>
<td>6898.50</td>
<td>77</td>
</tr>
<tr>
<td>2005-06</td>
<td>2238565</td>
<td>38</td>
<td>11397.50</td>
<td>65</td>
</tr>
</tbody>
</table>

Note: From 2006-07 onwards, data on number of SHGs financed by banks and bank loans are inclusive of ‘Swarajyanti Gram Swarozgar Yojna’ (SGSY) SHGs and existing groups receiving repeat loans. Owing to this change, NABARD discontinued the publication of data on a cumulative basis from 2006-07. As such data for 2006-07 onwards are not comparable with the data in the previous years.

Source: Compiled from various reports of NABARD

The physical and financial progress of SBLP is evident from table 4.4. However, the growth rate for both physical and financial progress shows a diminishing trend. The physical growth rate reduced significantly from 248% in 1999-00 to 38% in 2005-06. Further the financial growth rate also reduced from 238% in 1999-00 to 65% in 2005-06.
The trend of growth in linkage can be better understood from the following chart 4.1:

**Chart no.4.1 Progress of SHG-Bank Linkage Programme in India (1992-2006)**

For the sake of convenience the growth for 1992-99 is consolidated and presented in chart above. The chart reflects the increasing trend in the number of SHGs as well as the amount of finance advanced to these SHGs.

### 4.13.2 REGIONAL GROWTH OF SBLP

There has been an extensive inequality within the regional spread of SHGs for years together. If the growth of SBLP is analysed region-wise, the regional variation in regard to the spread and growth of the SHGs – Bank linkage programme can be immediately located. The domination of southern region can be easily pointed out (table no.4.5). Some of the main reasons for wide variations between the North and the South are marked as follows:
The presence of a large network of aware and active NGOs in the southern part of the country,
A pro-active role played by many State governments in southern part of the country in formation and linkage of SHGs in their States,
Presence of strong cultural and social practices among the rural poor in the southern states.

Table 4.5
Pattern of Regional Spread of SHG-Bank Linkage programme in India
(\% to total)

<table>
<thead>
<tr>
<th>Region</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern</td>
<td>3.4</td>
<td>4.2</td>
<td>4.9</td>
<td>4.9</td>
<td>5.3</td>
<td>5.9</td>
</tr>
<tr>
<td>North Eastern</td>
<td>0.2</td>
<td>0.3</td>
<td>0.6</td>
<td>1.1</td>
<td>2.1</td>
<td>2.8</td>
</tr>
<tr>
<td>Eastern</td>
<td>8.4</td>
<td>9.9</td>
<td>12.7</td>
<td>14.7</td>
<td>16.4</td>
<td>17.6</td>
</tr>
<tr>
<td>Central</td>
<td>10.9</td>
<td>10.4</td>
<td>11.4</td>
<td>11.8</td>
<td>12.2</td>
<td>12.0</td>
</tr>
<tr>
<td>Western</td>
<td>5.9</td>
<td>6.4</td>
<td>5.9</td>
<td>5.1</td>
<td>5.9</td>
<td>7.4</td>
</tr>
<tr>
<td>Southern</td>
<td>71.1</td>
<td>68.8</td>
<td>64.6</td>
<td>62.5</td>
<td>58.0</td>
<td>54.3</td>
</tr>
<tr>
<td>All India</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: NABARD (Adopted from Report on Trend and Progress of Banking in India, 2008-09)

It is understood from table 4.5 that as on March 2001 almost 71\% of the total SHGs were in Southern India while only 30\% of the total SHGs belonged to the rest of India. This regional variation was quiet alarming. In order to overcome this imbalance emergent efforts were made by NABARD. This step by NABARD reaped positive results as shown in chart 4.2 below.
Consequently, the share of southern region in SHG-Bank Linkage programme, though gradually, reduced from 71.1% in March 2001 to 54.3% in March 2006. Chart 4.2 above clearly shows the decline in the regional disparity. It may be observed that the North Eastern region has shown its existence in the SHG-field. The chart further documents the increase in the share of non-southern regions. The share of eastern region has almost doubled from 8.4% in 2001 to 17.6% in 2006.

This increase can be related with the efforts made by NABARD. NABARD identified 13 priority states for up scaling the SHG- Bank linkage programme. The special attention paid to these thirteen states led to increase in the number of SHGs formed in these states. As on 31 March 2005, 6.68 lakhs SHGs had been credit linked in 13 priority States of non-southern part of the country and their share in the total linkage of SHGs has recorded an uptrend as is evident from the following table 4.6 and it’s corresponding chart no.4.3.
Table No.4.6
Cumulative Growth in SHG-Bank linkage in 13 Priority States

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>277</td>
<td>1,024</td>
<td>3,477</td>
<td>10,706</td>
<td>31,234</td>
<td>56449</td>
</tr>
<tr>
<td>Bihar</td>
<td>4592</td>
<td>3,957</td>
<td>8,161</td>
<td>16,246</td>
<td>28,015</td>
<td>48138</td>
</tr>
<tr>
<td>Chhattisgarh*</td>
<td>0</td>
<td>3,763</td>
<td>6,763</td>
<td>9,796</td>
<td>18,569</td>
<td>29504</td>
</tr>
<tr>
<td>Gujarat</td>
<td>4929</td>
<td>9,496</td>
<td>13,875</td>
<td>15,974</td>
<td>24,712</td>
<td>34160</td>
</tr>
<tr>
<td>Him. Pradesh</td>
<td>2545</td>
<td>5,069</td>
<td>8,875</td>
<td>13,228</td>
<td>17,798</td>
<td>22920</td>
</tr>
<tr>
<td>Jharkhand*</td>
<td>0</td>
<td>4,198</td>
<td>7,765</td>
<td>12,647</td>
<td>21,531</td>
<td>28902</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>10468</td>
<td>19,619</td>
<td>28,065</td>
<td>38,535</td>
<td>71,146</td>
<td>131470</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>5699</td>
<td>7,981</td>
<td>15,271</td>
<td>27,095</td>
<td>45,105</td>
<td>58912</td>
</tr>
<tr>
<td>Orissa</td>
<td>8888</td>
<td>20,553</td>
<td>42,272</td>
<td>77,588</td>
<td>1,23,256</td>
<td>180896</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>5616</td>
<td>12,564</td>
<td>22,742</td>
<td>33,846</td>
<td>60,006</td>
<td>98171</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>23152</td>
<td>33,114</td>
<td>53,696</td>
<td>79,210</td>
<td>1,19,648</td>
<td>163439</td>
</tr>
<tr>
<td>Uttarakhand*</td>
<td>0</td>
<td>3,323</td>
<td>5,853</td>
<td>10,908</td>
<td>14,043</td>
<td>16060</td>
</tr>
<tr>
<td>West Bengal</td>
<td>8739</td>
<td>17,143</td>
<td>32,647</td>
<td>51,685</td>
<td>92,698</td>
<td>136251</td>
</tr>
<tr>
<td>Total for priority states</td>
<td>74905</td>
<td>1,41,804</td>
<td>2,49,462</td>
<td>3,97,464</td>
<td>6,67,761</td>
<td>1005272</td>
</tr>
<tr>
<td>All India</td>
<td>263825</td>
<td>4,61,478</td>
<td>7,17,360</td>
<td>10,79,091</td>
<td>16,18,456</td>
<td>2238565</td>
</tr>
<tr>
<td>% share in all India</td>
<td>28.39%</td>
<td>31%</td>
<td>35%</td>
<td>37%</td>
<td>41%</td>
<td>44.9%</td>
</tr>
</tbody>
</table>

Source: Report of Standing Committee on Finance, 2005-06, Ministry of Finance & NABARD (NA- Not Available, *Chhattisgarh, Jharkhand & Uttarakhand were not separate states in 2001)

The table 4.6 attempts to state the growth of SHGs linked in priority states with banks during the period 2001 to 2006. It is quiet evident from table 4.6 that the share of these priority states has increased substantially from mere 28% of the total SHGs to 45% of the total SHGs in 2006. This is a remarkable achievement by NABARD.
Chart 4.3 above shows the increasing share of the priority states in the total SHGs. In the year 2001 the SHGs in priority states were only 28% of the total SHGs. This percentage increased by the persistent efforts of NABARD to 45% in 2006.

Table No.4.7
Regional Physical & Financial Spread of SHGs as on 31st March 2006

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of SHGs</th>
<th>% share</th>
<th>Bank Loan (Rs. Million)</th>
<th>% share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern</td>
<td>1,33,097</td>
<td>5.95</td>
<td>3,985.85</td>
<td>3.50</td>
</tr>
<tr>
<td>North-Eastern</td>
<td>62,517</td>
<td>2.79</td>
<td>1,657.01</td>
<td>1.45</td>
</tr>
<tr>
<td>Eastern</td>
<td>3,94,351</td>
<td>17.62</td>
<td>9,354.19</td>
<td>8.21</td>
</tr>
<tr>
<td>Central</td>
<td>2,67,915</td>
<td>11.97</td>
<td>8,050.07</td>
<td>7.06</td>
</tr>
<tr>
<td>Western</td>
<td>1,66,254</td>
<td>7.43</td>
<td>5,251.39</td>
<td>4.61</td>
</tr>
<tr>
<td>Southern</td>
<td>12,14,431</td>
<td>54.25</td>
<td>85,676.92</td>
<td>75.17</td>
</tr>
<tr>
<td>Total</td>
<td>22,38,565</td>
<td>100.00</td>
<td>1,13,975.43</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: NABARD
Despite of the efforts made by NABARD the SHGs linked with banks are concentrated in southern region. It is indicated by table 4.7 above that the Southern region alone holds to its credit more than 50% of the total SHGs formed in India upto year 2006. On the other hand the North Eastern region has only 2.79% of the total SHGs.

In terms of financial progress also the southern region stays far ahead of rest of India. Almost 75.17% of the total bank loans are availed by the SHGs in southern region while the share of SHGs from remaining regions of India is confined to only 25% of the total bank loans. The chart 4.3 gives a clear indication of the domination of Southern region in the growth of SHGs in India upto March 2006.

**4.13.3 MODEL-WISE GROWTH OF SBLP IN INDIA**

As earlier discussed, three models of SHG-Bank linkage were popular in India. The growth of SBLP based on these three models is studied as under.
Table 4.8
Model wise Cumulative SHG Bank Linkage in India (as on 31st March)

<table>
<thead>
<tr>
<th>Model type</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of SHGs ('000)</td>
<td>Bank Loans (Rs.Crore)</td>
<td>No. of SHGs ('000)</td>
</tr>
<tr>
<td>Model-I</td>
<td>218 (20.0)</td>
<td>550 (14.0)</td>
<td>343 (21.2)</td>
</tr>
<tr>
<td>Model-II</td>
<td>777 (72.0)</td>
<td>3165 (81.0)</td>
<td>1158 (71.6)</td>
</tr>
<tr>
<td>Model-III</td>
<td>84 (8.0)</td>
<td>189 (5.0)</td>
<td>117 (7.2)</td>
</tr>
<tr>
<td>Total (i+ii+iii)</td>
<td>1079 (100.0)</td>
<td>3904 (100.0)</td>
<td>1618 (100.0)</td>
</tr>
</tbody>
</table>

Note: 1. NABARD has changed the data reporting format since 2006-07 and now does not publish model-wise cumulative figures relating to SHG Bank Linkage Programme.
2. Figures in parentheses are percentages to the respective total.

Source: NABARD* (Report on Trend and Progress of Banking in India, 2007-08)

The three models of credit linkage of SHGs with banks showed the following trend as on 31 March 2006 (table no.4.8 above):

**Model I: SHGs formed and financed by banks**
Upto March 2006, 20% of the total number of SHGs financed was from this category. This showed an increase of 61.63 per cent in bank loan to SHGs over the position as on March 05, reflecting an increased role of banks in promoting and nurturing SHGs.

**Model II: SHGs formed by formal agencies other than banks, like NGOs and others, but directly financed by banks**
This model continues to have the major share, with 74 % of the total number of SHGs financed upto 31 March 2006 falling under this category. Here, NGOs and formal agencies in the field of microfinance act only as facilitators.
Model III: SHGs financed by banks using NGOs and other agencies as financial intermediaries

The share of cumulative number of SHGs linked under this model upto March 2006 continued to be relatively small at 6 per cent.

Chart 4.5

On the basis of chart 4.5 it can be inferred that the growth of SHGs linked with banks is largely due to the continuous efforts of NGOs and similar other agencies. The share of NGOs in promotion of SHGs is evident from the chart.

4.13.4 GROWTH IN THE WESTERN REGION

On examining the western region it can be observed (table no.4.9) that, from within the three states viz. Goa, Gujarat and Maharashtra the growth of SBLP witnessed is far ahead in Maharashtra over the other two states.
Table No.4.9

Model Wise Cumulative Position of SBILP in Western region (as on 31.03.06)
(Rs Million)

<table>
<thead>
<tr>
<th>State</th>
<th>Model I</th>
<th></th>
<th>Model II</th>
<th></th>
<th>Model III</th>
<th></th>
<th>TOTAL</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of SHGs</td>
<td>Bank Loan</td>
<td>No. of SHGs</td>
<td>Bank Loan</td>
<td>No. of SHGs</td>
<td>Bank Loan</td>
<td>No. of SHGs</td>
<td>Bank Loan</td>
</tr>
<tr>
<td>Goa</td>
<td>187</td>
<td>18.13</td>
<td>436</td>
<td>37.06</td>
<td>1</td>
<td>0.02</td>
<td>624</td>
<td>55.21</td>
</tr>
<tr>
<td>Gujarat</td>
<td>2371</td>
<td>90.84</td>
<td>22810</td>
<td>760.89</td>
<td>8979</td>
<td>392.78</td>
<td>34160</td>
<td>1244.51</td>
</tr>
<tr>
<td>Mahara shtra</td>
<td>50147</td>
<td>1504.16</td>
<td>81052</td>
<td>2442.99</td>
<td>271</td>
<td>4.52</td>
<td>131470</td>
<td>3951.67</td>
</tr>
<tr>
<td>TOTAL</td>
<td>52705</td>
<td>1613.13</td>
<td>104298</td>
<td>3240.94</td>
<td>9251</td>
<td>397.32</td>
<td>166254</td>
<td>5251.39</td>
</tr>
</tbody>
</table>

*Source: www.nabard.org*

Chart 4.6

**Status of SHGs in Western Region (31.03.2006)**

- No. of SHGs

![Bar chart showing the status of SHGs in Goa, Gujarat, and Maharashtra](chart.png)
Chart 4.6 indicates clearly that Maharashtra state dominates the western region in SHG-Bank linkage. However it may also be noted that though Maharashtra tops within western region it is one of the prioritized thirteen states that called for emergent and special efforts by NABARD. As per the eighteenth report titled ‘Functioning of SHGs for Economic Empowerment of Women’ submitted by Committee on Empowerment of Women in 2003-04, it was reported that the SHG growth in Maharashtra was not as promising and encouraging as in the eastern states. Intensive efforts by NABARD, RBI banks and NGOs were hence recommended.

4.13.5 PHYSICAL PROGRESS OF SBLP IN MAHARASHTRA

Table 4.10 below, provides a detailed view of the cumulative number of SHGs linked in Maharashtra over a span of six years from 2001 to year 2006. The table also states the pattern of share of Maharashtra in the overall growth of SBLP. Both these aspects are graphically presented in charts 4.7 and 4.8 respectively.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maharashtra</td>
<td>10468</td>
<td>19,619</td>
<td>28,065</td>
<td>38,535</td>
<td>71,146</td>
<td>131470</td>
</tr>
<tr>
<td>All India</td>
<td>263825</td>
<td>4,61,478</td>
<td>7,17,360</td>
<td>10,79,091</td>
<td>16,18,456</td>
<td>2238565</td>
</tr>
<tr>
<td>% share in all India</td>
<td>3.97</td>
<td>4.25</td>
<td>3.91</td>
<td>3.57</td>
<td>4.40</td>
<td>5.87</td>
</tr>
</tbody>
</table>

*Source: Compiled from various reports of NABARD*

The growth of self help groups under SBLP in Maharashtra state is shown in chart 4.7 below. The chart clearly depicts the pattern of growth of SHGs in Maharashtra. In the initial years though the growth rate is observed to be quiet slow, the SBLP has gained
momentum from year 2004 and onwards. By the year 2006 the state holds to it’s credit more than ten times the SHGs in year 2001.

**Chart 4.7**

![Progress of SBLP in Maharashtra (Year 2001-06)](chart)

From table 4.10 and chart 4.8 it can be understood that the share of Maharashtra state in the total SHGs linked under SBLP has increased from 3.97% in 2001 to 5.87% in 2006. The share of Maharashtra witnessed a fall in the years 2003 and 2004. However it again gained momentum from year 2005. Upto March 2006, the cumulative number of linked SHGs was 1, 31,470.

**Chart 4.8**

![Change in share of Maharashtra in SBLP (Year 2001-06)](chart)
4.13.6 PHYSICAL PROGRESS OF SBLP IN MARATHWADA

In the Marathwada region the growth of the SBLP can be understood from the table no.4.11. Within a single year of 2005-06 the SBLP growth has been almost equal to the cumulative growth till 2005. This shows that now the SBLP has geared up in the real sense in Marathwada region.

Table no.4.11

SHG Bank Linkage-District Wise Cumulative Physical Progress in Marathwada Region Upto 31st March, 2006

<table>
<thead>
<tr>
<th>District</th>
<th>Cumulative no. of SHGs credit linked</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Upto March 2005</td>
<td>During 2005-06</td>
</tr>
<tr>
<td>Aurangabad</td>
<td>2164</td>
<td>1223</td>
</tr>
<tr>
<td>Beed</td>
<td>1385</td>
<td>1587</td>
</tr>
<tr>
<td>Hingoli</td>
<td>232</td>
<td>291</td>
</tr>
<tr>
<td>Jalna</td>
<td>944</td>
<td>830</td>
</tr>
<tr>
<td>Latur</td>
<td>1556</td>
<td>2096</td>
</tr>
<tr>
<td>Nanded</td>
<td>3351</td>
<td>2127</td>
</tr>
<tr>
<td>Osmanabad</td>
<td>1375</td>
<td>2051</td>
</tr>
<tr>
<td>Parbhani</td>
<td>615</td>
<td>657</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11622</td>
<td>10862</td>
</tr>
</tbody>
</table>

Source: NABARD report (2005-06)

Based on the data figures given in table 4.11, chart 4.9 and chart 4.10 are constructed. They provide a better understanding of the district wise status of SBLP. Chart 4.9 below depicts a clear picture of share of various districts in SBLP in Marathwada.
It can be gathered from the above given chart that Nanded district is on the lead with 5476 SHGs linked under SBLP. The districts of Latur, Osmanabad, Aurangabad and Beed have SHGs in the range of 3-3.5 thousand. The lowest number of SHGs is in Hingoli district mainly due to the recent formation of the district.
Table 4.11 indicates the positive trend of progress in Marathwada. The number of SHGs credit linked is on substantial rise in every district of Marathwada. The percentage growth of SHGs in year 2006 over those upto 2005 is highest for Osmanabad district followed by Latur and Hingoli. From chart 4.10 it can also be observed that within the eight districts of Marathwada, Aurangabad district stands at 4th position in the promotion of SBLP.

4.13.7 FINANCIAL PROGRESS OF SBLP IN MARATHWADA

The financial progress of the SBLP in Marathwada region has been summarized in table no.4.12. According to table no.4.12 it is clear that the volume of finances advanced to the SHGs in Aurangabad district is the highest in Marathwada. Hence it can be inferred from these figures that the SHG’s in Aurangabad are better served as far as their financial needs are concerned.

Table No.4.12

<table>
<thead>
<tr>
<th>District</th>
<th>Cumulative Bank loan disbursed upto 31/03/05 (Rs.Million)</th>
<th>Bank loan disbursed during 01/04/05 to 31/03/06 (Rs.Million)</th>
<th>Cumulative Bank loan disbursed upto 31 March, 2006 (Rs.Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aurangabad</td>
<td>90.79</td>
<td>56.46</td>
<td>147.25</td>
</tr>
<tr>
<td>Beed</td>
<td>41.23</td>
<td>51.89</td>
<td>93.12</td>
</tr>
<tr>
<td>Hingoli</td>
<td>7.91</td>
<td>9.03</td>
<td>16.94</td>
</tr>
<tr>
<td>Jalna</td>
<td>43.81</td>
<td>41.58</td>
<td>85.39</td>
</tr>
<tr>
<td>Latur</td>
<td>42.01</td>
<td>49.48</td>
<td>91.49</td>
</tr>
<tr>
<td>Nanded</td>
<td>79.73</td>
<td>45.17</td>
<td>124.90</td>
</tr>
<tr>
<td>Osmanabad</td>
<td>38.19</td>
<td>48.58</td>
<td>86.77</td>
</tr>
<tr>
<td>Parbhani</td>
<td>13.87</td>
<td>31.52</td>
<td>45.39</td>
</tr>
<tr>
<td>TOTAL</td>
<td>357.54</td>
<td>333.71</td>
<td>691.25</td>
</tr>
</tbody>
</table>

Source: www.nabard.org
PART-II: Period 2006-07 to 2008-09

As mentioned earlier the data from 2006 onwards is being analysed separately as under. From 2006-07 NABARD has changed the format of maintaining the data statistics for microfinance. In 2006-07 NABARD attempted to present the SHG growth data on the basis of returns furnished by Commercial Banks, Regional Rural Banks and Co-operative Banks operating in India.


The physical as well as financial growth of SHGs from 2006-2009 can be well understood from table no.4.13 below:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2006-07</th>
<th>2007-08</th>
<th>%ge growth</th>
<th>2008-09</th>
<th>%ge Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative no. of savings linked SHGs as on 31 March Total</td>
<td>4160584</td>
<td>5009794</td>
<td>20.4</td>
<td>6121147</td>
<td>22.2</td>
</tr>
<tr>
<td>SGSY</td>
<td>956317</td>
<td>1203070</td>
<td>25.8</td>
<td>1505581</td>
<td>25.1</td>
</tr>
<tr>
<td>% share of SGSY(No.)</td>
<td>22.98</td>
<td>24.01</td>
<td></td>
<td>24.6</td>
<td></td>
</tr>
<tr>
<td>Cumulative amount of savings as on 31 March Total</td>
<td>3512.71</td>
<td>3785.39</td>
<td>7.8</td>
<td>5545.62</td>
<td>46.5</td>
</tr>
<tr>
<td>SGSY</td>
<td>757.50</td>
<td>809.51</td>
<td>6.9</td>
<td>1563.38</td>
<td>93.1</td>
</tr>
<tr>
<td>% share of SGSY (Amt.)</td>
<td>21.6</td>
<td>21.4</td>
<td></td>
<td>28.2</td>
<td></td>
</tr>
</tbody>
</table>

Source: Report on Status of Microfinance in India 2008-09 (www.nabard.org)

From table no.4.13 it is clear that over last two years there has been steady growth in the number of SHGs. The table also provides with the data regarding SHGs formed
and savings linked under SGSY. Of the total 4160584 SHGs linked upto 31st March 2007, the number of SHGs (savings linked) under SGSY were 956317. This number increased steadily at the rate of 25.8% in 2007-08 and 25.1% in 2008-09. The table also depicts that the amount of savings of the SHGs with the banks has witnessed growth of 7.8% in 2007-08 and 46.5% in 2008-09.

In case of SGSY groups, the growth in amount of savings with banks is as high as 93.1% in 2008-09. It can also be observed that the share of number of SHGs having savings accounts in banks under SGSY scheme is increasing from 22.98% in 2007 to 24.6% in 2009. Similarly the share of SGSY groups in total savings has increased from 21.6% in 2007 to 28.2% in 2009. This indicates the better performance of SGSY scheme.

These figures unveil the fact that not less than 62 lacs of people who could not have access to the formal financial system could be brought into the mainstream by means of the Self Help Group approach. This is indeed a remarkable achievement though at a gradual pace.

4.13.9 Analysis based on Bank Loan disbursed

The analysis based on bank loan disbursed helps in understanding the position of credit linked SHGs. The status of bank loan disbursed to SHGs is as given in table 4.14 below.

From table no.4.14 it can be understood that during 2006-07 almost eleven lacs SHGs had availed bank loans. Of these 17.1% belonged to SGSY. In 2007-08, 1.22 lacs of SHGs were further credit linked. Thus a growth of 11.03% was witnessed. The share of SHGs under SGSY increased to 20.1%. The number of SHGs credit linked during 2008-09 was 16.09 lacs thus showing a growth of 31.1%. However the SGSY share stands to be reduced to 16.45%.
Table 4.14
Status of Bank Loan Disbursed to SHGs in India (Year: 2006-09)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2006-07</th>
<th>2007-08</th>
<th>%ge Growth</th>
<th>2008-09</th>
<th>%ge Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of SHGs credit linked during the year</td>
<td>Total</td>
<td>1105749</td>
<td>1227770</td>
<td>11.0</td>
<td>1609586</td>
</tr>
<tr>
<td></td>
<td>SGSY</td>
<td>188962</td>
<td>246649</td>
<td>30.5</td>
<td>264653</td>
</tr>
<tr>
<td>% share of SGSY (No.)</td>
<td>17.1</td>
<td>20.1</td>
<td>--</td>
<td>16.4</td>
<td>--</td>
</tr>
<tr>
<td>Amount of loan disbursed during the year</td>
<td>Total</td>
<td>6570.39</td>
<td>8849.26</td>
<td>34.7</td>
<td>12253.51</td>
</tr>
<tr>
<td></td>
<td>SGSY</td>
<td>1411.02</td>
<td>1857.74</td>
<td>31.7</td>
<td>2015.22</td>
</tr>
<tr>
<td>% share of SGSY (Amt.)</td>
<td>21.5</td>
<td>21.0</td>
<td>--</td>
<td>16.45</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: Report on Status of Microfinance in India 2008-09 (www.nabard.org)

An amount of Rs.6570.39 crores was disbursed as bank loan to SHGs during 2006-07. Of this 21.5% was advanced exclusively to SGSY groups. It is further observed that during 2007-08, bank loan of Rs. 8849.26 crores was disbursed, seeking a growth rate of 34.7%. The SGSY groups attracted around 21% of the total bank loan. In the year 2008-09 the total loan disbursed to SHGs increased by 38.5% to Rs.12253.51 crores. However, the share of SGSY groups in the total loan disbursed reduced to 16.45%. Thus it can be inferred that there is a positive trend in the overall credit linkage of SHGs.
4.13.10 All India Physical & Financial Progress of MFI-Bank Linkage Model

From the year 2006-07, NABARD presented the data for two models viz; SHG-Bank Linkage Model and MFI-Bank Linkage Model. Under the MFI-Bank Linkage model credit is advanced to the microfinance Institutions in bulk for on-lending to SHGs and other small borrowers. The growth under the model is documented in table 4.15 below:

Table 4.15
Physical & Financial Progress of MFI-Bank Linkage Model in India
(Period 2006-07 to 2008-09)

(Amount in Rs.crores)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2006-07</th>
<th>2007-08</th>
<th>%ge Growth</th>
<th>2008-09</th>
<th>%ge Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Loans disbursed to MFIs during the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of MFIs</td>
<td>334</td>
<td>518</td>
<td>55.1</td>
<td>581</td>
<td>12.2</td>
</tr>
<tr>
<td>Amount</td>
<td>1151.56</td>
<td>1970.15</td>
<td>71.1</td>
<td>3732.33</td>
<td>89.4</td>
</tr>
</tbody>
</table>

*Source: Report on Status of Microfinance in India 2008-09 (www.nabard.org)*

*Note: Actual number of MFIs provided with bank loans would be lower as several MFIs have availed loans from more than one bank.*

From table 4.15 it is induced that year 2007-08 witnessed a steep rise in the number of MFIs being advanced credit by banks. During 2008-09 581 MFIs reported to have been advanced credit by banks to an extent of 3732.33 crores. The amount of credit disbursed to MFIs in 2008-09 was 89.4% more than that disbursed in 2007-08. It can be thus be inferred that the MFI-Bank linkage model is gaining momentum in India.
4.13.11 REGIONAL GROWTH OF SAVINGS LINKED SHGS (2007-09)

The region wise growth of SHGs brings to light the status of SHG growth in various regions across India. It helps in locating the imbalance if any among the regions.

Table 4.16
Region wise growth of SHGs savings linked with banks
(Year 2007-08 & 2008-09)

<table>
<thead>
<tr>
<th>Region</th>
<th>March-2008</th>
<th>March 2009</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of SHGs</td>
<td>Savings amount (Rs. Lakhs)</td>
<td>No. of SHGs</td>
</tr>
<tr>
<td>Northern</td>
<td>208166</td>
<td>12767.69</td>
<td>310998</td>
</tr>
<tr>
<td>Northern Eastern</td>
<td>203045</td>
<td>86833.18</td>
<td>240093</td>
</tr>
<tr>
<td>Eastern</td>
<td>1074043</td>
<td>80599.65</td>
<td>1233635</td>
</tr>
<tr>
<td>Central</td>
<td>644896</td>
<td>33531.01</td>
<td>712915</td>
</tr>
<tr>
<td>Western</td>
<td>472734</td>
<td>33063.23</td>
<td>796262</td>
</tr>
<tr>
<td>Southern</td>
<td>2406910</td>
<td>209944.20</td>
<td>2827244</td>
</tr>
<tr>
<td>Total</td>
<td>5009794</td>
<td>378538.94</td>
<td>6121147</td>
</tr>
</tbody>
</table>

Source: NABARD report on status of microfinance 2008-09

(%ge computations done by researcher)

Table no.4.16 gives the data about the regional growth of SHGs having their savings accounts in the banks up to March 2008 and March-2009. Growth is observed in every region. However, the percentage of growth differs from region to region. The highest growth of 68.44% in the number of SHGs with savings linkage has taken place in the western region. The amount of savings deposited with the banks also has increased.
by 46.5%. The regional analysis shows that the % growth in savings amount for western region is highest at 100.9% while for the eastern region it is 98.1%.

The comparative analysis of the regional variation for year 2008 and 2009 is presented graphically as follows:

**Chart 4.11**

![Chart 4.11](image)

The chart 4.11 indicates the persisting regional disparities in the savings linkage of SHGs. The concentration of SHGs in the southern region though reducing is still observed to be at 46.19% in March-2009. There is a marginal decrease in the share of eastern and central regions in total SHGs. The share of western region has increased from 9.44% in 2008 to 13.01% in 2009. The chart further shows that the northern and the north eastern regions are still on the back foot of usage of microfinance. The central and the western regions too fail to portray a promising picture. It can thus be inferred that regional disparities are reducing at a very slow pace. Therefore it is necessary to continue and intensify the efforts for achieving balanced regional growth.
4.13.12 REGIONAL GROWTH OF CREDIT LINKED SHGS (2007-09)

The first linkage of SHGs with banks is in the form of savings linkage. Later on second linkage is in the form of credit advancement to the groups. The region based bank loan disbursed to the SHGs is given in table 4.17 below:

Table 4.17
Region wise growth of SHGs credit linked with banks
(Year 2007-08 & 2008-09)

<table>
<thead>
<tr>
<th>Region</th>
<th>During 2007-08</th>
<th>During 2008-09</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of SHGs</td>
<td>Loan disbursed (Rs. Lakhs)</td>
<td>No. of SHGs</td>
</tr>
<tr>
<td>Northern</td>
<td>33680</td>
<td>19146.56</td>
<td>42688</td>
</tr>
<tr>
<td>North Eastern</td>
<td>29119</td>
<td>14871.14</td>
<td>35506</td>
</tr>
<tr>
<td>Eastern</td>
<td>224937</td>
<td>104584.34</td>
<td>236789</td>
</tr>
<tr>
<td>Central</td>
<td>72747</td>
<td>48796.60</td>
<td>101060</td>
</tr>
<tr>
<td>Western</td>
<td>90441</td>
<td>42329.15</td>
<td>125173</td>
</tr>
<tr>
<td>Southern</td>
<td>776847</td>
<td>655198.44</td>
<td>1068370</td>
</tr>
<tr>
<td>Total</td>
<td>1227770</td>
<td>884926.24</td>
<td>1609586</td>
</tr>
</tbody>
</table>

Source: NABARD report on status of microfinance 2008-09

Table 4.17 elaborates the pattern of bank loan disbursement to SHGs during the years 2007-08 and 2008-09. It is observed that the number of SHGs credit linked with banks has increased during 2008-09 by 31.1%. Also the amount of loan disbursed was higher by 38.47% in 2008-09 over that disbursed during 2007-08.

The central, western and southern region witnessed more than 37% increase in the number of SHGs receiving loans from banks for the year 2008-09 over the previous year. The credit linkages increased marginally by 5.27% in the eastern region indicating the need of extensive microfinancing in the region.
The above given chart 4.12 highlights the regional spread of credit linked SHGs during 2007-08 and 2008-09 respectively. The clear domination of southern region in the credit linkages is understood clearly from the graph. In fact in March 2009 the share of southern states has increased to 66.38%. Rest of the regions amount to mere 33.6% of the total credit linkages. The northern and the north eastern regions are yet to make their mark in credit linkages.

4.13.13 STATE WISE POSITION OF SHGS IN INDIA (AS ON March-2009)

The position of SHGs having their savings account in banks as on 31st March 2009 is presented in table 4.18. The table provides for the state wise distribution of number of SHGs (savings linked) and the total amount of savings deposited by the SHGs in banks. The table gives a bird’s eye view in regard to the spatial disparity. It is quiet evident form the table that within the regions also some states have performed well while others have not, in terms of SHG-linkage.
Table 4.18
State wise growth of SHGs savings linked with banks in India (March-2009)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>State</th>
<th>No. of SHGs linked</th>
<th>%ge</th>
<th>Savings amount (Rs. Lakhs)</th>
<th>%ge</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Haryana</td>
<td>33257</td>
<td>0.54</td>
<td>2547.93</td>
<td>0.46</td>
</tr>
<tr>
<td>2</td>
<td>Himachal Pradesh</td>
<td>41744</td>
<td>0.68</td>
<td>2988.89</td>
<td>0.54</td>
</tr>
<tr>
<td>3</td>
<td>Punjab</td>
<td>39155</td>
<td>0.64</td>
<td>2882.22</td>
<td>0.52</td>
</tr>
<tr>
<td>4</td>
<td>Jammu &amp; Kashmir</td>
<td>2349</td>
<td>0.04</td>
<td>263.31</td>
<td>0.05</td>
</tr>
<tr>
<td>5</td>
<td>Rajasthan</td>
<td>192479</td>
<td>3.14</td>
<td>13837.49</td>
<td>2.50</td>
</tr>
<tr>
<td>6</td>
<td>New Delhi</td>
<td>2014</td>
<td>0.03</td>
<td>184.08</td>
<td>0.03</td>
</tr>
<tr>
<td>7</td>
<td>Assam</td>
<td>180996</td>
<td>2.96</td>
<td>6296.92</td>
<td>1.14</td>
</tr>
<tr>
<td>8</td>
<td>Meghalaya</td>
<td>9625</td>
<td>0.16</td>
<td>327.69</td>
<td>0.06</td>
</tr>
<tr>
<td>9</td>
<td>Nagaland</td>
<td>6057</td>
<td>0.10</td>
<td>157.65</td>
<td>0.03</td>
</tr>
<tr>
<td>10</td>
<td>Tripura</td>
<td>22811</td>
<td>0.37</td>
<td>2858.82</td>
<td>0.52</td>
</tr>
<tr>
<td>11</td>
<td>Arunachal Pradesh</td>
<td>5148</td>
<td>0.08</td>
<td>93.63</td>
<td>0.02</td>
</tr>
<tr>
<td>12</td>
<td>Mizoram</td>
<td>4230</td>
<td>0.07</td>
<td>184.63</td>
<td>0.03</td>
</tr>
<tr>
<td>13</td>
<td>Manipur</td>
<td>9474</td>
<td>0.15</td>
<td>191.78</td>
<td>0.03</td>
</tr>
<tr>
<td>14</td>
<td>Sikkim</td>
<td>1752</td>
<td>0.03</td>
<td>99.05</td>
<td>0.02</td>
</tr>
<tr>
<td>15</td>
<td>Bihar</td>
<td>130005</td>
<td>2.12</td>
<td>6788.41</td>
<td>1.22</td>
</tr>
<tr>
<td>16</td>
<td>Jharkhand</td>
<td>49703</td>
<td>0.81</td>
<td>2550.96</td>
<td>0.46</td>
</tr>
<tr>
<td>17</td>
<td>Orissa</td>
<td>441960</td>
<td>7.22</td>
<td>26948.71</td>
<td>4.86</td>
</tr>
<tr>
<td>18</td>
<td>W.Bengal</td>
<td>609439</td>
<td>9.96</td>
<td>123327.63</td>
<td>22.24</td>
</tr>
<tr>
<td>19</td>
<td>A &amp; N Islands</td>
<td>2478</td>
<td>0.04</td>
<td>72.32</td>
<td>0.01</td>
</tr>
<tr>
<td>20</td>
<td>Chattisgarh</td>
<td>112982</td>
<td>1.85</td>
<td>4986.58</td>
<td>0.90</td>
</tr>
<tr>
<td>21</td>
<td>Madhya Pradesh</td>
<td>173725</td>
<td>2.84</td>
<td>7191.54</td>
<td>1.30</td>
</tr>
<tr>
<td>22</td>
<td>Uttarakhand</td>
<td>34302</td>
<td>0.56</td>
<td>2540.52</td>
<td>0.46</td>
</tr>
<tr>
<td>23</td>
<td>Uttar Pradesh</td>
<td>391906</td>
<td>6.40</td>
<td>23960.57</td>
<td>4.32</td>
</tr>
<tr>
<td>24</td>
<td>Goa</td>
<td>5892</td>
<td>0.10</td>
<td>827.18</td>
<td>0.15</td>
</tr>
<tr>
<td>25</td>
<td>Gujarat</td>
<td>105046</td>
<td>1.72</td>
<td>6276.00</td>
<td>1.13</td>
</tr>
<tr>
<td><strong>26</strong></td>
<td><strong>Maharashtra</strong></td>
<td><strong>685324</strong></td>
<td><strong>11.20</strong></td>
<td><strong>59325.22</strong></td>
<td><strong>10.70</strong></td>
</tr>
<tr>
<td>27</td>
<td>Andhra Pradesh</td>
<td>1280900</td>
<td>20.93</td>
<td>119192.63</td>
<td>21.49</td>
</tr>
<tr>
<td>28</td>
<td>Karnataka</td>
<td>457389</td>
<td>7.47</td>
<td>56686.54</td>
<td>10.22</td>
</tr>
<tr>
<td>29</td>
<td>Kerala</td>
<td>358863</td>
<td>5.86</td>
<td>23241.84</td>
<td>4.19</td>
</tr>
<tr>
<td>30</td>
<td>Tamil Nadu &amp;</td>
<td>730092</td>
<td>11.93</td>
<td>57731.09</td>
<td>10.41</td>
</tr>
<tr>
<td></td>
<td>Pondicherry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>6121147</strong></td>
<td><strong>100.00</strong></td>
<td><strong>554561.82</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Source: NABARD report on status of microfinance 2008-09

The state wise analysis shows that Andhra Pradesh tops the series with 20% of the total SHGs. While Tamil Nadu has 12% and Maharashtra has 11% of total SHGs. West Bengal comes next in the series with 10% of total SHGs. All the other states
have less than 8% of total SHGs. Of these, majority of the states have less than 1% of the total SHGs.

4.13.14 AGENCY WISE SAVINGS OF SHGs IN INDIA (Year 2006-09)

After formation of the group the SHG opens a savings account with any bank easily accessible to the group. India boasts on a well knit and well spread banking network made up of Commercial banks- public and private sector, Regional rural banks and Co-operative banks. The status of number of SHGs savings linked and the amount of savings with various banking agencies is given in table 4.19 below:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Status as on</th>
<th>No. of SHGs (savings linked)</th>
<th>% share</th>
<th>Savings amount (Rs. Cr.)</th>
<th>% share</th>
<th>Savings Per SHG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Banks</td>
<td>31.03.07</td>
<td>2293771</td>
<td>55.2</td>
<td>1892.42</td>
<td>53.8</td>
<td>8250</td>
</tr>
<tr>
<td></td>
<td>31.03.08</td>
<td>2810750</td>
<td>56.1</td>
<td>2077.73</td>
<td>54.9</td>
<td>7392</td>
</tr>
<tr>
<td></td>
<td>% growth</td>
<td></td>
<td>22.5</td>
<td>9.8</td>
<td>-10.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31.03.09</td>
<td>3549509</td>
<td>58.0</td>
<td>2772.99</td>
<td>50.0</td>
<td>7812</td>
</tr>
<tr>
<td></td>
<td>% growth</td>
<td></td>
<td>26.3</td>
<td>33.5</td>
<td>5.7</td>
<td></td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>31.03.07</td>
<td>1183065</td>
<td>28.4</td>
<td>1158.29</td>
<td>33.0</td>
<td>9791</td>
</tr>
<tr>
<td></td>
<td>31.03.08</td>
<td>1386838</td>
<td>27.7</td>
<td>1166.49</td>
<td>30.8</td>
<td>8411</td>
</tr>
<tr>
<td></td>
<td>% growth</td>
<td></td>
<td>17.2</td>
<td>0.7</td>
<td>-14.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31.03.09</td>
<td>1628588</td>
<td>26.6</td>
<td>1989.75</td>
<td>35.9</td>
<td>12218</td>
</tr>
<tr>
<td></td>
<td>% growth</td>
<td></td>
<td>17.4</td>
<td>70.6</td>
<td>45.3</td>
<td></td>
</tr>
<tr>
<td>Co-operative Banks</td>
<td>31.03.07</td>
<td>683748</td>
<td>16.4</td>
<td>462.00</td>
<td>13.2</td>
<td>6914</td>
</tr>
<tr>
<td></td>
<td>31.03.08</td>
<td>812206</td>
<td>16.2</td>
<td>541.17</td>
<td>14.3</td>
<td>6663</td>
</tr>
<tr>
<td></td>
<td>% growth</td>
<td></td>
<td>18.8</td>
<td>17.1</td>
<td>-1.4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31.03.09</td>
<td>943050</td>
<td>15.4</td>
<td>782.88</td>
<td>14.1</td>
<td>8302</td>
</tr>
<tr>
<td></td>
<td>% growth</td>
<td></td>
<td>16.1</td>
<td>44.7</td>
<td>24.6</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>31.03.07</td>
<td>4160584</td>
<td>100.0</td>
<td>3512.71</td>
<td>100.0</td>
<td>8469</td>
</tr>
<tr>
<td></td>
<td>31.03.08</td>
<td>5009794</td>
<td>100.0</td>
<td>3785.39</td>
<td>100.0</td>
<td>7556</td>
</tr>
<tr>
<td></td>
<td>% growth</td>
<td></td>
<td>20.4</td>
<td>7.8</td>
<td>-10.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31.03.09</td>
<td>6121147</td>
<td>100.0</td>
<td>5545.62</td>
<td>100.0</td>
<td>9060</td>
</tr>
<tr>
<td></td>
<td>% growth</td>
<td></td>
<td>22.2</td>
<td>46.5</td>
<td>19.9</td>
<td></td>
</tr>
</tbody>
</table>

Source: NABARD report on status of microfinance 2008-09
Table no.4.19 gives comparative statistics of agency wise savings with banks for three consecutive years; 2006-07, 2007-08 and 2008-09. As on 31 March, 2009 of the total 61,21,147 SHGs 58% had savings with Commercial banks, 26.6% had savings with RRBs while 15.4% had savings with Co-operative banks. Of the total savings of Rs.5545.62 crores, 50% savings were with Commercial banks, 35.9% with RRBs while 14.2% with co-operative banks.

Chart 4.13

Chart 4.13 shows the active role played by commercial banks in savings linkage of SHGs. The majority of SHGs are linked with commercial banks. The RRBs and the Co-operative banks are yet to gain momentum in terms of physical linkage of SHGs with them. If the trend for the period from 2006-07 to 2008-09 is studied it can be observed that the percentage of number of SHGs linked with commercial banks has increased from 55.2% in 2007 to 58% in 2009. On the other hand the percentage of SHGs linked with RRBs has declined from 28.4% in 2007 to 26.6% in 2009. Similarly a diminishing trend is also observed for co-operative banks.
Chart 4.14 tells about the agency-wise pattern of financial distribution of savings linked SHGs for the period of 2006-07 to 2008-09. As the number of SHGs linked with commercial banks is in majority, obviously more savings are deposited with commercial banks. However, if the % share of Commercial banks in total savings is examined, it is observed that over the three years it has decreased from 53.8% to 50%. On the contrary, marginal increase is observed in share of RRBs and the co-operative banks.

Chart 4.15
In comparison with figures upto 2008, in 2009 the cumulative number of SHGs in commercial banks increased by 26.3% while in RRBs increased by 17.4% and in Co-operative banks increased by 16.1%. The chart 4.15 states that the percentage growth for commercial banks was higher at 26.3% in year 2009 as compared with that in 2008 (22.5%). However in case of co-operative banks the growth rate is declined from 18.8% in 2008 to 16.1% in 2009.

Chart 4.16

The chart 4.16 depicts the growth rate for year 2009 with a rising trend of 33.5% in Commercial banks, 70.6% in RRBs and 44.7% in Co-operative banks. It can be inferred that the RRBs have become quite active and have successfully motivated the newly formed as well as existing SHGs to save more and more. In totality the cumulative number of SHGs has increased by 22.2% in year 2009 over that in 2008, while the cumulative savings amount also has increased by 46.5% in year 2009 over that in 2008.
The average savings per SHG are observed to be the highest for RRBs, followed by the commercial banks and then the co-operative banks. It can be inferred that the RRBs have been quiet successful in attracting the SHGs to save more and more amount with them. Also the average savings with commercial banks has decreased from Rs.8350 in year 2007 to Rs. 7812 in 2009. In case of RRBs the average savings has increased from Rs.9791 in year 2007 to Rs.12218 in year 2009. Similarly, the average savings has increased for the co-operative banks as well.

**4.13.15 AGENCY WISE LOANS DISBURSED TO SHGs IN INDIA (Year 2006-09)**

The banks have played an important role in the success of microfinance in India. The banks are looked upon as the credit supporters of the SHGs. The credit advanced by the banks have kindled ray of hope for many. The status of loans disbursed by the banks for the period of 2006-07 to 2008-09 is given in table 4. 20 below:
Table 4.20
Agency Wise Loans Disbursed To SHGs in India (Year 2006-09)

<table>
<thead>
<tr>
<th>Agency</th>
<th>During year</th>
<th>No. of SHGs (credit linked)</th>
<th>% share</th>
<th>Loan amount (Rs. Cr.)</th>
<th>% share</th>
<th>Per SHG bank loan disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Banks</td>
<td>2006-07</td>
<td>571636</td>
<td>51.7</td>
<td>3918.94</td>
<td>59.7</td>
<td>68557</td>
</tr>
<tr>
<td></td>
<td>2007-08</td>
<td>735119</td>
<td>59.9</td>
<td>5403.90</td>
<td>61.0</td>
<td>73511</td>
</tr>
<tr>
<td>% growth</td>
<td></td>
<td>28.6</td>
<td>37.9</td>
<td></td>
<td>7.2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2008-09</td>
<td>1004587</td>
<td>62.4</td>
<td>8060.53</td>
<td>65.8</td>
<td>80237</td>
</tr>
<tr>
<td>% growth</td>
<td></td>
<td>36.7</td>
<td>49.2</td>
<td></td>
<td>9.2</td>
<td></td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>2006-07</td>
<td>381199</td>
<td>34.5</td>
<td>2052.73</td>
<td>31.2</td>
<td>53849</td>
</tr>
<tr>
<td></td>
<td>2007-08</td>
<td>327650</td>
<td>26.7</td>
<td>2651.84</td>
<td>30.0</td>
<td>80935</td>
</tr>
<tr>
<td>% growth</td>
<td></td>
<td>-14.0</td>
<td>29.2</td>
<td></td>
<td>50.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2008-09</td>
<td>405569</td>
<td>25.2</td>
<td>3193.49</td>
<td>26.1</td>
<td>78741</td>
</tr>
<tr>
<td>% growth</td>
<td></td>
<td>23.8</td>
<td>20.4</td>
<td></td>
<td>-2.7</td>
<td></td>
</tr>
<tr>
<td>Co-operative Banks</td>
<td>2006-07</td>
<td>152914</td>
<td>13.8</td>
<td>598.72</td>
<td>9.1</td>
<td>39153</td>
</tr>
<tr>
<td></td>
<td>2007-08</td>
<td>165001</td>
<td>13.4</td>
<td>793.52</td>
<td>9.0</td>
<td>48092</td>
</tr>
<tr>
<td>% growth</td>
<td></td>
<td>7.9</td>
<td>32.5</td>
<td></td>
<td>22.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2008-09</td>
<td>199430</td>
<td>12.4</td>
<td>999.49</td>
<td>8.2</td>
<td>50117</td>
</tr>
<tr>
<td>% growth</td>
<td></td>
<td>20.9</td>
<td>26.0</td>
<td></td>
<td>4.2</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>2006-07</td>
<td><strong>1105749</strong></td>
<td>100.0</td>
<td><strong>6570.39</strong></td>
<td>100.0</td>
<td><strong>59420</strong></td>
</tr>
<tr>
<td></td>
<td>2007-08</td>
<td>1227770</td>
<td>100.0</td>
<td>8849.26</td>
<td>100.0</td>
<td>72046</td>
</tr>
<tr>
<td>% growth</td>
<td></td>
<td><strong>11.0</strong></td>
<td>34.7</td>
<td></td>
<td>21.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2008-09</td>
<td>1609586</td>
<td>100.0</td>
<td>12253.51</td>
<td>100.0</td>
<td>76128</td>
</tr>
<tr>
<td>% growth</td>
<td></td>
<td><strong>31.1</strong></td>
<td>38.5</td>
<td></td>
<td>5.6</td>
<td></td>
</tr>
</tbody>
</table>

Source: NABARD report on status of microfinance 2008-09

Table 4.20 presents the exhaustive statistics pertaining to the agency-wise amount of loan disbursed to the SHGs during year 2006-07, 2007-08 and 2008-09. It also depicts the growth in the loan disbursed by the banks over that in the previous years.
The percentage share of each of the agencies in the total loan disbursed is also given in the table. During year 2006-07 the banks disbursed loan to 11,05,749 SHGs. In the year 2007-08 the number of SHGs financed by banks increased to 12,27,770. Further in the year 2008-09 a total of 16,09,586 SHGs were financed by the banks. The agency wise pattern for these three years is presented in the following charts:

Chart 4.18

It can be understood from chart 4.18 that the commercial banks have been on a lead for the last three years with more than 50% SHG-financing being done by them. The share of commercial banks in SHG-financing has increased from 51.7% in 2006-07 to 62.4% in 2008-09. The SHG-financing by RRBs was 34.5% in 2006-07. It reduced to 26.7% in 2007-08 and further to 25.2% in 2008-09. A diminishing trend is also observed in financing by the co-operatives.
Chart 4.19

The chart 4.19 states the year wise status of SHG-financing by banks. In the amount of loan disbursed to SHGs the commercial banks are observed to be on lead over the RRBs and the co-operative banks. Over the three years, the amount of loans disbursed by the commercial banks is on a rise and so is their share in total financing. However a reducing trend is observed in case of RRBs and Co-operatives. The loans disbursed by the RRBs amounted to 31.2% in 2006-07 which reduced to only 26.1% in 2008-09.

Chart 4.20
The above given chart 4.20 depicts the percentage growth in the number of SHGs credit linked during the year 2007-08 over those in the year 2006-07 and for the year 2008-09 over the year 2007-08. An increasing growth rate is observed in case of credit linkage by the commercial banks. However, the pace of credit linkage is seen to be slowed down for the RRBs during the year 2007-08. In the subsequent year however the RRBs made up with higher credit linkages over those in year 2007-08. Tin case of co-operative banks the growth rate is increasing.

4.13.16 ALL INDIA STATUS OF WOMEN SHGs (2006-07 to 2008-09)

It is observed from various reports of NABARD that more than 80% of the total SHGs in the country were exclusively women SHGs. The status of women SHGs can be understood from the table 4.21 below:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year</th>
<th>Total SHGs</th>
<th>Exclusive Women SHGs</th>
<th>%ge to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings linked SHGs as on 31st March</td>
<td>06-07</td>
<td>4160584</td>
<td>3512.71</td>
<td>3271239</td>
</tr>
<tr>
<td></td>
<td>07-08</td>
<td>5009794</td>
<td>3785.39</td>
<td>3986093</td>
</tr>
<tr>
<td></td>
<td>08-09</td>
<td>6121147</td>
<td>5545.62</td>
<td>4863921</td>
</tr>
<tr>
<td>Loans disbursed during the year</td>
<td>06-07</td>
<td>1105749</td>
<td>6570.39</td>
<td>957920</td>
</tr>
<tr>
<td></td>
<td>07-08</td>
<td>1227770</td>
<td>8849.26</td>
<td>1040996</td>
</tr>
<tr>
<td></td>
<td>08-09</td>
<td>1609586</td>
<td>12253.51</td>
<td>1374579</td>
</tr>
<tr>
<td>Loans outstanding</td>
<td>06-07</td>
<td>2894505</td>
<td>12366.49</td>
<td>2389408</td>
</tr>
<tr>
<td></td>
<td>07-08</td>
<td>3625941</td>
<td>16999.91</td>
<td>2917259</td>
</tr>
<tr>
<td></td>
<td>08-09</td>
<td>4224338</td>
<td>22679.84</td>
<td>3277355</td>
</tr>
</tbody>
</table>

Source: NABARD report on status of microfinance 2008-09
Table 4.21 shows that upto the year 2006-07, 32.7 lacs women SHGs were savings linked which accounted for 78.6% of the total SHGs. This percentage of women SHGs to total SHGs increased to 79.6% upto March 2008 and remained almost the same upto March 2009. The total amount deposited by women SHGs with banks was Rs.3024.98 crores which accounted to 86.1% of the total deposits. The percentage of savings deposited by women SHGs to total decreased to 82.1% upto March 2008 and further to 82.1% upto March 2009. Of the total SHGs financed by banks more than 85% were women SHGs for the period of 2006-07 to 2008-09. Similarly almost 85% of the total credit disbursed by the banks was directed to women SHGs. The women SHGs with outstanding loans accounted for 80.5% of total SHGs with outstanding loans in 2007-08. In 2008-09 it reduced to 77.6%. However, the share of women SHGs in the amount of loan outstanding increased from 78.4% in 2007-08 to 82% in 2008-09.

Thus it is understood clearly that the SHG-philosophy is practiced largely by women.

### 4.13.17 POSITION OF SAVINGS LINKED SHGs IN MAHARASHTRA

As is clear from table 4.18, the SHGs in Maharashtra account for a substantial 11% of the total SHGs in India as on 31\textsuperscript{st} March 2009. The growth in number of SHGs having deposits in banks and the amount of deposits with banks can be understood from the following table 4.22:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Year</th>
<th>No.</th>
<th>Amt. (Rs. In lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings linked SHGs (cumulative)</td>
<td>Mar-08</td>
<td>379607</td>
<td>26680.27</td>
</tr>
<tr>
<td></td>
<td>Mar-09</td>
<td>685324</td>
<td>59325.22</td>
</tr>
<tr>
<td>% Growth</td>
<td></td>
<td></td>
<td><strong>80.54</strong></td>
</tr>
<tr>
<td>Loans disbursed during the year</td>
<td>07-08</td>
<td>74797</td>
<td>32478.40</td>
</tr>
<tr>
<td></td>
<td>08-09</td>
<td>108867</td>
<td>52378.25</td>
</tr>
<tr>
<td>% Growth</td>
<td></td>
<td></td>
<td><strong>45.6</strong></td>
</tr>
</tbody>
</table>

Source: NABARD report on status of microfinance 2008-09
The voluminous growth in the savings linked SHGs, in Maharashtra, in terms of their number as well as the amount of savings is visible from table 4.22 above.

The year 2008-09 has witnessed growth of 80.54% in the number of SHGs savings linked (table 4.22 and chart 4.21). An extravagant growth of 122.36% is observed in the amount deposited by SHGs with banks in Maharashtra. This growth can be attributed to the special step taken by NABARD in the form of priority-states. Consequently, Maharashtra is now looked upon as an active state in microfinancing.

The amount of credit advanced to SHGs is observed to have increased during 2008-09. The number of SHGs credit linked in year 2008-09 is higher by 45.6% over those credit linked in year 2007-08. This also shows that the SHG-Bank Linkage Programme has succeeded in meeting with the credit needs of a larger population in Maharashtra in the year 2008-09.
4.13.18 DISTRICT WISE GROWTH OF SBLP IN MARATHWADA

Marathwada is treated to be one of the backward regions of Maharashtra. On the basis of the data as maintained by the regional office of NABARD, an attempt is made to show the growth of SHGs in Marathwada for the period of 2006-09. The growth is depicted on the credit linked SHGs.

Table 4.23
District wise growth of credit linked SHGs (other than SGSY) in Marathwada

(Period 2006-09)  (Amt. in Rs. Million)

<table>
<thead>
<tr>
<th>District/Yr.</th>
<th>Cumulative no. of credit linked SHGs</th>
<th>Cumulative amount of bank loan disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>Aurangabad</td>
<td>4822</td>
<td>6736 (39.7)</td>
</tr>
<tr>
<td>Beed</td>
<td>5119</td>
<td>7315 (42.9)</td>
</tr>
<tr>
<td>Hingoli</td>
<td>1186</td>
<td>2461 (107.5)</td>
</tr>
<tr>
<td>Jalna</td>
<td>2962</td>
<td>4068 (37.3)</td>
</tr>
<tr>
<td>Latur</td>
<td>6338</td>
<td>9960 (57.1)</td>
</tr>
<tr>
<td>Nanded</td>
<td>7534</td>
<td>10924 (45.0)</td>
</tr>
<tr>
<td>Parbhani</td>
<td>2686</td>
<td>4148 (54.4)</td>
</tr>
<tr>
<td>Osmanabad</td>
<td>5618</td>
<td>7624 (35.7)</td>
</tr>
<tr>
<td>Total</td>
<td>36265</td>
<td>53236 (46.8)</td>
</tr>
<tr>
<td>% to total</td>
<td>16.1</td>
<td>16.3</td>
</tr>
</tbody>
</table>

Source: Official records of NABARD (Regional Office, Pune)
(Figures in parentheses indicate percentage increase over previous year)
The data given in table 4.23 states that only 16.7% of the total SHGs in Maharashtra are in Marathwada. The growth rate of credit linkages in Marathwada was at 46.8% in year 2008 but reduced drastically to 17.8% in year 2009. It is also gathered from the table that share of Marathwada is increasing at a very slow pace. The amount of bank loan disbursed to SHGs in Marathwada was only 1.75% of the total credit advanced in the state. However, creditable progress is witnessed in last two years. At the end of March 2009, the total credit advanced to SHGs in Marathwada accounted for 20.1% of the state figures.

In the chart 4.23 below, the progress of cumulative number of credit linked SHGs under SBLP in Marathwada is compared with those for the state of Maharashtra. The data for year 2005 and 2006 is taken from table nos.4.10 and 4.11. Growth is observed for both Maharashtra level as well as Marathwada level. However, the rate of growth of SBLP in Marathwada has been steady and more or less same as of Maharashtra.

**Chart 4.23**

*Comparative progress of SBLP in Marathwada and Maharashtra (Yr.2005-09)*
Chart 4.24 below shows the growth pattern of eight districts of Marathwada. Comparative figures for the year 2007 and 2009 are examined. It can be observed that each of the districts of Marathwada has witnessed growth in the number of SHGs credit linked over the span of two years. However the rate of growth differs for each of the districts.

The optimum growth of SHGs is identified for Latur and Nanded districts. On the other hand minimal growth is observed for Jalna district. Upto March 2009, Nanded district has recorded the highest number of SHGs followed by Latur district. Thus the growth of SHGs is visible in Marathwada but at a gradual pace. The policymakers need to be more active for bringing in larger population under the umbrella shelter of microfinance.

### 4.14 GROWTH OF SHGs UNDER SJSRY

SJSRY is the scheme introduced by the government of India from 1997 for the upliftment of the poor population in the urban areas. This scheme targets the below poverty line population residing in urban areas. Under the scheme the government
advances revolving fund to the groups formed on the basis of their gradation done by
the officials of the municipal corporations. Later the groups actively functioning are
provided loan from banks with subsidy by the government. According to the available
statistics upto March 2007, 52399 SHGs were formed in urban India under SJSRY.
Of these 5454 SHGs (10%) were formed in Maharashtra.

The SJSRY was implemented in Maharashtra from 1997-98. Within Marathwada also
the scheme is executed for the below poverty line population residing in urban areas.
The scheme is executed by the municipal councils and corporations functioning in
various districts of the region. Over a span of ten years, it is observed that the scheme
is making its roots firm within the region. As on 31st March, 2010 the region holds to
it’s credit more than ten thousand groups which have been offered subsidized
assistance under SJSRY.

<table>
<thead>
<tr>
<th>District</th>
<th>Upto March 2009</th>
<th>During 2009-10</th>
<th>Upto March-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aurangabad</td>
<td>1315</td>
<td>655</td>
<td>1970</td>
</tr>
<tr>
<td>Beed</td>
<td>1255</td>
<td>259</td>
<td>1514</td>
</tr>
<tr>
<td>Hingoli</td>
<td>609</td>
<td>24</td>
<td>633</td>
</tr>
<tr>
<td>Jalna</td>
<td>489</td>
<td>32</td>
<td>521</td>
</tr>
<tr>
<td>Latur</td>
<td>1334</td>
<td>22</td>
<td>1356</td>
</tr>
<tr>
<td>Nanded</td>
<td>1438</td>
<td>--</td>
<td>1438</td>
</tr>
<tr>
<td>Osmanabad</td>
<td>766</td>
<td>178</td>
<td>944</td>
</tr>
<tr>
<td>Parbhani</td>
<td>1637</td>
<td>244</td>
<td>1881</td>
</tr>
<tr>
<td>Total</td>
<td>8843</td>
<td>1414</td>
<td>10257</td>
</tr>
</tbody>
</table>

*Source: Official records at Divisional Commissioner office, Aurangabad.*
It can be understood from the table 4.24 above that within Marathwada more than a lakh of women struggling to overcome their poverty are benefitted out of the scheme. These women have been given an opportunity to start their enterprises and enjoy economic independence.

4.15 ROLE OF RESERVE BANK OF INDIA IN PROMOTION OF SHGs

The SHG philosophy though observed to be helpful for meeting the needs of poor and unreached people had to face resistance initially. The resistance was mainly from the banking sector. It hence became necessary for the policymakers and RBI to issue clear instructions and guidelines to the bankers for wide acceptance of the SHG philosophy. As a result of this the advances given by the banks to the groups were treated as advances to "weaker sections" under the priority sector. In addition flexibility was granted to the banks to a larger extent. While the norms relating to margin, security as also scales of finance and unit cost would broadly guide the banks for lending to the SHGs, deviations therefrom could be made by banks, where deemed necessary. These relaxations in margin, security norms, etc. were only in respect of SHGs to be financed under the pilot project.

NABARD issued detailed operational guidelines to banks in February 1992, for implementation of the project. Quick studies conducted by NABARD in a few states to assess the impact of the linkage project brought out encouraging and positive features like increase in loan volume of the SHGS, definite shift in the loaning pattern of the members from non-income generating activities to production activities, nearly 100% recovery performance, significant reduction in the transaction costs for both the banks and the borrowers, etc., besides leading to gradual increase in the income level of the SHG members. Another significant feature observed in the linkage project was that about 85% of the groups linked with the banks were formed exclusively by women.
With a view to studying the functioning of SHGs and NGOs for expanding their activities and deepening their role in the rural sector, in November 1994, RBI constituted a Working Group comprising eminent NGO functionaries, academicians, consultants and bankers under the Chairmanship of Shri S.K. Kalia, the then Managing Director, NABARD. As a follow up of the recommendations of the Working Group, banks were issued with certain instructions in April 1996. Further from time to time RBI issued guidelines to the banks for better performance of SHG-bank linkage. The various steps taken by RBI in the form of guidelines and instructions issued to banks are summarized as follows:

**a) SHG Lending to be treated as Normal Lending Activity**

The SHGs linkage programme would be treated as a normal business activity of banks. Accordingly, the banks were advised that they may consider lending to SHGs as part of their mainstream credit operations. The banks were permitted to include SHG linkage in their corporate strategy and plan as well as in the training curriculum of their officers and staff. The banks were also suggested to periodically monitor the lending business to SHGs.

**b) Separate Segment under priority sector**

In order to enable the banks to report their SHG lending without difficulty, it was decided that the banks should report their lending to SHGs or to NGOs for on-lending to SHGs under the new segment of ‘Advances to SHGs’ irrespective of the purposes for which the members of SHGs have been disbursed loans. These advances to SHGs would be then considered as lending to weaker sections.

**c) Inclusion in Service Area Approach**

Banks may identify branches having potential for linkage and provide necessary support services to such branches and include SHG lending within their Service Area Plan. The service area branches were given freedom to decide their own programme for SHG-lending. The banks were also given the flexibility of taking the help of NGOs for better performance in effecting linkages.
d) Opening of Savings Bank A/c.

The SHGs registered or unregistered which are engaged in promoting savings habits among their members would be eligible to open savings bank accounts with banks. These SHGs need not necessarily have already availed of credit facilities from banks before opening savings bank accounts.

e) Margin and Security Norms

As per operational guidelines of NABARD, SHGs are sanctioned savings linked loans by banks (varying from a saving to loan ratio of 1:1 to 1:4). Experience showed that group dynamics and peer pressure brought in excellent recovery from members of the SHGS. Banks were advised that the flexibility allowed to the banks in respect of margin, security norms, etc. under the pilot project would continue to be operational under the linkage programme even beyond the pilot phase.

f) Flexibility in Interest rates

Subsequent to the Monetary and Credit Policy announcement for the year 1999-2000, banks were also advised that interest rates applicable to loans given by banks to micro credit organisations or by the micro credit organisations to SHGs/member beneficiaries, would be left to their discretion.

g) Micro Credit Cell

Recognising the growing importance of micro finance, the Reserve Bank constituted a micro credit special cell in the Bank in 1999 to suggest measures for mainstreaming micro credit and accelerating flow of credit to MFIs. The special cell has since been converted into a micro finance and financial inclusion division in the Reserve Bank.
h) Incentives to branches by banks
The rapid development of the sector necessitated addressing the various issues associated with the sector. In October 2002, the Reserve Bank set up four informal groups to look into issues relating to:

(i) structure and sustainability;
(ii) funding;
(iii) regulations; and
(iv) capacity building of microfinance institutions.

Taking into consideration the recommendations of the groups, banks were advised that they should provide adequate incentives to their branches for financing the SHGs and that the group dynamics of working of the SHGs should be left to them.

i) Permission to use business facilitators
In order to examine issues relating to rural credit and microfinance, an internal group (Chairman: Shri H.R. Khan) was set up in 2005. Based on the recommendations of the group and with the objective of ensuring greater financial inclusion and increasing the outreach of the banking sector, banks were permitted in January 2006 to use the services of NGOs/SHGs, MFIs (other than NBFCs) and other civil society organisations as intermediaries in providing financial and banking services through business facilitator and business correspondent models.

j) Documentation
Keeping in view the nature of lending and status of borrowers, the banks were advised to prescribe simple documentation for lending to SHGs.

k) Training
An important step in the Linkage Programme came in the form of training of the field level officials and sensitization and orientation of the senior officials of the bank. The need for training of the staff and officers of banks was felt largely. For
this purpose the banks were recommended to organize short duration training programmes for the field level officials. In addition, suitable awareness and sensitization programmes were recommended for the middle level controlling officers as well as senior officers.

m) Monitoring and Review of SHG Lending

Having regard to the emerging potential of the SHGs and the relative non-familiarity of the bank branches with lending to SHGS, banks were advised to closely monitor the progress at regular intervals. The banks were instructed to report the progress of SHG-linkages to both RBI and NABARD in prescribed formats. The bank officials were also motivated to present innovative ideas for effective percolation of microfinance philosophy in the target areas.

Such and many other steps were taken by RBI for strengthening the SHG-approach and thus providing the banking facilities to the unbanked population to a larger extent.

4.16 POLICY INITIATIVES BY NABARD

NABARD has played a parental role in the development of the microfinance sector in India. A multi faceted developmental approach is adopted by NABARD for quantitative as well as qualitative enhancement of the micro finance sector. NABARD has been organising training programmes and exposure visits for the benefit of bank officials, NGOs, SHGs and Government agencies to enhance their effectiveness in the field of micro finance. The best practices and innovations with respect to the sector are widely circulated among Government agencies, banks and NGOs. NABARD also provides support for capacity building, exposure and awareness building of the SHGs and NGOs.

The major policy initiatives are summarised below:
a) Grain Banks and SHGs
To explore the possibilities of monetising the savings-in-kind in the form of grains, a pilot Project was implemented in Orissa. For the convenience of the members of the groups they were permitted to save both in cash as well as in kind (grains). Loans also can be provided either in cash or in the form of grains. The project enabled the poor to save in kind, raise resources against such savings and provide access to self-managed, participative food security systems.

b) Project on Processor Cards
With a view to reducing paper work, saving time and maintaining upto date records, a Pilot project was launched for providing processor cards to active clients like KCC holders and SHGs as also automation of bookkeeping of groups. NABARD has extended grant assistance to 2 Regional Rural Banks under this project. It is expected to test the acceptability and adaptability of IT in rural areas, as also address MIS needs in rural banks.
Processor cards for SHGs are being customised by the technology provider. The field staffs of the concerned branches and DRDA functionaries were trained in the operation of computers for recording transactions of SHGs.

c) Project on 'e-Grama'
NABARD has part funded establishment of 13 Village Information Centres (e-grama centres) through an NGO in Davanagare district of Karnataka to help SHGs / villages to have access to Information Communication Technology. These e-grama centres make available information on areas like weather conditions, crop inputs, product prices, land records etc. Besides this, add-on services like bookkeeping of SHGs, DTP, scanning, etc., are also being provided.

d) Micro Finance Development Fund
Recognising the need for upscaling the micro finance intervention in the country, the Union Finance Minister, in the budget for the year 2000-01, announced
creation of a Micro Finance Development Fund (MFDF). The objective of the MFDF is to facilitate and support the orderly growth of the micro finance 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. Consequently MFDF with a corpus of Rs.100 crore was established in NABARD. The Reserve Bank and NABARD contributed Rs.40 crore each to the fund, while the balance was contributed by eleven public sector banks. Further in 2005-06, the MFDF was re-designated as ‘Micro Finance Development and Equity Fund’ (MFDEF) with an increased corpus of Rs.200 crore. The MFDEF maintained by NABARD is used for promotion of micro finance through scaling-up of the SHG-bank linkage programme, extending RFA and capital support to MFIs and undertake various promotional initiatives.

e) Joint Liability Groups

The project on Joint Liability Groups (JLGs), initiated during 2004-05 is being implemented through 10 RRBs and 1 PCARDB located in eight states viz- Maharashtra, West Bengal, Tamil Nadu, Madhya Pradesh, Bihar, Karnataka, Kerala & Assam by adopting a flexible approach and giving the partner banks enough freedom to implement the project, keeping the ground realities and context in perspective. NABARD undertook a sample study in three states, viz., Kerala, Maharashtra and West Bengal to assess the progress made in implementation of the JLG project and the results have corroborated the projects initial assumption that financing JLGs could emerge as an effective mechanism for providing credit to small traders, small / marginal and tenant farmers who cannot offer physical collaterals to avail loans from banks.

On successful completion of pilot project, the JLG scheme has been extended to other areas in the country. NABARD prepared the guidelines for implementing the JLG scheme and as advised by RBI, Indian Banks' Association (IBA) has already issued the guidelines to all banks.
f) Setting-up of Computer Munshi

Proper bookkeeping in SHGs is one of the gray areas owing to the illiteracy among the group members. NABARD in collaboration with PRADAN - an NGO developed system & local resources to address the issue. It involves training skilled local youth in computer operations and specially designed software to maintain SHG accounts.

g) Post-Office Linkage

NABARD launched a pilot project in December 2003 to link post-offices with the SHGs with the objective of examining the feasibility of utilising the vast network of post offices in rural areas for disbursement of credit to rural poor on an agency basis.

The progress under the project has been quiet promising. Upto March 2008, a substantial number 2,835 of SHGs had opened zero interest savings accounts with select Post Offices in Tamilnadu and 889 SHGs had been credit linked with loan amounting to Rs 213.11 lakh. A Revolving Fund Assistance (RFA) of Rs.5 lakh to Meghalaya for on-lending to 50 SHGs in East Khasi Hills had also been sanctioned.

h) Social Security System for SHG Members

Another innovative project which has been approved by NABARD entails creation of community based social security system for members of SHGs in rural areas for improving their livelihood and securing them from uncertainties of life. The project components include provision of a package of health insurance, life insurance etc. for SHG households by paying premium generated through discounts offered by service providers like grocery shop, cloth merchant etc in the project area for SHG members in rural areas. It was first implemented through an NGO- Organization for Awareness of Integrated Social Security (OASIS) in two villages of Madhya Pradesh state. Self Employed Groups (SEGs) from SHGs would be formed by the NGO to provide various services involving selling of products at a discount.
i) Micro-Enterprise Promotion

In 2005-06, NABARD initiated a pilot project for promotion of micro-enterprises by members of matured SHGs in 9 selected districts across the country, in association with Marketing And Research Team (MART) as the technical partner. Under this project the identified NGOs act as Micro-Enterprise Promotion Agencies (MEPA) and assist members of matured SHGs to take up income generating activities on a sustainable basis. Survey of villages and SHGs by NGOs has been undertaken and micro Business Development Plans have been prepared for each district wherein potential activities have been mapped for the benefit of SHGs / members of SHGs, who would setup their microenterprises based on these activities.

j) Micro-Enterprise Development Programme

NABARD launched the ‘Micro-Enterprise Development Programme’ (MEDP) for skill development in March 2006. The basic objective was to enhance the capacities of matured SHGs to take up micro enterprises through appropriate skill upgradation. The programme envisaged development of enterprise management skills in existing or new livelihood activities, both in farm and nonfarm sectors. The duration of training can vary between 3 to 13 days depending upon the objective and the nature of training. During 2007-08, a total 428 Micro Enterprise Development Programmes (MEDPs), both under Farm and Non – farm activities, were conducted across the country with grant support Rs.56.39 lakh covering 13,985 members of the matured SHGs.

k) Marketing Support

NABARD also provides marketing support to the SHGs for exhibiting their products. During the year 2007-08, NABARD supported three exhibitions of products prepared by various SHGs at Bhopal, Chennai and Navi Mumbai involving grant of Rs.3.8lakh. In addition, NABARD also provides promotional grant support to NGOs, RRBs, DCCBs, farmer’s clubs and individual volunteers and assists in developing capacity building of various partner agencies. NABARD
has been making efforts to increase the number of partner institutions as self-help promoting institutions (SHPIs).

I) SHG Federations

The SHG Federations are emerging as important players in nurturing SHG, increasing the bargaining power of group members and livelihood promotion. The features and functions of SHG federation models promoted in the country vary, depending on the promoting agencies. Recognising the growing role of the SHG Federations and their value addition to SHG functioning, NABARD, during the year 2007-08 decided to support the Federations on a model neutral basis. Support is extended to the Federation by way of grant assistance for training, capacity building and exposure visits of SHG members. NABARD has also formulated the broad norms for deciding the grant of financial assistance to SHG Federations.

m) Credit Rating of MFIs

In order to identify, classify and rate MFIs, NABARD introduced a scheme for commercial banks and RRBs to enable them to avail the services of accredited rating agencies for rating of MFIs. Banks can avail the services of credit rating agencies like CRISIL, M-CRIL, ICRA, CARE and Planet Finance for rating of MFIs and avail financial assistance by way of grant to the extent of 100 per cent of the total professional fees of the credit rating agency, subject to a maximum of Rs. one lakh.

Thus NABARD has time and again intensified its efforts for the development of rural areas in India. One such major step by NABARD is in the form of SHG-Bank Linkage Programme.

4.17 CONCLUSION

Self-help groups (SHGs) are fast emerging as an effective tool of socio-economic empowerment of the poor especially the women. The self-help group is a small body
formed by the people for meeting their specific objectives, particularly credit. The formation of SHGs is widely acclaimed by policymakers, government, academicians as well as the apex planning bodies. The growth of SHGs has been quite impressive over last one and half decade. The SHG-Bank Linkage programme of NABARD stands to be the unique and biggest microfinance programme in the world. The progress of SBLP alone holds to its credit the successful linkage of not less than 6.2 lakhs of SHGs. This means that almost 62 lacs of people who could not have access to the formal financial system could be brought into the mainstream by means of the Self Help Group approach. This is indeed a remarkable achievement though at a gradual pace.
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