

Self help groups-bank linkage programme: Problems and Prospects**Prof. Murlidhar Ananada Lokhande****Department of Commerce, Dr. Babasaheb Ambedkar Marathwada
University, Aurangabad, Maharashtra, India-431 004****Abstract**

The paper has attempted to highlight on status of micro finance, role of banks, challenges and prospects of SHG-Bank linkage programme in India. It is based on secondary data. Micro financing through self-help groups has proved to be a strategic measure for organizing poor people in groups and promoting savings habits to gain access to institutional credit for their socio-economic development and empowerment. The experience shows that the micro finance programme has a high degree of outreach to poor. Chakarabarti (2004) had attempted to evaluate the progress of micro finance and its impact on poverty alleviation programmes. The study observed that the banks, particularly RRBs and NGOs had played a pivotal role in supporting micro finance programmes reached over to 1.50 million for poor people by the end of 2006. The need for rural credit in India had been recognized even before British era but the real focus was given in 1793 when the British government issued regulations regarding Taccavi loans to the farmers and sub tenants. In 1904, the co-operatives societies' act was announced to regulate agriculture credit. This was the first attempt to institutionalize rural credit. Malcolm Darling (1925) had rightly observed that Indian peasant is born in debt, lives in debt and dies in debt. The same situation prevails today after 66 years of independence and the severe incidence of indebtedness of the farmers has been a matter of serious concern causing thousands cases of suicides. According to NASSO report (2003), on an average, 48.6% of the rural households were indebted in the country. The fact is that shrinkage of rural credit is responsible for widespread agrarian crisis in post reform era.

Key words: Microfinance, Empowerment, Poverty, Formal financial institutions**Introduction:**

Central Banking Enquiry Committee Report (1929) had focused adequate light on the awkward position of small and marginal farmers in India and how Indian farmers were vulnerable to indebtedness. Debts were paid partly out of the sale of crops at lower price to the creditor and a part of loan persisted for a long period attracting high interest rate coupled with penal interest rates. Records were kept but never shown to the borrowers. No receipts were issued. Having no option, the farmers were forced to borrow from the same creditor for further cultivation. The vicious circle continued till the mortgaged land was purchased by the creditor for the settlement of loan. All India Rural Credit Survey (1954) highlighted on the position of rural credit. According to the survey, formal credit institutions provided 9% of the rural credit, the cooperative credit societies supplied just 5% but the highest share i.e. 75% of the aggregate rural credit was grabbed by the moneylenders, traders and rich landlords. In 1951, the share of banks in rural credit accounted less than one per cent which reached marginally to 2.4% in 1971. Microfinance sector has responded to these challenges admirably in the last 20 years. Despite these milestones, a large section of the poor population still remain unreached and even majority who are in the SHG fold face the issue of inadequate credit. Bridging the last mile gap and forging partnerships to meet the myriad needs of the poor and to ensure sustainable livelihoods to them are the biggest challenges being faced today. I exhort all stakeholders viz. the banks, the SHG Federations, the NGOs, the MFIs, the Government agencies to put their compassionate foot forward to bring together complementary resources to address complex development problems that no one agency can address alone.

Banking scenario in India:

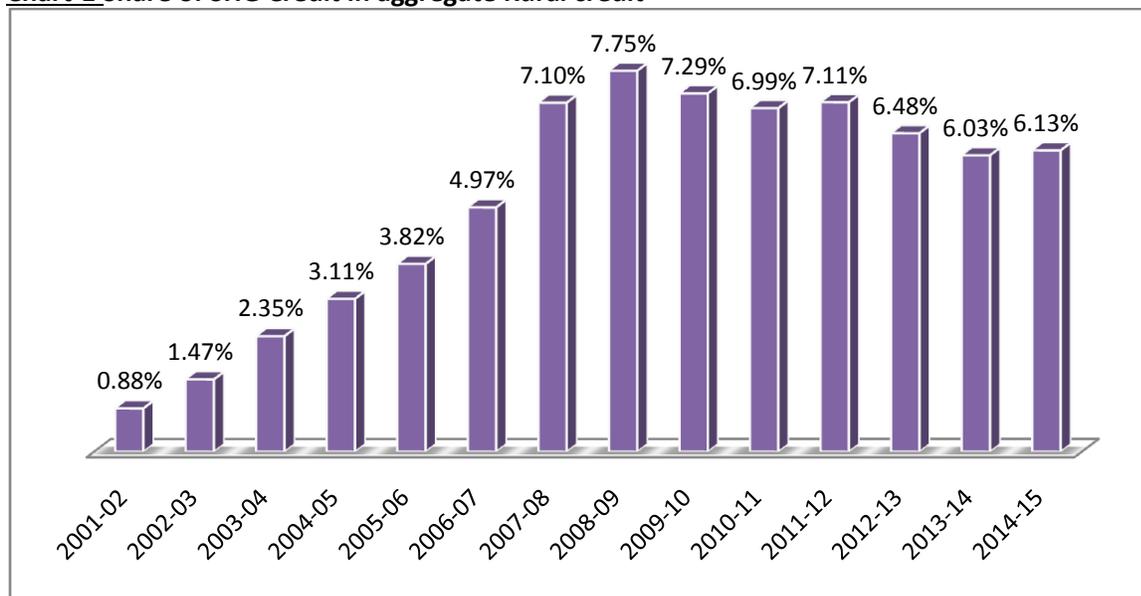
In addition, a number of supportive programmes for rural poor viz., Twenty Point Economic Programme, IRDP, Small Farmers Development Agency, Marginal Farmers and Agriculture Laborers were started in due course. Rural people face a number of problems in undertaking economic activities i.e. non-availability of credit, lack of organizational skills, illiteracy, gender inequality, discrimination on the basis of caste / religion, conservative mindset and lack of confidence (World Bank Report, 1997). The World Bank study has aptly observed that women, particularly from under developed countries, are often denied property and inheritance rights. Their freedom is restricted by social norms. An inequality trap may prevent generations of women from getting educated; restrict their participation in labor market (World Bank Report, 2006). The government of India, so far has spend crores of rupees on poverty alleviation programmes. However, implementation of poverty alleviation programmes has been under severe criticism because of inclusion of non-poor people as beneficiaries, corruption and mismanagement. In India, a task force (1987) was set up by the central government under the leadership of NABARD for undertaking a sample survey of existing self-help groups and preparing a plan for channeling savings and credit through SHGs of poorest of the poor with the help of banks, GOs and NGOs. NABARD started a national level pilot project linking 500 SHGs to banks in the year 1992. NABARD has been supporting the SHG-Bank linkage programme since 1992. In the context of growing demand for micro finance by self help groups, RBI made linkage of self help groups with banks as a priority sector activity in 1996. The government of India has been supporting the programme by making special budgetary provision for promotion of self help groups since 1999. Micro finance sector is growing vastly in India. At present, the sector provides around seven per cent of the aggregate rural credit. During 2001-02, the aggregate rural credit amounted to Rs.544310 million and the credit disbursed through self-help groups was Rs.4810 million which accounted just 0.88 percent of the aggregate rural credit the year 2001-02. Comparatively, the aggregate rural credit and micro credit through SHGs amounted to Rs.8406430 million and Rs.515460 million respectively during 2014-15, posting net growth by 1444.42% and 10616.42% in respective credit figures. However, the share of credit provision through self-help groups was less than 8% of the aggregate rural credit during 2001-02 to 2014-15 (table 1).

Table-1 Share of SHG Credit in aggregate Rural credit

(Rs. in million)

Year	Rural credit disbursed by the banks	Credit disbursed through SHGs	Per cent share (Col.2/1)
1	2	3	4
2001-02	54,4310	4810	0.88
2002-03	69,5600	1,0260	1.47
2003-04	86,9810	2,0490	2.35
2004-05	1,25,3090	3,9040	3.11
2005-06	1,80,4860	6,8960	3.82
2006-07	2,29,4000	11,3980	4.97
2007-08	2,54,6570	18,0810	7.10
2008-09	2,92,4370	22,6800	7.75
2009-10	3,84,5140	28,0380	7.29
2010-11	4,46,7790	31,2210	6.99
2011-12	5,11,0290	363400	7.11
2012-13	6,07,3750	393750	6.48
2013-14	7,11,6210	429270	6.03
2014-15	8,40,6430	515460	6.13

Source: - Economic surveys of India and NABARD reports, 2001-15

Chart-1 Share of SHG Credit in aggregate Rural credit**Need for micro-finance in India:**

India is a vast country having population more than 1.21 billion (census, 2011) and ranks second in the world. Poverty and unemployment have been major problems in India. Since independence, the central government and the state governments have been striving hard for socio-economic development of the country through institutional and policy support. According to the planning commission of India, around Rs.400 billion have been spent on poverty alleviation programmes (PAPs). Poverty alleviation was added one of the objectives of five-year plans from fifth five year plan i.e.1970-75. As it was realized that the benefits of plans would not automatically reach the poor, attention was given on benefiting poor people with financial assistance and subsidies. The planning commission has estimated that 25 per cent of the aggregate population of India is below poverty line. Despite planned efforts, a large section of Indian population is living below poverty line. Poverty has multi-dimensional effects i.e. low income, illiteracy, ill health, gender inequality and degradation of environment. Basically, poverty is the effect of lack of income and access to credit. To achieve socio-economic objectives and making formal banking sector accessible to poor people, the government of India had nationalized commercial banks in 1969 and 1980. In the same direction, Regional Rural Banks were established in the year 1975, aiming at covering poorest of the poor in rural areas. Social banking was the catchword during 1980-90. It was made mandatory to all the nationalized banks, co-operative banks and Regional Rural Banks to supply credit to priority sector. These banks have been supporting poverty alleviation programmes (PAPs) by way of providing credit to the beneficiaries. In spite of expansion of banking network and implementation of PAPs, a large section of poor population remained out of the fold of banking and lived in poverty for decades. To add to the fuel, after liberalization of banking sector (since 1991), social banking has disappeared keeping poor people at the mercy of greedy moneylenders.

Role of Banks:

Banks have been playing a pivotal role in supporting self help groups not only as lenders but also self help group promotion institutions since inception of SHG-Bank linkage programme. At present, 27 commercial banks (public), 19 private banks, 55 Regional Rural banks, 37 state cooperative banks and 318 District Central cooperative banks are participated in the programme. These banks are providing financial services to the groups such as, savings, credit, remittance and transfers of money etc. The credit linkage programme i.e. supplying credit without collateral and encouraging SHGs for undertaking

micro-entrepreneurial activities has been very effective in India. Saving and Credit Linkage of self help groups with banks is the core of SHG-Bank linkage programme. Let's have look at the progress of saving and credit linked groups with Commercial banks, Cooperative Banks and Regional Rural Banks in India.

Commercial Banks:

As depicted in table 2, the aggregate number of saving linked SHGs and saving amount with commercial banks had shown a steady growth on year-on year basis during 2007-08 to 2015-16 except 2012-13 and 2013-14. Overall net growth in number of saving linked groups and their saving amount with commercial banks had shown remarkable growth of 80.31% and 250.38% respectively during 2007-08 to 2014-15. The number of Women groups and their saving amount with commercial banks had registered substantial positive growth of 100.70% and 245.97% respectively during 2007-08 to 2014-15. It was noteworthy that the number of SHGs formed under SGSY/SJSRY and other government programmes and their aggregate saving amount had also positive growth of 274.30% and 664.15% respectively during the study period. During 2015-16 the number of women SHGs had shown negative growth of 0.92% whereas the number SGSY SHGs had registered net growth by 2.01% over respective figures of previous year. However, saving amounts in respect of both women SHGs and SGSY SHGs had shown remarkable growth of 41.43% and 39.35% over the respective figures of savings during 2014-15.

Saving linked Women and SGSY/SJSRY groups with commercial banks accounted 78.24% and 24.90% respectively of the aggregate SHGs during 2007-08. A substantial growth of saving linked women groups and SGSY/SJSRY groups was reported during 2014-15 as their respective share in aggregate groups was 87.09% and 51.68% respectively. On data basis, it was disclosed that women and SGSY/SJSRY SHGs promotion and their saving linkage with commercial banks got good momentum during 2007-08 to 2014-15.

Table 2 Savings of SHGs with Commercial banks (Rs. in million)

Year	Total SHGS		Women SHGs		SHGs Under SGSY/SJSRY & Govt. Sponsored Programmes	
	No. Of SHGs	Saving Amount	No. Of SHGs	Saving Amount	No. Of SHGs	Saving Amount
2006-07	2293771	18,924.14	1,794,720	16514.73	571062	5244.92
2007-08	2810750 (22.54%)	20,777.35 (9.79%)	2,238,228 (24.71%)	17118.68 (3.66%)	765775 (34.10%)	5270.21 (0.48%)
2008-09	3549509 (26.28%)	27,729.89 (33.46%)	2843932 (27.06%)	21600.35 (26.18%)	931422 (21.63%)	6816.02 (29.33%)
2009-10	4052915 (14.18%)	36,738.92 (32.49%)	3350054 (17.80%)	29005.80 (34.28%)	1088160 (16.83%)	8314.76 (21.99%)
2010-11	4323473	42,300.64	3655322	33256.01	1216395	13105.20

	(6.68%)	(15.14%)	(9.11%)	(14.65%)	(11.78%)	(57.61%)
2011-12	4618086	41,529.81	3753064	33997.95	1231524	9658.14
	(6.81%)	(-1.82%)	(2.67%)	(2.23%)	(1.24%)	(-26.30%)
2012-13	4076986	55,325.71	3367566	44416.05	1098312	10740.40
	(-11.70%)	(33.22%)	(-10.27%)	(30.64%)	(10.82%)	(11.21%)
2013-14	4022810	66,314.56	3,483,212	56564.18	1233087	15844.9
	(-1.33%)	(19.86%)	(3.43%)	(27.35%)	(12.27%)	(47.53%)
2014-15	4135821	66,306.75	3601961	57136.79	2137486	40079.10
	(2.81%)	(-0.01%)	(3.41%)	(1.01%)	(73.34%)	(152.95)
2015-16	4140111	90338.88	3568978	80807.05	2180511	55851.35
	(0.10%)	(36.24%)	(-0.92)	(41.43%)	(2.01%)	(39.35%)

Source: Status of Micro Finance in India Reports, 2007-2016

Note: The figures in parentheses indicate percentage growth over previous year

Commercial banks had disbursed an aggregate loan amount of Rs. 39,189.43 million to 5,71,636 groups during 2007-08. The average loan amount was Rs.0.068555 million per group which increased to Rs.0.202566 million per group during 2014-15, registering a twofold increase. The number of women SHGs financed by commercial banks were 4,99,120 with an amount of Rs. 34,044.81 million during 2007-08. The average loan amount was Rs.0.068210 million per group in the year 2007-08 which had registered a substantial increase of Rs.0.201187 million per group in the year 2014-15. Commercial banks had financed 1,23,551 SHGs under SGSY/SJSRY & Govt. sponsored programmes with a financial assistance of Rs. 8787.17 million. The average financial assistance being Rs.0.07112 per group during 2007-08 was increased to Rs.0.156962 million per group during 2014-15, recording the net growth by 120%! It is noteworthy that the loan assistance by commercial banks to Women SHGs and SHGs under SGSY/SJSRY & Govt. sponsored programmes registered net growth of 210.80% and 664.15% respectively during 2007-08 to 2014-15 (table 3). With regard to growth in financial assistance by commercial banks to women SHGs and SGSY SHGs, it was 56.52% and 110.30% respectively during 2015-16 over the previous year figures.

Table 3 Loans Disbursed by Commercial banks to SHGs (Rs. in millions)

Year	Total SHGs		Women SHGs		SHGs under SGSY/SJSRY & Govt. sponsored programmes	
	No. of SHGs	Loan amount	No. of SHGs	Loan amount	No. of SHGs	Loan Amount
2006-07	571636	39189.43	499120	34044.81	123551	8787.17
2007-08	735119 (28.60%)	54039.03 (37.89%)	617860 (23.79%)	47212.85 (38.68%)	160674 (30.05%)	11037 (25.60%)
2008-09	1004587 (36.66%)	80605.31 (49.16%)	862527 (39.60%)	69651.78 (47.53%)	133117 (-17.15%)	11023.8 (-0.12%)
2009-10	977521 (-2.69%)	97801.86 (21.33%)	889177 (3.09%)	90433.13 (29.84%)	157560 (18.36%)	12155 (10.26%)
2010-11	669741 (-31.5%)	97245.53 (-0.57%)	606096 (31.84%)	87982.91 (-2.71%)	124595 (-20.92%)	12378.2 (1.84%)
2011-12	600807 (-10.30%)	99420.45 (2.24%)	531292 (12.34%)	86128.5 (-2.11%)	103865 (-16.64%)	13222.1 (6.82%)
2012-13	735577 (22.43%)	133850.07 (34.63%)	633234 (19.19%)	114839.8 (33.33%)	88,594 (-14.70%)	10726.1 (-18.89%)
2013-14	767253 (4.31%)	160374.93 (19.82%)	663636 (4.80%)	138792.80 (20.86%)	106996 (20.77%)	18312.5 (70.73%)
2014-15	855724 (11.53%)	173341.27 (8.08%)	729359 (9.90%)	146737.60 (5.72%)	403024 (276.67%)	63259.3 (245.44%)
2015-16	1132281 (32.32%)	251849.72 (45.29%)	972524 (33.34%)	229669.20 (56.52%)	590862 (46.61%)	133037.50 (110.30%)

Source: Status of Micro Finance in India Reports, 2007-2016

Note: The figures in parentheses indicate percentage growth over previous year

Regional Rural Banks (RRBs):

Regional Rural Banks have been supporting SHGs through saving and credit linking. As depicted in table 4, the number of saving linked groups and their saving amount with RRBs had shown impressive growth of 82.69% and 102.59% respectively during 2007-08 to 2014-15. The number of Women SHGs and SHGs under SGSY/SJSRY & Govt. sponsored programmes and their saving amount with RRBs had a

mixed growth trend on year-on-year basis during the study period. During 2015-16, the number of women SHGs and SGSY SHGs had registered increase by 8.31% and 27.30% respectively over the previous figures whereas their respective saving amounts had grown by 11.26% and 23.02% over the figures of savings in previous year.

Table 4 Savings of SHGs with Regional Rural banks (Rs. in millions)

Year	Total SHGS		Women SHGs		SHGs under SGSY/SJSRY & Govt. sponsored programmes	
	No. of SHGs	Saving Amount	No. of SHGs	Saving Amount	No. of SHGs	Saving Amount
2006-07	1183065	11582.94	974811	10429.87	300427	1886.58
2007-08	1386838 (17.22%)	11664.88 (0.71%)	1179138 (20.96%)	10294.25 (-1.30%)	357004 (18.83%)	2108.35 (11.75%)
2008-09	1628588 (17.43%)	19897.51 (70.58%)	1336219 (13.32%)	17711.54 (72.05%)	433912 (21.54%)	7745.47 (267.33%)
2009-10	1820870 (11.81%)	12993.75 (-34.70%)	1240342 (-7.18%)	9968.63 (-43.72%)	462370 (6.56%)	2685.04 (-65.33%)
2010-11	1983397 (8.93%)	14353.97 (10.46%)	1649422 (32.98%)	11924.48 (19.62%)	618032 (33.66%)	3377.53 (25.79%)
2011-12	2127368 (7.26%)	13001.39 (-9.42%)	1698705 (2.99%)	10322.95 (-13.43%)	69304 (-88.79%)	3019.42 (-10.60%)
2012-13	2038008 (-4.20%)	15271.02 (17.46%)	1683036 (-0.92%)	12805.41 (24.05%)	758306 (994.17%)	6101.87 (102.09%)
2013-14	2111760 (3.62%)	19598.57 (28.34%)	1753387 (4.18%)	13908.20 (8.61%)	828567 (9.27%)	7142.34 (17.05%)
2014-15	2161315 (2.35%)	23465.74 (19.73%)	1813079 (3.40%)	20216.40 (45.36%)	1103006 (33.12%)	10856.40 (52.00%)
2015-16	2256811 (4.42%)	24842.81 (5.87%)	1963790 (8.31%)	22494.19 (11.26%)	1404083 (27.30%)	13356.08 (23.02%)

Source: Status of Micro Finance in India Reports, 2007-2016

Note: The figures in parentheses indicate percentage growth over previous year

With regard to financial assistance extended by RRBs to 3,43,211 Women SHGs and 48,653 SHGs under SGSY/SJSRY programme was Rs.18,265.65 million and 4,079.15 million respectively. Average financial assistance in case of women SHGs and SHGs under SGSY/SJSRY amounted to Rs.0.053219 million per group and Rs.0.083841 million per group respectively (table 5). The number of women SHGs and SHGs under SGSY/SJSRY obtaining financial assistance grew by 42.08% and 557.34% respectively and financial assistance to the respective groups by RRBs posted a substantial increase of threefold and tenfold during 2007-08 to 2014-15. During 2015-16 the number of women SHGs and SGSY SHGs obtaining loan from RRBs had shown negative growth but the loan amount extended by RRBs to both types of groups had shown positive growth. The fact is that RRBs had given more financial assistance to Women SHGs than the groups under SGSY/SJSRY during 2007-08 to 2015-16.

Table 5 Loans Disbursed by Regional Rural banks to SHGs (Rs. in millions)

Year	Total SHGs Financed		Women SHGs		SHGs under SGSY/SJSRY & Govt. sponsored programmes	
	No. of SHGs	Loan amount	No. of SHGs	Loan amount	No. of SHGs	Loan Amount
2006-07	381199	20527.31	343211	18265.65	48653	4079.15
2007-08	327650 (-14.00%)	26518.41 (29.19%)	309691 (-9.77%)	22047.03 (20.70%)	64,678 (32.94%)	5977.05 (46.53%)
2008-09	405569 (23.78%)	31934.9 (20.43%)	355184 (14.69%)	28343.97 (28.56%)	81,662 (26.26%)	6552.77 (9.63%)
2009-10	376797 (-7.09%)	33332.01 (4.37%)	284120 (20.01%)	27391.28 (-3.36%)	67531 (-17.30%)	6824.1 (4.14%)
2010-11	296773 (-21.20%)	31976.16 (-4.07%)	257258 (-9.45%)	28644.78 (4.58%)	75922 (12.42%)	8384.8 (22.87%)
2011-12	304809 (2.71%)	50260.52 (57.18%)	263478 (2.42%)	45545.83 (59.00%)	67,873 (-10.60%)	9822.41 (17.15%)
2012-13	312010 (2.36%)	56265.22 (11.95%)	273835 (3.93%)	91998.74 (101.99%)	58,890 (-13.26%)	7353.6 (-25.13%)
2013-14	334200 (7.11%)	62881.34 (11.76%)	291587 (6.48%)	59396.89 (-35.44%)	97,985 (66.39%)	13868 (88.59%)
2014-15	522139 (56.23%)	77252.22 (22.85%)	487629 (67.23%)	74959.58 (26.20%)	319815 (226.39%)	46200.80 (233.15%)
2015-16	470399 (-9.91%)	91649.28 (18.64%)	456352 (-6.41%)	90074.61 (20.16%)	51722 (-83.83%)	54842.92 (18.71%)

Source: Status of Micro Finance in India Reports, 2007-2015

Note: The figures in parentheses indicate percentage growth over previous year

Cooperative Banks:

Cooperative banks have been strong supporters of SBLP since its inception. During 2007-08 to 2015-16, the number of saving linked groups and their saving amount with cooperative banks had shown a strong growth of 104.80% and 350.78% respectively; the number of saving linked groups and their saving amount with cooperative banks registered a substantial growth of 146.53% and 362.60% respectively and the number of SGSY/SJSRY groups and their saving amount had shown substantial increase of 188.95% and 806.98%. However, there was considerable decline in saving linked groups and saving amount with cooperative banks during 2011-13. It was pointed out that the average saving of women groups was Rs.0.006588 million per group during 2007-08 which had remarkably grown to Rs.0.012362 million per group during 2014-15, registering net growth of 87.64%.

Table 6 Savings of SHGs with Cooperative banks (Rs. in millions)

Year	Total SHGS		Women SHGs		SHGs under SGSY/SJSRY & Govt. sponsored programmes	
	No. of SHGs	Saving Amount	No. of SHGs	Saving amount	No. of SHGs	Saving Amount
2006-07	683748	4619.99	501708	3305.22	84828	443.54
2007-08	812206 (18.79%)	5411.67 (17.14%)	568727 (13.36%)	3673.58 (11.14%)	80,291 (-5.35%)	716.57 (61.51%)
2008-09	943050 (16.11%)	7828.78 (44.66%)	683770 (20.23%)	5028.42 (36.88%)	140247 (74.67%)	1072.35 (49.65%)
2009-10	1079465 (14.47%)	12254.42 (56.53%)	720040 (5.30%)	6012.19 (19.56%)	143380 (2.23%)	1926.43 (79.65%)
2010-11	1155076 (7.00%)	13508.42 (10.23%)	793290 (10.17%)	7805.96 (29.84%)	188222 (31.27%)	1688.49 (-12.35%)
2011-12	1214895 (5.18%)	10982.95 (-18.70%)	846917 (6.76%)	6722.38 (-13.88%)	200192 (6.36%)	1274.92 (-24.49%)
2012-13	1202557 (-1.02%)	11575.82 (5.40%)	887917 (4.84%)	7927.24 (17.92%)	191,193 (-4.50%)	1374.23 (7.79%)
2013-14	1294930 (7.68%)	13061.02 (12.83%)	1015079 (14.32%)	9656.52 (21.81%)	200471 (4.85%)	1788.56 (30.15%)
2014-15	1400333 (8.14%)	20825.92 (59.45%)	1236871 (21.85%)	15290.08 (58.34%)	245108 (22.26%)	4022.84 (124.92%)
2015-16	1506080 (7.55%)	21732.22 (4.35%)	1230689 (-0.50%)	17056.63 (11.55%)	317797 (29.65%)	13356.09 (232%)

Source: Status of Micro Finance in India Reports, 2007-2015

Note: The figures in parentheses indicate percentage growth over previous year

In case of SGSY/SJSRY groups average saving amount was Rs.0.005228 million per group during 2007-08, had increased to Rs.0.016412 million per group during 2014-15, recording net growth of 213.92% (table 6).

Cooperative banks have been substantially financing SHGs for their activities. Overall growth in of SHGs and loan amount by cooperatives was 62.43% and 321.97% respectively during 2007-08 to 2014-15. The number of women SHGs financed by cooperative banks was 1,15,589 with loan amount of Rs.4,463.18 million during 2007-08 whereas the number of women SHGs and loan amount disbursed was 2,30,621 women groups and Rs.22,500.39 million respectively during 2014-15, posting respective growth of 99.52% and 404.13%.

Table 7 Loans Disbursed by Cooperative banks to SHGs (Rs. in millions)

Year	Total SHGS		Women SHGs		SHGs under SGSY/SJSRY & Govt. sponsored programmes	
	No. of SHGs	Loan amount	No. of SHGs	Loan amount	No. of SHGs	Loan Amount
2006-07	152914	5987.14	115589	4463.18	16758	1243.87
2007-08	165001 (7.90%)	7935.18 (32.54%)	113445 (-1.85%)	5482.68 (22.84%)	21297 (27.09%)	1563.32 (25.08%)
2008-09	199430 (20.87%)	9994.93 (25.96%)	156868 (38.28%)	7278.02 (32.75%)	49,874 (134.18%)	2575.68 (64.76%)
2009-10	232504 (16.58%)	13399.18 (34.06%)	121179 (22.75%)	6469.27 (-11.11%)	42312 (-15.16%)	3000.95 (16.51%)
2010-11	229620 (-1.24%)	16255.63 (21.32%)	153864 (26.97%)	9595.65 (48.33%)	40371 (-4.59%)	4040.7 (34.65%)
2011-12	242262 (5.15%)	15666.72 (-3.62%)	128462 (16.51%)	9645.9 (0.52%)	38,041 (-5.77%)	3391.08 (-16.08%)
2012-13	172243 (-28.90%)	15738.35 (0.46%)	130333 (1.46%)	11704.53 (21.34%)	33,688 (-11.44%)	3994.98 (17.81%)
2013-14	265748 (54.29%)	16917.31 (7.49%)	196501 (50.77%)	12190.06 (4.15%)	20,694 (-38.57%)	2625.45 (-34.28%)
2014-15	248375 (-6.54%)	25229.62 (49.13%)	230621 (17.36%)	22500.39 (84.58%)	25,739 (24.38%)	4132.31 (57.39%)
2015-16	229643 (-7.54%)	29369.99 (16.41%)	199795 (-13.37%)	24370.37 (8.31%)	34119 (32.56%)	6179.66 (49.54%)

Source: Status of Micro Finance in India Reports, 2007-2015

Note: The figures in parentheses indicate percentage growth over previous year

As regards average loan disbursement by cooperative banks to women SHGs, it was Rs.0.038612 million per group in the year 2007-08, had increased to Rs.0.097564 million per group in the year 2014-15, recording net growth of 152.68%. The number of SGSY/SJSRY groups and loan amount disbursed to them by cooperative banks had posted net growth of 53.59% and 232.21% respectively during 2007-08 to 2014-15. Average financial assistance extended by cooperative banks amounted to Rs.0.074225 million per group in the year which had increased to Rs.0.160547 million per group in the year 2014-15, registering net increase of 116.30% in loan disbursement to SGSY/SGSRY groups (table 7).

Non-performing Assets¹

Rising NPAs in case of credit linked SHGs has posed a serious problem in SBLP in recent years. There are various factors contributing to NPAs in SBLP. The dependency of groups on outsider agencies for savings and credit linkage, maintenance of books of accounts, income generating activities and repayment of loans made them handicapped and this resulted in to mismanagement of resources and over dues of loan accounts. SHGs started under government sponsored programme, were financed by the banks under target approach. Such SHGs hardly followed the processes and cared for repayment of loans. Loan waiver schemes, politicization of SHG movement and lack of contact between SHGs and bankers crippled the credit recovery management leading to rising NPAs.

Non-performing Assets: SHG-Bank Linkage Programme

NABARD had received the status of Non-performing assets in respect of bank loans given to self help groups on 31st March, 2008. As depicted in table 10, the NPAs in respect of the aggregate bank loan to SHGs amounted to Rs. 4,229.22 million on 31st March, 2008 which was 2.49% of total outstanding bank loans of Rs.1,69,999.06 million. The NPAs in case of the aggregate outstanding loan against SHGs were Rs.38147.07 million on 31st March, 2015 which was 7.40% of the aggregate outstanding loan amount of Rs.5,15,454.62 million. The matter of serious concern is that the NPAs continued the rising growth trend during 2007-08 to 2014-15. Commercial Banks had the highest percentage of NPAs i.e. 8.17% during 2012-13 and the lowest percentage of NPAs i.e.1.86% during 2007-08. In case of Regional Rural Banks, the highest percentage of NPAs to Outstanding Loans was 7.7% during 2014-15 whereas it was lowest i.e.3.40% during 2008-09. Cooperative banks had the NPAs to the extent of 8.13%, 8.67% and 8.52% during 2012-13, 2013-14 and 2014-15 respectively. In percentage terms, the NPAs in case of outstanding loans extended to SHGs by Commercial banks, RRBs and cooperative banks had registered considerable increase of 1054.32%, 514.97% and 685.28% respectively during 2007-08 to 2014-15 (table 8).

Table 8 Non- performing Assets: SHG-Bank Linkage Programme (Rs. in millions)

Year	Loans outstanding			Non-performing Assets			Percentage of NPAs to Loans outstanding		
	CBs	RRBs	Coop. Banks	CBs	RRBs	Coop. Banks	CBs	RRBs	Coop. banks
2007-08	114754.70	44210.45	11033.91	2137.07	1732.66	359.49	1.86	3.92	3.26
2008-09	161494.28	52244.16	13059.98	3871.10	1777.92	609.75	2.40	3.40	4.67
2009-10	201647.12	61445.82	17289.86	5374.60	2185.30	670.40	2.67	3.56	3.88
2010-11	218832.56	74300.52	19078.56	10669.90	2728.20	1343.00	4.88	3.67	7.04
2011-12	258102.89	86135.78	19161.35	16554.16	4263.42	1309.74	6.41	4.95	6.84
2012-13	266394.44	105212.29	22146.24	21759.87	4308.83	1800.60	8.17	4.10	8.13
2013-14	293884.13	110489.50	24901.61	20249.20	6918.92	2158.53	6.89	6.26	8.67
2014-15	344070.06	138245.37	33139.19	24668.65	10655.40	2823.02	7.17	7.71	8.52
2015-16	371456.25	161093.45	38642.65	23213.97	10642.95	3005.37	6.25	6.61	7.78

Source: Status of Micro Finance in India, 2007-08 to 2014-15

Non- performing Assets: SGSY Programme:

Commercial banks, RRBs and Regional banks have been supporting SHGs under SGSY/SJSRY programmes by way of providing credit. Non-performing assets in case of Commercial banks loans to SGSY groups were found less than 5% during 2007-08 to 2010-11. However, NPAs were more than 9% during 2011-12 to 2014-15 which was matter of serious concern.

Table 9 Non-performing Assets: SGSY Programme

Year	Loans outstanding (Rs. in millions)			Non-performing Assets (Rs. in millions)			Percentage of NPAs to Loans outstanding		
	CBs	RRBs	Coop. Banks	CBs	RRBs	Coop. Banks	CBs	RRBs	Coop. Banks
2007-08	322592.29	133233.26	25861.90	1006.49	1065.87	135.57	3.72	11.08	7.30
2008-9	396153.06	150810.18	39209.31	1602.13	738.03	104.32	4.40	6.60	6.70
2009-10	407203.07	172593.66	45310.97	5374.64	2185.37	670.40	2.67	3.56	3.88
2010-11	59761.08	232543.46	59761.08	2018.43	942.56	233.69	4.96	5.46	5.16
2011-12	490351.65	259879.86	55251.72	4459.45	1638.27	476.38	9.09	6.30	8.62
2012-13	483300.14	306837.35	69571.89	4793.69	2760.02	520.80	9.92	9.00	7.49
2013-14	635411.81	317285.41	6504.45	20249.20	6918.92	2158.53	9.66	9.65	8.54
2014-15	147046.18	78710.93	6396.45	13604.65	5382.62	697.94	9.25	6.84	10.91
2015-16	205309.69	91097.28	9492.20	12970.96	4966.57	958.89	13.44	7.85	16.41

Source: Status of Micro Finance in India, 2007-08 to 2014-15

With regard to RRBs, NPAs were found to the extent of 11.08% of the outstanding loans of the groups during 2007-08, more than 9% during 2012-13 and 2013-14 and more than 6% during 2008-09, 2011-12 and 2014-15. In case of cooperative banks, NPAs were the highest to the extent of 10.91% during 2014-15 and the lowest i.e. 3.88% during 2009-10 (table 9).

SHG Bank Linkage Programme: Prospects

The socio-economic and caste census, 2011 pointed out that out of 179.40 million rural households, 137.70 (76.75%) million households were economically backward and living in poverty. As predicted and shown in table 2.4, the number of households covered under SBLP comes around 100 million and to be covered households under SBLP is 56.30 million by forming 4.30 million groups.

Table 10 Region Wise Potential of SHG Bank Linkage Programme (As on 31st Mar. 2016)

Region	No. of SHGs (Existing)	No. of households covered under SBLP	Total Rural Households	*No. of poor Households	No. of Potential Households for SHG	No. of SHGs to be formed
Northern Region	360858 (4.69)	4691154 (4.69)	20393488 (11.36)	13178460 (9.86)	8848164 (15.71)	860628 (19.08)
North Eastern Region	333981 (4.34)	4341753 (4.34)	8057849 (4.50)	6118331 (4.58)	2114357 (3.75)	162643 (3.60)
Eastern Region	1524614 (19.81)	19819982 (19.81)	47307314 (26.36)	37126183 (27.77)	18856055 (33.48)	1450466 (32.14)
Central Region	817251 (10.61)	10624263 (10.61)	43321779 (24.14)	33117538 (24.77)	23310526 (41.38)	1793117 (39.73)
Western Region	941144 (12.23)	12234872 (12.23)	20795737 (11.59)	14492158 (10.84)	3198430 (5.68)	246033 (5.45)
Southern Region	3719621 (48.32)	48355073 (48.32)	39568554 (22.05)	29662838 (22.18)	0 (0.00)	0 (0.00)
Total	7697469 (100)	100067097 (100)	179444721 (100)	133695508 (100)	56327532 (100)	4512887 (100)

Source: Status of Micro Finance in India, 2007-08 to 2014-15

Note: * No. of Households having monthly income of highest earning member less than Rs. 5,000 Note: The figures in parentheses indicate percentage to column total

As depicted in table 10, southern region had the highest number of SHGs and number of households covered under SBLP as on 31st March, 2015. In percentage terms, Southern region was on top position having 48.32% SHGs and households covered under SBLP; Eastern region stood at second position having 19.81% SHGs and households covered under SBLP. Western region and Central region were found on third and fourth position respectively as they had 12.23% and 10.61% SHGs and households covered under SBLP. Northern region and North Eastern region had 4.69% and 4.34% SHGs and households covered under SBLP. The data analysis highlighted on the wider disparity of SBLP and coverage of households among the regions. There were 133.70 million poor households in India on 31st March, 2015 of which Eastern region accounted 27.77% poor households; Central region-24.77% poor households; Southern region-22.18% households; Western region-10.84% poor households; Northern region-9.86% poor households and Eastern north region had 4.58% poor households

Observations and Suggestions:

Data analysis disclosed that overall group saving with commercial banks amounted to Rs.0.00825 million per group during 2007-08 which had increased to Rs.0.01603 million during 2014-15. In case of women groups, average saving was Rs.0.00920 million per group during 2007-08 which inched up to Rs.0.01586 million during 2014-15. Average saving of SGSY/SJSRY and government sponsored groups was Rs.0.00918 million during 2007-08 and it rose to Rs.0.01875 during 2014-15. Comparatively, there was wider gap between average savings of women groups and SGSY groups. As well, there was wider gap between the average financial assistance extended by commercial banks to women SHGs and SHGs under SGSY/SJSRY & Govt. sponsored programmes which needs to be reduced.

With regard to average saving of women SHGs with RRBs amounting to Rs.0.010699 million per group during 2007-08, had increased to Rs.0.011150 million per group during 2014-15. In case of SHGs under SGSY/SJSRY & Govt. sponsored programmes, average saving amount was Rs.0.006279 million per group during 2007-08, which amounted to Rs.0.009842 million per group during 2014-15, posting an increase by 56.74%. However, there was disparity in average financial assistance extended by RRBs to women SHGs and SHGs under SGSY/SJSRY, the financial assistance being Rs.0.153722 million and Rs.0.144461 million per group respectively during 2014-15.

The disclosure of the study was that the average saving with Cooperative banks in case of women SHGs and SGSY SHGs during 2015-16 was Rs.0.013859 million and Rs.0.042027 million per group respectively. It was comparatively much less in case of women groups. It was noticed that average financial assistance by cooperative banks to women SHGs and SGSY groups during 2015-16, amounted to Rs. 0.121977 million and Rs.0.181120 million per group respectively. It was noticeable that SGSY/SGSRY groups had obtained more financial assistance from cooperative banks than women SHGs during the study period.

The major observation of the study was that increasing NPAs posed a serious challenge before the banks and the future of SBLP. There is need of pursuing the groups to use the funds more productively and effective credit recovery management to be implemented by the banks. During 2007-08 the aggregate NPAs of all banks amounted to Rs.2207.93 million which increased to Rs.19685.20 million during 2014-15, posting a concrete net growth of 791.57%. In order to reduce the NPAs against SHG outstanding loans, banking institutions must improve their recovery management.

The data regarding the number of potential poor households to be covered under SBLP and number of SHGs to be established indicated that the regions having the highest potential were: Central, Northern and Eastern regions having 41.38%, 33.48% and 15.71% of the aggregate 56.33 million poor households respectively whereas Western and North Eastern regions had 5.68% and 3.75% poor households of the aggregate poor households respectively to be covered under SBLP. There was no potential for SHGs to cover poor households in Southern region. This indicated that almost all poor households had been covered under SBLP. In order to cover 56.33 million poor households, there is need of establishing 4.51 million SHGs in various regions excluding Southern region. The regions having the highest potential of establishing SHGs to cover poor households were: Central region, Western region and Northern region.

Conclusion:

The World Bank has aptly observed that formal financial system reaches to the top 25% of the economically active population. Obviously, the bottom 75% population has no access to financial services and has to depend on moneylenders (World Bank Report, 1995). In view of this observation, it becomes imperative to undertake micro finance initiatives on a wider scale to cater to the financial needs of the poor and make them free from the trap of moneylenders. In order to arrest the poverty,

efforts should be made to enable poor people to make enough savings through income generating activities. This needs easy access financial services, which can be made reality by micro finance programme with the help of financial institutions, government and non government organizations and active participation by the poor.

Notes: An account is declared as NPA based on the recovery of installments and interest on loans and advances and other aspects as per RBI norms. The updated norms to declare the account as NPA are as follows as per RBI guidelines:- 1) An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. 2) A non performing asset (NPA) is a loan or an advance where; Interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan. 3) The account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC), if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. 4) In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'. 5) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted. 6) The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops. 7) The installment of principal or interest thereon remains overdue for one Crop season for long duration crops. 8) The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on securitization dated February 1, 2006. 9) In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

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