CHAPTER – IV
FINANCIAL ASSISTANCE PROVIDED BY MICRO CREDIT INSTITUTIONS TO THE SHGs

4.1 INTRODUCTION

“Union is strength”. The proverb states that human beings need unity. In this regard rural women join together to form a group for the purpose of fulfilling their financial needs and wants. Thereafter many financial organizations take initiative in 1992 to make the traditional and formal banks to extend financial services to deprived sections through informal Self Help Groups (SHGs), which have now blossomed into a “monolith” microfinance initiative. It has been recognized as a decentralized, cost effective and fastest growing microfinance initiative in the world, enabling over 103 million poor households’ access to a variety of sustainable financial services from the banking system by becoming members of nearly 8 million SHGs. The linkage with banks has provided the members of the Groups the facility of not only pooling their thrift /savings and access to formal credit from the banks, but also created a platform through which they could launch a number of livelihood initiatives and also facilitate the empowerment process through SHGs.

4.2 ORIGIN AND GROWTH OF SHG - BANK LINKAGE PROGRAM

In the year 1997-98, the program was meant to demonstrate the potential of SHGs to organize themselves and be instrumental in managing their own saving funds and extending micro credit requirements, thereafter establishing the replicability of the model across the regions, with focus on resource poor regions of the country. This concept has witnessed greater confidence among the financing banks to “own” up the program as a potential business model thereby extending its outreach to the current level. The
development planners including the Government of India and the State Governments also recognized the real potential of the SHG movement in development of the poor and it was made an essential ingredient of all poverty alleviation programs of the Government. Even the private sector started realizing the untapped potential of SHGs for deep penetration to the emerging rural markets. The turbulence witnessed in the microfinance sector in the recent past due to the mushrooming growth of Microfinance Institutions (MFIs) and their questionable ways in which they went ahead in extending their outreach and credit intensification, could not make any significant dent in the popularity of the SHG-Bank Linkage Program.

The small beginning of linking only 500 SHGs to banks in 1992, had grown to over 0.5 million SHGs by March 2002 and further 8 million SHGs by March 2012. From almost 100% of the SHGs linked to Banks at the pilot stage from southern states, the share of southern States in the total number of SHGs linked shrank to 46% by March 2012, while the share of eastern States (especially, West Bengal, Odissa, Bihar) shot up to over 20%

The third decade of the program promises to be one of maturing the linkage programs with livelihood support, lot more innovations in the product range offered through SHGs and path breaking reforms in leveraging technology to improve efficiency, while extending its outreach to more geographical regions, especially the most resource poor regions of the country. It is widely believed that the SHGs of the poor will be the vehicles leading the march of India’s emergence as a super economic power in the next decade. A number of countries, especially the developing countries and international agencies are turning to India to learn from its experiments with microfinance and to explore possibilities of replication of the model in other parts of the globe.
Together the 8 million SHGs of the poor maintain a balance of over Rs.6550 crore in the Savings Bank accounts with the Banks, while they are estimated to have harnessed savings of over Rs.22000 crore of which nearly 70% (over 15000 crore) goes for internal lendings. Over 4.4 million SHGs are regularly availing credit facilities from the Banks. During 2011-12 alone, over 1.15 million Groups availed loans amounting to Rs.16535 crore from Banks and together 4.4 million Groups have loans to the extent of Rs.36340 crore outstanding against them with the financing banks as on 31.3.2012.

NABARD had been publishing data on microfinance in India every year along with an analysis of the data compiled through various stakeholders like partner NGOs, financial institutions, Government Departments, etc. and this publication and data contained therein are based on returns submitted by participant banks covering Commercial Banks, Regional Rural Banks (RRBs) and Cooperative Banks. In addition to the analysis of data on the extent of savings harnessed by the SHGs, credit availed by SHGs across agencies and across the geographical spread, the publication also highlights the facilitating role played by NABARD in further refining the SHG-Bank linkage program by bringing in more stakeholders into this sector, helping it to extend its outreach to more unbanked areas and by extending the scope of financial services rendered through such groups. The publication also highlights a brief account of the discussions at a National Colloquium organized during the year 2012 by participation from different stakeholders soliciting issues connected with the design of the SHGs, a few pilot innovations made by NABARD, product innovations to support livelihood groups (Joint Liability Groups).
4.3 MICRO CREDIT

Micro Credit is defined as provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve their living standards. Micro Credit Institutions are those which provide these facilities.

4.3.1 Interest Rates Applicable

The reform of the interest rate regime has constituted an integral part of the financial sector reforms initiated in India in 1991. In consonance with this reform process, interest rates applicable to loans given by banks to micro credit organizations or by the micro credit organizations to Self-Help Groups/member-beneficiaries have been left to their discretion. The interest rate ceiling applicable to direct small loans given by banks to individual borrowers, however, continues to remain in force.

4.3.2 Terms and Conditions for Accessing Micro Credit

Banks have been given freedom to formulate their own lending norms keeping in view of ground realities. They have been asked to devise appropriate loan and savings products and the related terms and conditions including size of the loan, unit cost, unit size, maturity period, grace period, margins, etc. Such credit covers not only consumption and production loans for various farm and non-farm activities of the poor but also include their other credit needs such as housing and shelter improvements.

4.4 Advantages of Financing through SHGs

Economically poor individual gains strength as part of a group, besides, financing through SHGs reduces transaction costs for both lenders and borrowers. While lenders have to handle only a single SHG account instead of a large number of small-sized
individual accounts, borrowers as part of a SHG cut down expenses on travel for completing paper work and on the loss of workdays in canvassing for loans.

4.5 Role of NGOs Play in Provision of Micro Credit

A Non-Governmental Organization (NGO) is a voluntary organization established to undertake social intermediation like organizing SHGs of micro entrepreneurs and entrust them to banks for credit linkage or financial intermediation like borrowing bulk funds from banks for on-lending to SHGs.

4.6 Micro Finance Development Fund

There is an urgent need for micro credit providers to shift from a minimalist approach – that is offering only financial intermediation – to an integrated approach to poverty alleviation taking a more holistic view of the client including provision of enterprise development services like marketing infrastructure, introduction of technology and design development. In this context, the setting up of the Micro Finance Development Fund marks an important step. Pursuant to the announcement of Union Finance Minister in his budget speech for the year 2011-12, Rs. 400 crore Fund has been created in NABARD to support broadly the following activities: (a) giving training and exposure to self-help group (SHG) members, partner NGOs, banks and government agencies; (b) providing start-up funds to micro finance institutions and meeting their initial operational deficits; (c) meeting the cost of formation and nurturing of SHGs; (d) designing new delivery mechanisms; and (e) promoting research, action research, management information system and dissemination of best practices in micro finance. This Fund is thus expected to address institutional and delivery issues like institutional growth and transformation, governance, accessing new sources of funding, building institutional capacity and increasing volumes.
The RBI and NABARD have contributed Rs. 150 crore each to this Fund. The balance Rs. 100 crore was contributed by 11 public sector banks.

NABARD in action during 2011-12, 11.48 lakh new SHGs were credit linked and bank loan of Rs.16,535 crore was disbursed. The program covered more than 9.41 crore poor households, making it the largest microfinance program in the world. As on 31\textsuperscript{st} March 2012, 79.60 lakh SHG maintained savings worth Rs.6,551 crore with the banking sector. During 2011-12, bank credit of Rs.16,535 crore and Rs.2,643 crore was disbursed to 2.10 lakh SHGs under SGSY and 518 MFI, respectively.\textsuperscript{2}

4.7 Micro Finance Service Providers

The micro finance service providers include apex institutions like National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and Rashtriya Mahila Kosh (RMK). At the retail level, Commercial Banks, Regional Rural Banks, and, Cooperative banks provide micro finance services. Today, there are about 60,000 retail credit outlets of the formal banking sector in the rural areas comprising 12,000 branches of district level cooperative banks, over 14,000 branches of the Regional Rural Banks (RRBs) and over 30,000 rural and semi-urban branches of commercial banks besides almost 90,000 cooperative credit societies at the village level. On an average, there is at least one retail credit outlet for about 5,000 rural people. This physical reaching out to the far-flung areas of the country to provide savings, credit and other banking services to the rural society is an unparalleled achievement of the Indian banking system.

In the midst of the apparent inadequacies of the formal financial system to cater to the financial needs of the rural poor, NABARD sponsored an action research project in
1987 through an NGO called MYRADA. For this purpose a grant of Rs. 1 million ($22,222) was provided to MYRADA for an R&D program related to credit groups. Encouraged by the results of field level experiments in group based approach for lending to the poor, NABARD launched a Pilot Project in 1991-92 in partnership with Non-governmental Organizations (NGOs) for promoting and grooming self help groups (SHGs) of homogeneous members and making savings from existing banks and within the existing legal framework. Steady progress of the pilot project led to the mainstreaming of the SHG-Bank Linkage Program in 1996 as a normal banking activity of the banks with widespread acceptance. The RBI set the right policy environment by allowing savings bank accounts of informal groups to be opened by the formal banking system. Launched at a time when regulated interest rates were in vogue, the banks were expected to lend to SHGs at the prescribed rates, but the RBI advised the banks not to interfere with the management of affairs of SHGs, particularly on the terms and conditions on which the SHGs disbursed loans to their members.

The uniqueness of the micro finance through SHG is that it is a partnership based approach and encouraged NGOs to undertake not only social engineering but also financial intermediation especially in areas where banking network was not satisfactory. The rapid progress achieved in SHG formation, which has now turned into an empowerment movement among women across the country, laid the foundation for emergence of MFI s in India.³

4.8 NABARD SUPPORT TO MICRO CREDIT INSTITUTIONS

Realizing the importance of micro credit in the delivery of financial services to the poor and their potential for expansion of services in remote and lesser-banked areas,
NABARD has been extending technical and fund support to this sector. Some of the concerns that necessitated NABARD to commence this support in 1993 were: 1) the need to provide timely credit to the poor in underbanked regions and ii) to further improve the outreach of rural credit delivery system through alternate credit delivery mechanisms.

NABARD support is being provided to various forms of microfinance institutions covering MFIs, second tier microfinance lending institutions, Grameen bank replicators, NGO-MFIs, SHG Federations etc. NABARD provides loan funds in the form of Revolving Fund Assistance (RFA) to NGO-MFIs on a very selective basis. The RFA is generally provided for a period of 5 to 6 years and is necessarily to be used for lending to microfinance clients (SHGs or individuals). In addition, the agencies are also sanctioned, on a case-to-case basis, grant assistance for partly meeting the salary of field level staff, infrastructure development and operational deficits during the initial years.

**4.9 SUPPORTS TO GOVERNMENTS**

Necessary assistance is provided to the governments by NABARD for intermingle microfinance practices with the poverty alleviation programs NABARD also encourages the association of Panchayati Raj Institutions (PRIs) in adopting group processes for maximization of empowerment. NABARD, in association with Lal Bahadur Shastri National Academy of Administration, Mussoorie conducts tailor made exposure program on self help group and microfinance for senior and middle level officers of Indian Administrative Services (IAS) who are posted as district collectors/ Chief Executive Offices of local administrative setups.
4.10 SUPPORTS TO NGO PARTNERS

Several steps have been taken by NABARD for capacity building of NGOs which partner in promotion and nurturing of SHGs. The emphasis is on involving a large number of NGOs. Special focus is on those NGOs participating in watershed development, health, literacy and women development, to encourage them to take up promotion, nurturing and linkage of SHGs as an 'add-on' activity. NABARD has a scheme of part-financing the cost of promotion of groups by NGOs. NABARD has developed specialized programs for use by CEOs of NGOs for appropriately envisioning this as an add-on concept. Separate programs have also been designed for NGO field staff to appreciate the nuances of SHG functioning.

4.10.1 Alternate Microfinance Practices

The NGOs and other local bodies at village block and district levels in the North Eastern States are encouraged to take up alternative micro-credit delivery mechanisms through direct funding. Formation and operation of SHG Federations are supported and encouraged by NABARD. Similarly, networking of NGOs is also encouraged.

4.10.2 Coordinating Microfinance Efforts in India

NABARD coordinates the microfinance activities in India at international/ national/ state/district levels. These include organizing international/national Workshops, Seminars, etc. for experience sharing, Organizing National and State level Meets of Bankers and NGOs etc. dissemination of best practices in SHG / microfinance.

4.10.3 Monitoring and Review

Block/district/state level review meetings are organized by NABARD. The relative documentation and database are also carried out by NABARD. In addition, periodical
Monitoring studies are conducted through NABARD/Bank Officers. Internal Impact Studies are conducted by NABARD periodically.

4.11 REFINANCE SUPPORT TO BANKS

The scheme is to provide 100% refinance to banks for financing MFIs. Interest rate on refinance to Commercial Banks and Regional Rural Banks on their loans to MFIs on lending to clients will be at 3% less than that charged by banks subject to minimum interest rate of 7.5% for all regions and all eligible purposes. The revised rate of interest is applicable to refinance disbursed on or after 1st March 2012, scheme for financing matured SHGs for Farm Production and Investment activities.

The objective of the scheme is to facilitate the members of matured SHGs to meet their credit requirement for farm production and investment activities and to enable them to diversify their income generating activities. Term Loan and Cash Credit limit are given by the banks for a period of five years to SHGs exclusively for farm production and investment activities covering agriculture sector and allied activities. Banks can also sanction composite loans by combining consumption credit to the extent of 30% of the total limit. Matured SHGs which have successfully utilized bank loans and whose members have moved from consumption requirements to production requirements are considered for financing for farm production and investment activities. Due freedom is given to SHGs to monitor and ensure end-use of credit as is usually practised by banks under SHG Bank Linkage Program, Refinance - 100% of the bank loan under Automatic Refinance Facility (ARF). The refinance provided to the banks under the scheme will be payable in 5 years at half yearly intervals.
The number of saving linked SHGs now stands at 7.96 million with a membership of over 103 million poor households. While bulk of these savings is used for internal lending within the Group (over 70%), the balance is maintained in the savings accounts with the financing banks. Over 79% of SHGs linked to banks are exclusive women groups, which is one of the most distinguishing features of microfinance sector in the country. The balance in the savings accounts of the banks as at the end of March 2012 stood at Rs.6551.41 crore. Among the major States, Karnataka SHGs maintain the highest Savings Bank balance of over Rs.16000 per SHG followed by Punjab of nearly Rs.12500 per SHG. Among the regions, southern region is the highest at Rs.10080 per SHG and northeastern region recorded the lowest balance of Rs.4159 per SHG. On an average, the SHGs maintain a balance of Rs.8230. Commercial Banks account for 58% of the savings account maintained by SHGs and RRBs 27% and Cooperative Banks the remaining 15%. Fig.4.1, 4.2 and 4.3 show a graphical presentation of the savings, fresh loans and the loan outstanding of SHGs with Banks for the period 2008-09 to 2011-12.

Fig.4.1: SHGs as on 31.3.2012 – Savings and Credit

Fig.4.2: Details of Savings Linked SHGs
Further, over 4.36 million SHGs have now access to direct credit facilities from the banks and the total bank loans outstanding against these groups is over Rs.36340 crore as on 31st March 2012 i.e. an average of Rs.83500 per group. About 1.15 million SHGs were extended fresh loans to the extent of Rs.16535 crore during 2011-12 by all banks averaging
Rs.1.44 lakh per group. Although fresh lending to SHGs during 2011-12 showed an increase of 13.7% over 2010-11, the steady decline in the number of SHGs being extended fresh loans by banks for the period 2009-10 to 2011-12 is a matter of concern.

The quantum of fresh loans issued to SHGs by banks rose by 13.7% during 2011-12 to Rs.16535 crore (to 11.48 lakh SHGs) as against Rs.14548 crore disbursed 2010-11 (to 11.96 lakh SHGs), the number of SHGs obtaining fresh loans from banks during 2011-12 declined by 4%. What causes more concern is the fact that the number has been declining during the period 2009-10 to 2011-12, though the rate of decline has come down from nearly 24%, 2010-11 to 4%, 2011-12. Kerala, West Bengal and Odissa reported maximum decline in the number of SHGs being extended fresh loans during 2011-12. The average size of fresh loans extended ranged from Rs.1.80 lakh per SHG in the southern region (1.5 lakh last year) to Rs.0.75 lakh in the western region (the lowest average was 0.65 lakh for eastern region 2010-11). The average loan size across the regions was Rs.1.44 lakh per SHG. Considering that on an average 80% of the SHG members avail loan at a time, the average per member loan issued works out to Rs.14000. Among the financing banks, Commercial Banks and RRBs extended loan of Rs.1.65 lakh on an average per SHG while cooperative Banks lent Rs.0.65 lakh only per SHG. While Commercial Banks accounted for 63% of the savings balance of SHGs, their share in fresh lending to SHGs was only 60% whereas RRBs with a Savings share of only 20% accounted for 30% of the fresh loans issued during the year. This is suggestive of cautious attitude of the Commercial Banks in lending to SHGs as compared to RRBs.
4.12 NABARD as Facilitator of Microfinance

Besides, conceiving the SHG-Bank Linkage Program two decades back, NABARD had assigned to itself the role of a facilitator and a mentor of the initiative. The focus was on bringing in various stakeholders on a common platform, building capacity among the stakeholders to take the movement forward while extending 100% refinance to all banks participating in the program. A large number of seminars, workshops and training programs were organized to create awareness about the microfinance program among all the stakeholders – the bankers, the Government agencies, the NGO partners and more importantly the SHG members. The NGO sector who played the key role of organizing and nurturing the SHGs as the Self Help Promoting Institutions – later joined by many others including the rural financial institutions, Farmers Clubs, etc. – were encouraged by way of promotional grant assistance by NABARD for taking up such work.

The phenomenal growth of SHG-Bank linkage program during the last 20 years owe a great deal to these promotional efforts actively supported by NABARD and participated by the stakeholders. The rapid growth of the SHG linkage program and its success in taking financial services to the poor, led to its recognition as the most important tool for financial inclusion – the main focus of the XI Five Year Plan. Simultaneously, efforts were also on to experiment innovative initiatives in improving the efficacy and reach of the program with the involvement of all microfinance practitioners facilitated by NABARD. A glimpse of the facilitator role played by NABARD, the ICT initiatives taken, policy changes etc in this sector during 2011-12 is narrated in the following pages.
4.13 Refinance to Banks

During the initial years of the movement, NABARD was extending refinance to the extent of 100% to banks for lending to SHGs since the SHG-Bank Linkage Program was launched. Initially, this was intended to encourage the banks to actively participate in the program. As the banks gained confidence in lending to SHGs and realized the business potential in extending financial services through SHGs, they have been increasingly deploying their own resources in a mutually beneficial relationship with the SHGs. SHGs had been instrumental in bringing in more business for the financing banks by way of improving credible client base, also promoting rural and inclusive banking. Banks have also extended other financial services like remittance, housing, insurance, etc, though in a limited way, to this segment. As a result, the banks have started “owning up” the movement, as a sound business proposition and became less dependent on promotional support from NABARD. The gap between the total loans issued by banks to SHGs and the refinance extended by NABARD for such loans started widening as a result as would be seen from the graph shown (Fig.4.4). The refinance support from NABARD, however, continues to supplement resource mobilization for the program. During 2011-12, NABARD extended refinance to the extent of Rs.3072.59 crore as against Rs.2545.36 crore disbursed during the previous year. Cumulative disbursement of refinance by NABARD for SHG lending during 2011-12 stands at Rs.18479.60 crore.5
Fig.4.4: Loans Issued to SHGs by Banks and NABARD Refinance

Source: NABARD Report 2011-12

4.14 Microfinance Development and Equity Fund

The Micro-finance Development and Equity Fund (MFDEF) is being utilized for promotion of various micro-finance activities such as formation and linkage of SHGs through SHPIs, training and capacity building of stakeholders, livelihood propagation, studies, documentation, etc. During 2011-12, Rs.33.31 crore was released of which Rs.28.68 crore was grant support for promotional activities and Rs.4.63 crore for capital support and lending resources to MFIs. As against a total corpus of Rs.200 crore contributed by RBI, NABARD and commercial banks, the actual (cumulative) utilization of the fund stood at Rs.278.31 crore as on 31st March 2012. NABARD has been augmenting this fund from its own resources and has also been crediting interest on the unutilized portion of this fund.

4.15 Support for Training and Capacity Building of Micro Finance Clients

NABARD has been continuously imparting training to various partners and stakeholders of SHG Bank Linkage Program such as bankers, NGOs, government officials,
SHG members and trainers. During 2011-12, about 1.87 lakh officials of various agencies participated in NABARD supported training programs and exposure visits and cumulatively 28.48 lakh officials have been trained. NABARD in association with Gesellschaft International Zusammenarbeit (GIZ) has initiated the process of revising the content, coverage of training modules. Training needs of all the stakeholders are being assessed for the purpose.

4.16 Micro Enterprise Development Program

The Micro Enterprise Development Program launched by NABARD in 2006 is intended to nurture the entrepreneurial talents of members of mature SHGs to set up and run micro enterprises as a livelihood option in farm or non-farm sector, either on individual basis or on group basis. Support is extended under the program to members of such SHGs to enrich their knowledge on enterprise management, business dynamics and rural markets. Nearly 5000 skill upgradation training programs have been conducted under these initiatives covering nearly 2 lakh members of mature SHGs. Most of the trained SHG members have since started on their journey to become promising entrepreneurs by availing loans from their SHGs. West Bengal, Tamil Nadu and Chhattisgarh are major States where maximum number of SHG members were given skill training.

4.17 Financing of Joint Liability Groups

Joint Liability Groups (JLGs) are informal groups of 4-10 members who are engaged in similar or independent economic activities like crop production, dairy farming or other allied agriculture or non-farm based activities and who are willing to jointly undertake (mutual guarantee) to repay the loans taken by the Group from the Banks. Unlike in the case of SHGs, JLGs are intended basically as credit groups of tenant farmers
small farmers who do not have proper title of their farmland and are unable to provide tangible collateral for their borrowing from banks. Regular savings by group members is purely voluntary and intended to bind the members. Credit needs of the group members are to be met through loans from financial institutions and such loans could be individual loans or group loans. Financing of JLGs was introduced as a pilot project in 2004-05 by NABARD in 8 States with the support of 13 RRBs. Apart from extending refinance support to Banks, NABARD also extends financial support for awareness creation and capacity building of all stakeholders of this Program. NABARD also extends grant support for formation and nurturing of JLGs to banks and other JLG promoting agencies. An amount of Rs.36.68 crore was sanctioned as grant for promotion of 1.95 lakh JLG across the country till 31st March 2012. During the year, 191662 new JLGs were promoted (36% growth over the previous year 2011) and fresh loans to the extent of Rs.1700.39 crore (48% increase over the previous year 2011) was disbursed to JLGs by banks taking the cumulative number of JLGs to 3,32,707 and the cumulative loan disbursed to Rs.2845.69 crore. The growth of JLGs in the country is less skewed than the SHGs with Odissa leading the table with over 53000 JLGs followed closely by West Bengal with nearly 49000 groups though southern region States top among the quantum of loans disbursed with almost 69% loans disbursed to JLGs in the region.

4.18 SHGS –CREDIT DISTRIBUTION BY NABARD

Recognizing the emerging role of the SHGs’ Federations in nurturing of SHGs, enhancing the bargaining powers of group members and livelihood promotion, NABARD introduced during 2007-08, a flexible scheme to support such Federations, on a model neutral basis. The broad norms prescribed for supporting SHG Federations stipulate that
the federations should be need-based, member-owned/driven, democratically managed with members at liberty to join, become self-managed over three years, etc. Support to the Federation is extended by way of grant for training, capacity building, and exposure visits of SHG members, etc., as also under all of NABARD’s existing promotional schemes Special initiative for scaling up SHGs/ SHG Federations.

NABARD has been associated with Rajiv Gandhi Charitable Trust (RGCT) for promotion, credit linkage and formation of SHG Federations in select districts of Uttar Pradesh. The project envisages promotion and credit linkage of 22,000 SHGs, 1,100 cluster-level associations and 44 block-level associations in collaboration with participating banks and implementing NGOs. The project would cover 15 and 29 blocks under Phase I and II respectively in 12 districts of Uttar Pradesh viz. Sultanpur, Rae Bareli, Barabanki, Pratapgarh, Lucknow, Unnao, Fatehpur, Jhansi, Lalitpur, Bahraich, Shravasti and have designed the project with technical Poverty (SERP), Government of Andhra Pradesh. As at the end of 31st March 2012, 11,914 SHGs had been promoted, of which 5,972 SHGs had been credit linked. In addition, 273 Village Level and 14 Block Level SHG Federations were formed. Phase II of the project was launched on 1st January 2009 and 8,467 SHGs were promoted, of which 3,378 SHGs were credit-linked.

4.19 BANKS OFFERED FINANCE TO SHGs

The performance of micro credit institutions in financing SHGs is analyzed under following heads.

1. Number of Women SHGs linked with Banks

2. Bankwise Savings Position of Women SHGs

3. Bankwise Distribution of Loan To Women SHGs

4.20 NUMBER OF WOMEN SHGs LINKED WITH BANKS

Table 4.1 exhibits Number of Women SHGs savings linked, credit linked and loan outstanding during the period from 2006 to 2012.

Table – 4.1
Number of Women SHGs Linked with Banks
(Numbers in Lakhs)

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of Women SHGs Linked with Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Savings Linked (% age of women SHGs)</td>
</tr>
<tr>
<td></td>
<td>Credit linked (% age of women SHGs)</td>
</tr>
<tr>
<td></td>
<td>Loan Outstanding (% age of women SHGs)</td>
</tr>
<tr>
<td>2006-07</td>
<td>3,271 (78.62) 1,016 (91.94) 2,207 (76.26)</td>
</tr>
<tr>
<td>2007-08</td>
<td>3,986 (79.57) 1,040 (84.79) 2,917 (80.46)</td>
</tr>
<tr>
<td>2008-09</td>
<td>4,863 (79.46) 1,374 (85.39) 3,277 (77.58)</td>
</tr>
<tr>
<td>2009-10</td>
<td>5,310 (76.40) 1,294 (81.60) 3,898 (80.30)</td>
</tr>
<tr>
<td>2010-11</td>
<td>6,098 (81.70) 1,017 (85.00) 3,984 (83.20)</td>
</tr>
<tr>
<td>2011-12</td>
<td>6,299 (79.10) 923 (80.40) 3,649 (83.80)</td>
</tr>
</tbody>
</table>

Source: Status of Microfinance in India- NABARD Reports

Note: Figures in parentheses indicate percentage to total

Table 4.1 shows that savings linked women SHGs were 3271 lakhs in India in 2006-07 and it has increased to 6299 lakhs in 2011-12. Credit linked women SHGs were
1016 lakhs in 2006-07 and it has declined to 923 in 2011-12. Loan outstanding has increased from 2207 lakhs in 2006-07 to 3649 in 2011-12.

4.21 BANKWISE SAVINGS POSITION OF WOMEN SHGs

Table 4.2 exhibits Bankwise savings position of women SHGs from 2006 to 2012.

<table>
<thead>
<tr>
<th>Years</th>
<th>Bankwise Savings of Women SHGs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Commercial Banks (Amt.)</td>
<td>Regional Rural Banks (Amt.)</td>
</tr>
<tr>
<td>2006 - 07</td>
<td>1,892 (54)</td>
<td>1,158 (33)</td>
</tr>
<tr>
<td>2007 - 08</td>
<td>2,078 (55)</td>
<td>1,166 (31)</td>
</tr>
<tr>
<td>2008 - 09</td>
<td>2,773 (50)</td>
<td>1,990 (36)</td>
</tr>
<tr>
<td>2009 - 10</td>
<td>3,674 (59)</td>
<td>1,299 (21)</td>
</tr>
<tr>
<td>2010 - 11</td>
<td>4,230 (60)</td>
<td>1,435 (21)</td>
</tr>
<tr>
<td>2011 - 12</td>
<td>4,153 (63)</td>
<td>1,300 (20)</td>
</tr>
</tbody>
</table>

Source: Status of Microfinance in India- NABARD Reports

Note: Figures in parentheses indicate percentage to total

Table 4.2 refers that Bankwise savings position of women SHGs were Rs.3512 lakhs in 2006-07, out of which Rs.1892 lakhs was saved in Commercial Banks, Rs.1158 lakhs was saved in RRBs and the remaining amount of Rs.462 lakhs was saved in Co-operative Banks. It has gradually increased year by year. In the year 2011-12, the total amount of savings was Rs.6551 lakhs, out of which Rs.4153 lakhs was saved in
Commercial Banks, Rs.1300 lakhs was saved in RRBs and the remaining amount of Rs.1098 lakhs was saved in Co-operative Banks.

4.22 BANKWISE DISTRIBUTION OF LOAN TO WOMEN SHGs

Table 4.3 exhibits Bankwise Distribution of loan to women SHGs from 2006 to 2012.

Table – 4.3
Bankwise Distribution of Loan to Women SHGs
(Amount Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Years</th>
<th>Bankwise Loan disbursed to Women SHGs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Commercial Banks (Amt.)</td>
<td>Regional Rural Banks (Amt.)</td>
</tr>
<tr>
<td>2006 - 07</td>
<td>3,917 (60)</td>
<td>2,053 (31)</td>
</tr>
<tr>
<td>2007 - 08</td>
<td>5,404 (61)</td>
<td>2,652 (30)</td>
</tr>
<tr>
<td>2008 - 09</td>
<td>8,061 (66)</td>
<td>3,193 (26)</td>
</tr>
<tr>
<td>2009 - 10</td>
<td>9,780 (68)</td>
<td>3,333 (23)</td>
</tr>
<tr>
<td>2010 - 11</td>
<td>9,724 (67)</td>
<td>3,198 (22)</td>
</tr>
<tr>
<td>2011 - 12</td>
<td>9,942 (60)</td>
<td>5,026 (31)</td>
</tr>
</tbody>
</table>

Source: Status of Microfinance in India- NABARD Reports

Note: Figures in parentheses indicate percentage to total

Table 4.3 exhibits Bankwise loan distribution to women SHGs. It was Rs.6570 lakhs in India in 2006-07, among the total amount, Rs.3917 lakhs was distributed by the Commercial Banks. The RRBs distributed Rs.2053 lakhs and the remaining amount of Rs.598 lakhs was distributed by Co-operative Banks. It has gradually increased year by year. In the year 2011-12, the total amount of loan distribution was Rs.16535 lakhs, of
which the Commercial Banks distributed Rs. 9942 lakhs, the RRBs was provided Rs.5026 lakhs and the remaining amount Rs.1567 lakhs was distributed by Co-operative Banks.

4.23 BANKWISE LOAN OUTSTANDING AGAINST WOMEN SHGs

Table 4.4 exhibits Bank wise loan outstanding against women SHGs from 2006 to 2012

Table – 4.4
Bankwise Loan Outstanding Against Women SHGs
(Amount Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Years</th>
<th>Bankwise Loan outstanding against Women SHGs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Commercial Banks (Amt.)</td>
<td>Regional Rural Banks (Amt.)</td>
</tr>
<tr>
<td>2006-07</td>
<td>8,760 (71)</td>
<td>2,802 (22)</td>
</tr>
<tr>
<td>2007-08</td>
<td>11,475 (68)</td>
<td>4,421 (26)</td>
</tr>
<tr>
<td>2008-09</td>
<td>16,149 (71)</td>
<td>5,224 (23)</td>
</tr>
<tr>
<td>2009-10</td>
<td>20,165 (72)</td>
<td>6,144 (22)</td>
</tr>
<tr>
<td>2010-11</td>
<td>21,883 (70)</td>
<td>7,430 (24)</td>
</tr>
<tr>
<td>2011-12</td>
<td>25,810 (71)</td>
<td>8,614 (24)</td>
</tr>
</tbody>
</table>

Source: Status of Microfinance in India- NABARD Reports

Note: Figures in parentheses indicate percentage to total

Table 4.4 reveals that Bankwise loan outstanding against women SHGs was Rs.12366 lakhs in the year 2006-07, among the total amount, Rs.8760 lakhs was contributed by the Commercial Banks. The RRBs contributed Rs.2802 lakhs and the remaining amount of Rs.804 lakhs was contributed by Co-operative Banks. It has gradually increased year by year. In the year 2011-12, the total amount of loan outstanding
was Rs.36340 lakhs, of which the Commercial Banks contributed Rs. 25810 lakhs, the RRBs provided Rs.8614 lakhs and the remaining amount of Rs.1916 lakhs was contributed by Co-operative Banks.

4.24 RECENT INITIATIVES TAKEN BY NABARD FOR THE DEVELOPMENT OF SHGs

4.24.1 Guidelines to SHGs

Revising the SHG-Bank linkage guidelines issued two decades back, NABARD, issued revised guidelines after holding numerous rounds of discussions with various stakeholders. The key changes in the guidelines include allowing voluntary savings for SHG members either by opening individual bank accounts/reviving existing “no frill accounts” or by depositing the voluntary savings within the SHG corpus without any additional entitlements. The approach is intended to facilitate SHG members to steadily graduate from community banking to individual banking. The second key feature of SHG is about extending initial loans to SHG as flexible cash credit facility instead of term loans. The limits are granted based on the estimated savings potential of the SHG for the ensuing 3-5 years while actual operation of the limit is to be based on actual savings harnessed. The guidelines also suggest creation of enterprise/ livelihood based groups (JLGs) within the SHGs as separate entities without disturbing the functioning of SHGs; while higher loan requirements for a few enterprising members could be accessed through JLGs. The guidelines also suggest risk mitigation mechanisms like audits, ratings and also about leveraging active members of SHGs to serve as Business Facilitators for helping the bank monitor the functioning of SHGs.
4.24.2 Intensifying SHG Promotion in Backward & Left Wing Extremism Affected Districts.

Program envisages positioning an anchor NGO in each of the 150 backward districts of the country for promotion and financing of Women SHGs. The project envisages a tie up with atleast 2 bank branches in each block of the district for financing the SHGs promoted. The role of the partner NGO is expected to be for longer term and not merely for promoting and enabling credit linkage of these groups, but also for serving as a business facilitator, tracking, supporting livelihoods and also being responsible for loan repayments. Besides, providing the partner NGO support for promotion of SHGs, a Service Charge of 5% p.a. of average loan outstanding is to be levied from clients for continued handholding the SHGs by the anchor NGO. Promotional support to anchor NGOs will be funded by NABARD out of Women SHG Development Fund of Rs.100 crore created for the purpose.

4.24.3 SHG Federations as Self Help Promoting Institutions

Realizing the inherent strengths of SHG federations being associated entities and having a clearer understanding of SHG members needs, aspirations as also nuances of SHG functioning; a scheme to facilitate Federations to serve as SHPI for formation and credit linking of SHGs with the banks with grant assistance from NABARD was introduced during the year 2011-12.

4.24.4 PACS as Self Help Promoting Institutions

A scheme to encourage Primary Agriculture Cooperative Society (PACS) to function as SHPI for promotion and nurturing of SHGs was introduced during the year 2011-12. Besides, forming SHGs and facilitating its savings and credit linkage directly or
through branches of the affiliated DCCB, the PACS are expected to improve their business and their client outreach. The approach is also expected to improve the participation of cooperative banks share in the SHG-Bank linkage program and also lead to its improved business and profitability of PACS.

4.24.5 Posting Microfinance Anchor Persons for SHG Intensification

A pilot program, with the objective of strengthening the Self Help Group movement, is being implemented across 25 resource poor districts from 10 priority states of the country. The program aims at leveraging the services of retired bankers by placing them as District Micro Finance Anchor Persons (DMAP). The role of the DMAP in the district will be to prepare a road map for promotion of SHG-BLP, to establish a SPIN (Self-help Institutions Network), facilitate the conduct of training programs for SHGs, facilitate better MIS & document success and failure stories, serve as anchor resource person for SHG-BLP and facilitate promotion of livelihoods, etc.

4.24.6 Action Research in Facilitating Voluntary Savings in SHGs

The sources of income for SHG members are predominantly seasonal in nature. At the same time major part of their expenditure habits are routine in nature coupled with occasional contingencies. With the objective of gathering some leads on the propensity of the SHG members’ habit to save for meeting their future financial needs and the extent to which the available banking services and their products can meet such aspirations, an action research pilot on voluntary savings is being implemented across ten districts in five states of the country viz. Chattisgarh, West Bengal, Maharashtra, Tamilnadu and Kerala. The pilot will cover about 500 members from 50 matured SHGs from these states. The pilot entails carrying out the need mapping of the SHG members, enabling a suitable
framework for them to save beyond their compulsory group savings amount, suggesting suitable financial products for meeting their future needs, imparting financial education to the members and studying the impact of the process over a period of one year.

4.25 REFERENCES


3. Annual reports of Commercial Banks in India, 2009-12
