

# Revisiting of Self-Help-Group Bank Linkage Program in Rajasthan

## Abstract

In this paper we make a humble effort to study the status, achievements and problems associated with Self Help Groups Bank Linkage Program in the state of Rajasthan and the potentiality of micro finance through SHG's in reducing the gaps of disparity and ensuring women empowerment. For those entire think we used secondary data. The objectives of the study are to know the position of self-help group's bank linkage program in Rajasthan and the problem of micro finance approaches in Rajasthan. To explore the prevalence of disparity in the area of credit, savings and insurance education, health and employment in Rajasthan, this study help it.

**Keywords:** Self-Help Group, Self-Help Group Bank Linkage Program (SBLP), Micro finance institutions (MFI).

## Introduction

In India, Self-help groups (shg's) represent a unique approach to financial intermediation. The approach combines access to low-cost financial services with a process of self-management and development for the women who are Self Help Group's member. Self Help Groups are formed and supported usually by Non Govt. Organization's or by Govt. agencies. There for the holistic empowerment of the women to happen social economic and political aspects impacting a women's life coverage excellently.

## Self-help groups (shg's)

Self-help groups is a very good idea and this encourages poor people to save small amounts and use money cautiously in emergencies like unexpected health problems, natural calamities etc. They deposit money into bank and they get interest for that money. Whenever they take loan they are charged at a very low rate than interest given on deposit amount.

## Progress under Micro finance

The process of various microfinance initiatives as at the end of March 2015 is being presented in four different sectors. The progress under the SHG Bank linkage programme has been covered in the first part, while the activities of Micro Finance Institutions (MFIs) have been covered in the second part. Various innovative initiatives and support services like capacity building of all stakeholders of microfinance programme cover the third part. How penetration of Self Help Group's is related to poverty levels in the States/Regions is covered in the final part. This study based on first part, self-help groups bank linkage program (SBLP). To understand Self-Help Groups linkage programme we have to study some past study.

Below table show that outstanding loan portfolio and loan disbursed increasing regularly. But client outreach was slowing competitive.

## Growth In Micro Finance Sector

S. No.	Year	Outstanding loan portfolio (rs. Crore)	Loan disbursed (rs crore)	Client outreach (in lakh)
1	2009-10	22544	29330	267
2	2010-11	24332	35176	317
3	2011-12	24607	22635	275
4	2012-13	25699	25635	275
5	2013-14	33517	38558	330
6	2014-15	48882	56860	371

Source: Sa-Dhan (2015)



**Jyoti Tepan**  
Research Scholar,  
Deptt.of EAFM,  
University of Rajasthan,  
Jaipur

**Review of Literature**

Narang Uma (2012) examines the women empowerment through shg's and also explains the current position of self help groups in India.

Sharma Manoj (2013) concluded in his paper that self help groups as an important tool which helps the rural women to acquire power to their self supportive life and national building effort.

V. Ganeshkumar (2014) observed that the branch density in a state transactions the opportunity for financial inclusion in India. Literacy is a prerequisite for creating investment awareness, and hence intuitively it seems to be a key tool for financial inclusion. Branch density and Literacy in creating investment awareness has a significant impact on financial inclusion. By just creating investment awareness is not possible to achieve financial inclusion at the same time there need to be significantly improving the investment opportunities in India.

Ajay Kumar Verma (2015) the author suggested in his thesis that since the majority of groups was formed by the government agencies, i.e. ICDS workers who are present almost in every village of the study area. These government representatives should visit every group at least once in a month in order to access the records, activity status, repayment and the problems associated with the operation of their microenterprises and SHG's. This will not only help the SHG members overcome their group related issues but will also help the government in identifying the problems of SHGs workers at the grass root level.

Parimala Devi and Anjunyalu (2016) this paper review the progress of the SHG-BLP at national level. This study presents the growth of savings and loan disbursement made under SBLP. The market penetration of micro finance through SBLP also analyzed.

**Objectives of the Study**

The objectives of this study are-

1. To identify the reasons for the formation Self Help Groups in the study area.
2. To study the growth trends in Self Help Groups Bank Linkage Programme in Rajasthan.
3. To know what kind of opportunity provided by micro finance through self-help groups.
4. To outline conclusions based on the findings of the study and to put forward some suggestions.
5. To identify NABARD strategic focus on self-help group's bank linkage programme.

**Research Methodology**

The work is descriptive and analytical in nature. It is simple but pragmatic. The study is mainly based on secondary sources. We have made the study based on secondary data collected from the various publications research report, papers, books etc.

**Growth in Shg's Banking Over the Past Two Decade**

On February 26, 1992, NABARD issued operational guidelines to banks to implement the SBLP. The Reserve Bank of India (RBI) also advised banks to actively participate in this project. The ideas were to leverage on the network of rural branches of

the banks and link them with SHG'S to reach out to the rural poor.

NABARD developed the self-help group-bank linkage concept as a strategy for increasing the outreach of the banking system to the poor. SHG-BLP project was designed as a partnership model between three agencies, the SHG's, banks and NGO's. Research shows that the poor tended to come together in a variety of informal ways for pooling their savings and dispensing small and unsecured need to group members. Nabard strategy, therefore, involved forming's shgs of the poor, encouraging them to pool their thrift regularly and using the pooled thrift to make small interest bearing loans to members. This way the shg's learnt the basics of banking first and bank credit followed thereafter. The larger objectives were not just to provide bank credit to the rural poor but to stimulate their shg's capacity, life them out of poverty and empower them.

The key feature of shgs-bank linkage programme model were small and fixed savings at frequent intervals, self-selection of members, focus on women (because initially almost 90% of the groups linked with the banks were formed specially by women), savings first and credit later, social security and lending at market rate of interest.

**Table 1: Growth Trends in SHG Bank Linkage Programme in Rajasthan**

Particular	2010-11	2011-12	2012-13
Loan issued no. of SHG's (lakh)	.29	0.19	0.20
Loan issued (crore)	198.15	182.73	210.88
Loan outstanding (crore)	445.40	714.90	632.94
Gross NPA (crore)	37.81	46.36	75.63
SGSY (crore)	14.55	25.69	33.18
SHG (non-sgsy) (crore)	23.26	20.67	42.45

**Source:** Rajasthan SHG's coverage- Status of Micro Finance of India

**Opportunities Provided by Self Help Group to Microfinance Institution in Rajasthan**

The Microfinance Institutions (MFI) model has been stagnation over last year, after seeing a phenomenal growth over proceeding few years. The growth of Micro Financial Institutions was primarily due to equity financial by private equity (PE) and venture capital (VC) funds and subsequent debt lending by commercial banks and SIDBI. However, with the introduction of Andhra Pradesh Ordinance, the larger MFIs in Rajasthan (which originated in Andhra Pradesh), faced problems. These large MFI's in Rajasthan have lost considerable market share to regional and smaller MFI's. One of ways cab is MFIs and Self-help groups working jointly. Considerable value can be created if MFIs and self-help groups working jointly. Considerable value can be created if MFIs and Self-help groups (Self Help Groups) partner and build on their strengths. MFIs currently operate in urban, semi-urban and with relatively economically

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better off people in rural areas. Micro Finance Institutions can target poorer segments by collaborating with Self-help groups. Self-help groups provide a ready platform for Micro Finance Institutions to scale up and impact weaker sections of poor. Self-help groups need more credit while MFIs look for disciplined clients with good credit record. MFIs can save on cost because Self-help groups are capable to taking care of back-end operations (e.g. collection, distribution, book-keeping etc) by themselves. However, for this to happen, MFIs may have to give a re-look at their cost structure and see where costs can be reduced so that the effective rate of interest to SHG members is below 20% per annum on reducing balance basis.

### Performance of Banks in Lending

Though the SBLP grew exponentially for almost eight years during 1992-99, the pace of growth has slowed down in the past few years. During the year ended March 31, 2011, commercial banks had 71 percent of all loans outstanding to SHGs followed by RRBs with a 23 percent share (table-2). The share

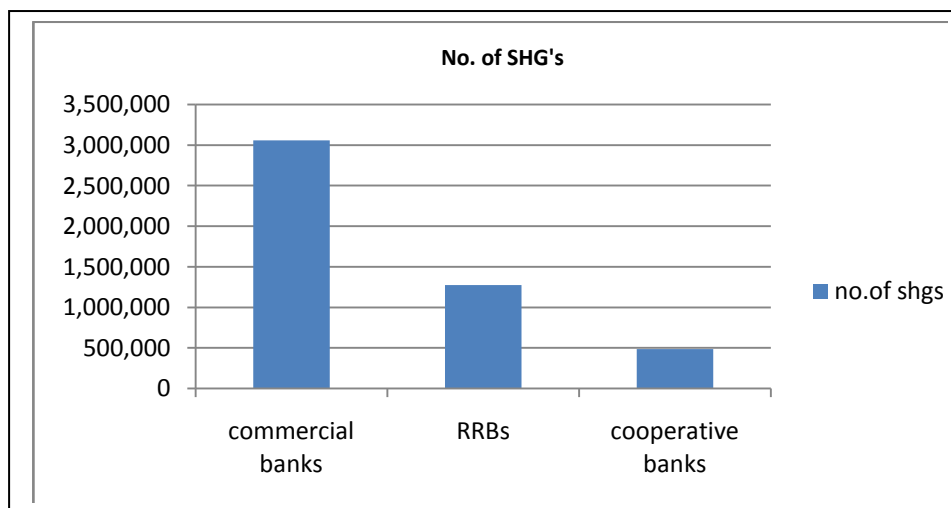
of co-operative banks in loans at 6 percent was considerably less than the 11 percent share they had last years. The average loan disbursed per group was the highest in the case of commercial banks an INR 145000. Co-operative banks at INR 72300 per group. The average loan outstanding per group in case of commercial banks was INR 71500 while it was about 50% less in co-operative banks at INR 36000. The declining performance of co-operative in the SBLP is a matter of concern as they could easily leverage on their large network in the rural heartland. Dr. Rakashbksi, chairman Nabard in an interview in the microfinance India state of the sector report 2011, an authoritative annual report on the microfinance sector has expressed a view that the co-operative have the basic requirement for good performance under the Self Help Groups Bank Linkage Programme. Dr. Bakshi also adds that for a long time, the co-operative law in many states did not permit SHGs to be members of Primary Agriculture credit Societies. However with the recent amendment in the law, PACS should now able to link the Self-help groups.

**Bank Loans Outstanding Against Shgs At End March-2011**

Agency	No. of SHGs	Outstanding's loans (INR in million)
Commercial banks	3,057,175	218,798
RRB's	1,272,845	70,098
Cooperative banks	483,664	17,376
<b>Total</b>	<b>4,813,684</b>	<b>306,272</b>

Source: Microfinance India State of the Sector Report 2011

### NABARD's Strategic Focus On Shg-Blp 2013-17



Realizing the catalyzing role it has played in the growth of Self Help group-Bank Linkage Programme and the need to make the programme more relevant for the future NABARD envisions the following for the ensuing four years:

1. All eligible poor rural households in the country to be covered through Self Help Group-Bank Linkage Programme by March 2017.
2. Resource poor states of Uttar Pradesh, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Rajasthan, Maharashtra, Odisha, Assam and West Bengal to be the focus areas for promotional intervention under SHG-BLP during the next four years. Emphasis would be in 127

districts from these resource poor States where less than fifty percent of the potential for promotion of SHGs have been exploited, of which 33 districts are already covered under Women SHG Development scheme.

3. Promotion of Women SHGs in 150 Left Wing Extremism affected and backward districts of the country to be speeded up to cover every rural household in the identified districts within the next two years.
4. In all, it is expected that about 20 lakh new SHGs are to be promoted and linked to the banks during this period.

5. Convergence with Government Programmes like National Rural Livelihood Mission (NRLM) to maximize benefits to the SHG members.
6. Strategic shift from State/District-based planning for SHG-BLP to Block-based planning, to address the issue of intra-district imbalances in promotion of SHGs.
7. Special schemes to revive dormant SHGs through effective capacity building and hand holding support.
8. Initiate additional financial literacy drive at the SHG level to eliminate over in datedness at the member-level, especially in high SHG density States.
9. Focus on convergence of SHG-BLP and Financial Inclusion (FI) initiatives.
10. Priority to shift from promotion of SHGs to provide livelihood opportunities to the SHG members in a calibrated manner through skill building, production optimization, value chain facilitation and market linkage.
11. Community based organizations to be encouraged as the nodal points for promotion livelihood activities of members of SHGs.
12. Information Communication Technology (ICT) based interventions at primary level (SHGs), promoting institutional level (SHPLs) and at National level.

#### Issues and Challenges In SHGs

There are some issues and challenges in Self-help groups bank linkage programme. Which are barrier in promoting self-help groups bank linkage programme.

1. Lack of leadership rotation in Self Help Groups Bank Linkage Programme
2. Poor financial literacy levels of Self Help Groups member
3. Need for audit and improving record keeping of Self Help Groups accounts
4. Greater use of technology in operations of Self Help Groups and monitoring their performance

#### Observations

The following observations are found out by studying the different quality assessment parameters of SHGs in the study area:

1. The actual number of SHGs on the ground is not available. It is observed from the study that a good number of SHGs in selected development area are obsolete in nature and they are just in records only.
2. Most of the SHGs which are formed in the area are organized mainly to get subsidies and financial benefits. The attraction to avail short term gains is another major hurdle in the progress of the SBLP movement in the study area.
3. It is also reported that some groups break down instantly after getting either turning funds or start new group with new set of leaders to get another dose of fund or subsidy, which lacks constant effort for quality improvement of SHGs.
4. It is also observed from the study that most of the SHGs in selected Development Block are

organized with pre-determined objectives and visions either in written or in verbal form.

5. It is further observed from the study that though most of the SHGs in selected Development Block have some guidelines regarding holding of fortnightly meeting of members but it is found that most of them cannot hold such fortnightly meetings of members. However, at an average one meeting in a month is held but there is no regularity in holding such meeting.
6. It is observed that in most of the SHGs where approximately 50% of the members attended the meetings regularly. This feature is very common in SHGs.
7. Regarding participation of members in decision making process, it is observed that in most of the SHGs where a few members of the SHGs are actively engaged in decision making process.
8. 'One time saving in a month' is the maximum in most of the SHGs but majority of the SHGs members does not follow the principle. In fact, most of the members are aware that they have to save but no minimum amount for monthly savings in fixed. Regarding savings and its frequency, minimum amount and mode of collection are often discussed in the member's meetings. It is further observed that most of savings collections are done on door to door system.
9. It is further observed from the study that in most of the SHGs where selection of borrowers is made in group meetings. It is further observed that utilization of SHG Funds and recovery of member's loans are reviewed in group meetings. But most of the members are indifferent to loan purposes of borrowers. Finally, it is further observed that the recovery rate is not up to the mark i.e. below 60%.
10. Regarding maintenance of records and accounts, it is observed that in most of the SHGs. After due observation of books and accounts, it is found that in most of the SHGs in selected where accounts books like Cash Book, loan register, minute books etc are maintained but these books are not found updated. It is found that most of the SHGs are adopting regular recording of accounts and found serious in maintaining books of accounts in proper manner.

#### Conclusions

The two decade of SHG banking have transformed the development paradigm of the country for the larger common good. During this period SHGs have become a means for building social capital. NABARD must be credited with conceiving the SHG model and the SBLP programme. The 20th anniversary of the SBLP provides the right opportunity to address the weakness, transform the SBLP and sharpen its focus on promoting livelihoods. The SHG model has really shown the way and has had a transformational impact on the poor. The task now ahead is to consolidate and broad base the SHG movement across the country. NABARD engagement with the states with low SHG density needs to be intensified. The SHG if well executed can make a

greater impact on the security and empowerment of the rural poor in our economy.

On their part, banks need to treat the linkage programme as a business opportunity, increase their engagement with SHG's, design innovation savings and loan products and increase funding to SHG's across the country. The central and state govt. must also step in and provide the much needed improvement in rural infrastructure in the country to uplift the rural economy. The rollout of the NRLM, a huge new poverty reduction programme, it also presents a new opportunity for strengthening the SHG movement and must not be missed. SHG and SHG federation would form the building blocks of this programme. Last but not the least, all stakeholder needs to recommit to SHG banking notwithstanding the recent setbacks. This way the SHG movement can be again brought back on the growth track and closer to the original mission of SHGs being community based organization and change agents in rural India.

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