

# **Growth and Performance of Self Help Group's - An Exploratory Study**

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## **ABSTRACT**

Today there are Mainstream Micro Finance Institutions like National Agricultural Bank for Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) etc., which are creating micro credit, in rural areas by extending micro finance to Self Help Group (SHG's) with the help of formal credit institutions, making it an effective poverty reducing strategy and simultaneously promoting rural development.

SHG's were initiated to empower the economically disadvantaged people, who were neglected by formal credit and savings institutions. Micro finance has shown that poor people, when given access to timely and responsive financial assistance, use the proceeds to not only increase their assets and income, but also repay their debts. NABARD, through its Micro Credit Innovations, is the facilitator and mentor of microfinance initiatives in the country. The model of Self help group- bank linkage programme (SBLP) has evolved as a cost-effective mechanism for providing financial services to the unreached and deserving poor households. The initiative started as a pilot to link around 500 SHGs of poor to the formal financial institutions during the year 1992-93. The success of the pilot program has shown that Micro Finance can go beyond poverty reduction, to addresses issues of health, education, gender and over all development

The present paper is a comparative study of the agency wise i.e. commercial banks, regional rural banks, and cooperative banks, performance in the SHG's - bank linkage program in Telangana, from 2014-18,. The paper also presents an in-depth, analysis of the number of self-help groups, Amount of savings outstanding, amount of loan outstanding of the SHGs, , and total loans disbursed to them through SBLP, generating micro credit to reduce poverty and boost rural development.

Key words: NABARD, Micro Finance, SHG's, SBLP, poverty reduction, rural Development,

## **Introduction**

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. The absence of institutional credits available in the rural area, has led to the establishment of SHGs. The origin of self-help group can be traced from Grameen bank of Bangladesh, which was founded by Mohamed Yunus in the year 1975 and in India, it was initiated by NABARD 1986-1987.

A self help group is a small economically homogeneous affinity group of the rural poor voluntarily coming together to save a small amount regularly, which are deposited in the common fund, to meet emergency needs of the members and to provide collateral free loans decided by the group. The concept of linking SHGs to banks was launched as a pilot project by National Bank for Agriculture and Rural Development (NABARD) in 1992. The pilot envisaged

linking of just 500 SHGs to banks, and by March 2018, their number increased to 87 lakh self-help groups and nearly 11 crore poor households in India.

The linkages of SHGs with banks aims at using the intermediation of SHGs between banks and the rural poor for cutting down the transaction costs for both banks and their rural clients.

In recent years SBLP has gained momentum in Telangana and it is noteworthy that Regional rural banks , Corporative Banks and the Commercial Banks both public and private banks are contributing, in the activities related to Micro finance , which will in turn help in Rural Development

### Objectives of the paper

1. To study the rate of growth of Self-help groups - bank linkage programme in Telangana
2. To analyse agency wise, the amount of savings, loans disbursement and loans outstanding of SHG's in the bank linkage programme.
3. To make a comparative study of commercial banks, RRB's and cooperative banks in the SBLP.

### Review of Literature

**Otero (1999)**, illustrates the various ways in which “microfinance, at its core combats poverty”. She states that microfinance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organization building, enables people to move out of poverty By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society.

**Goankar, Rekha. (2001)**, the study resolved that the program of SHGs can considerably add towards the decline of poverty and unemployment in the rural sector of the economy and the SHGs can lead to social change in terms of economic growth and the social modification.

**Jayasheela, Dinesha P T and V.Basil Hans (2008)**, in their paper on “Financial inclusion and microfinance in India: An overview “studied the role of microfinance in the empowerment of people and provision of a sustainable credit availability to the rural low income population. The study relates to the opportunities available for the microfinance institutions with an increasing demand for credit in the rural areas due to inadequate formal sources of credit.

**Verma, Renu.(2008)**, in her article concludes that microfinance is expected to play a significant role in poverty alleviation and rural development . Microfinance has, in the recent past become one of the more promising ways to use core development funds to achieve the objectives of poverty alleviation. Further he stated that certain microfinance programs have gained prominence in the development field and beyond. The ultimate aim is to attain social and economic empowerment. These microfinance institutions have made a major impact in improving the standard of living of millions of poor people as well as on promoting economic development. Therefore microfinance has become one of the utmost active involvements for economic enablement of the poor.

**VaniKamath (2010)**, “Finding usage in access to banking and scope for microfinance in Gulbarga District, Karnataka: A study of Financial Inclusion on Below Poverty Line Families” summarized in the thesis the points like There is a significant difference between Financial inclusion and lack of awareness by rural households. There is a significant difference between the financial inclusion and institutional negligence by banks. There is a significant difference between household perceptions about the formal and informal sources of finance. There is a significant difference between access to a savings account and usage of that account. There is no significant difference in the perceptions of households between Self Help Group Savings and chit funds.

**H. S. Shylendra and SamaptiGuha (2000)**, in their paper, Commercial Banks and Microfinance: How Andhra Bank (AB) Scaled-up the SHG-Bank Linkage Program. The study is on performance under SBLP by Andhra Bank, and how it emerged as one of the leading public sector commercial banks in the country delivering huge services through SBLP. It is hoped that SBLP would help Andhra Bank to reduce its transaction cost, externalize credit activities and help enhance its lending to weaker sections, a component under the mandatory priority sector advance.

### Research Methodology-

Present study is based on secondary data which has been collected from Annual Reports of NABARD and Report on Status of Microfinance in India published by the NABARD for various years. In this study we have taken some parameters like, savings, loan disbursement and banks loans outstanding against SHG. The banks have been categorized into three agencies, viz., Commercial Banks, Regional Rural Banks, and Co-operative Banks. For the purpose of data analysis, the data is collected for the period 2013-14 to 2017-18 in Telangana and has been analyzed, by exercising various statistical techniques like mean, percentages, growth rate analysis with the help of Chain based index method.

### Data Analysis

The SHG bank linkage program, was pioneered by NABARD more than two decades ago, During this 26 years journey the SBLP, has been empowering the rural poor, and emerged as a powerful intervention tool, for poverty alleviation through holistic financial inclusion. Expanding and revitalizing of SBLP was assiduously taken up, for deepening and widening of access to financial services, covering all the eligible poor households.

### Performance of Regional Rural Banks in the SHG-bank linkage program

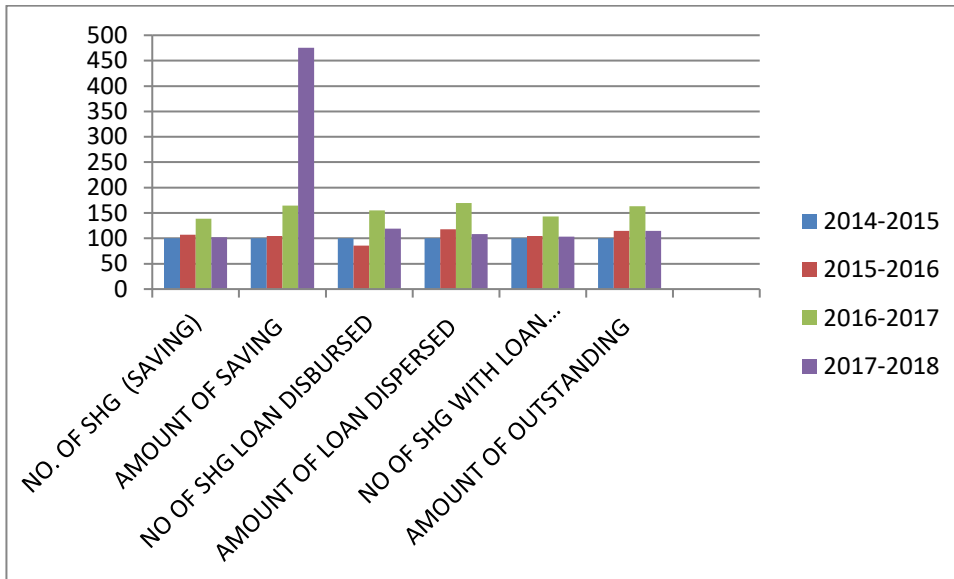
Table1: Performance of Regional rural banks under SHG-Bank Linkage Program(2014-2018)  
(Amount in Lakhs)

	No. of SHG's with saving linkage	Amount of Saving outstanding	No. of SHG's Dispersed with loans	Amount of Loan Disbursed	No. of SHG's with Loan Outstanding	Amount of Loan Outstanding
2014-2015	181907	20732.8	114116	222142	173235	335746.00
2015-2016	194498 (+6.9%)	21634.46 (+4.34%)	97757 (-14.8%)	262008.28 (+17.9%)	181669 (+4.87%)	384761.33 (+14.5%)
2016-2017	269940 (+38.7%)	35640.55 (+64.73%)	151739 (+55.2%)	444519.82 (69.5%)	259890 (+43.05%)	628482.51 (+63.34%)
2017-2018	275549 (+2.07%)	169373.8 (+375.2%)	180856 (+19.1%)	482178.27 (+8.47%)	268229 (+3.2%)	721452.1 (+14.79%)

Source: Status of Micro Finance in India Reports, 2014-2018

Figures in the parenthesis represent the percentage growth rate

Figure 1: Performance Regional rural banks under SHG-Bank Linkage Programme (2014-2018)



It can be observed from the above table that, the RRB's have the maximum contribution towards the SHG bank linkage program, there has been a considerable increase in the number of SHG's with saving linkage in the RRB, in the year 2015-16, there was a 6.9% increase in SHG's with saving linkage and in the year 2016-17 it increased further by 38%, but the year 2017-18 showed an increase of only 2%. But as we know that RRB's play a very important role in uplifting the poor, their contribution towards the SHG's bank linkage program, can be seen by the amount of savings outstanding of self help groups in RRB's. There has been a 4% increase in the savings of self help groups in the year 2015-16, 64% increase in the year 2016-17, and the high light of the success of this program was in the year 2017-18, where the amount of savings outstanding increased by 375% i.e. almost 5 times increase in saving outstanding compared to the year 2016-17. The analysis of the savings Bank linkage programme of the RRB's helps us to understand that, it is the RRB's which contribute immensely, motivating and encouraging the self help groups, which enable them to reap this result.

On the other hand when we analyze the number of SHG's which availed loans during this period, we observe that in the year 2015-16, there has been a 15% reduction in the number of SHG's to whom loan has been disbursed, an increase of 55% in the year 2016-17, and an increase of 19% in the year 2017-18. The amount of loan dispersed by the RRB has been on an increase, in the year 2015-16, increase of 17% loan disbursement, 69% increase in the year 2016-17, but only 8.47% increase in the year 2017-18. An important point to be noticed here is 58% more SHG's have availed loans in the year 2017-18 and the amount disbursed as loan increase by only 8%, and it is in the same year that the amount of saving of SHG's also had increased 5 times. Efforts can be made in this area to focus more on loan disbursement which will help many more beneficiaries.

The most important fact is the loan outstanding the SHG's, with the regional rural banks, has been on a slow pace i.e. increase of 4% percent in the year 2015-16, and 43% increase in the year 2016-17, which again increased by only 3% in the year 2017-18, which is a positive sign. The amount of loan outstanding increased by 14% in the year 2015-16, and further increased by 63% in the year 2016-17, and increased only by 14% in the year 2017-18, which indicates that efforts have been made by the RRB's towards reducing the amount of loan outstanding.

### Performance of Commercial banks in the bank linkage program.

Table 2: Performance Commercial banks under SHG-Bank Linkage Program (2014-2018)

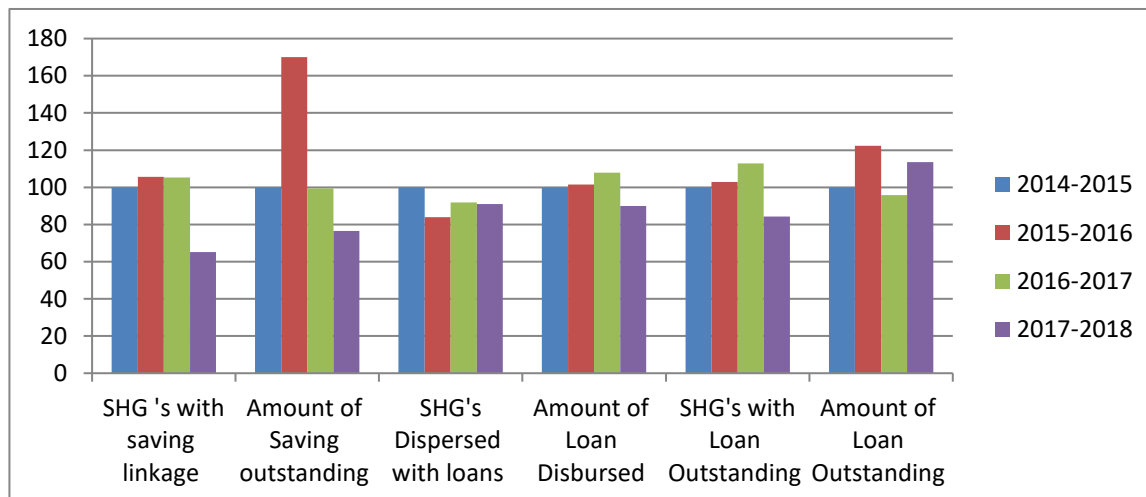
(Amount in Lakhs )

	No. of SHG 's with saving linkage	Amount of Saving outstanding	No. of SHG's Dispersed with loans	Amount of Loan Disbursed	No. of SHG's with Loan Outstanding	Amount of Loan Outstanding
2014-2015	319139	71911.59	144563	320265.92	291694	480255.46
2015-2016	337576 (+0.5%)	122930.49 (+70%)	121294 (-16.1%)	325285.90 (+5.5%)	300004 (2.8%)	587632.96 (+22.3%)
2016-2017	355568 (+0.5%)	122427.34 (-0.5%)	111364 (-8.2%)	351019.8 (7.9%)	338708 (12.9)	563022.47 (-4.2%)
2017-2018	231814 (-35%)	93863.39 (-23.4%)	101358 (-8.9%)	315930 (-10%)	285823 (-15.7%)	639158.02 (+13.52%)

Source: Status of Micro Finance in India Reports, 2014-2018

Figures in the parenthesis represent the percentage growth rate

Figure 2: Performance Commercial banks under SHG-Bank Linkage Program (2014-2018)



It can be seen from the Table that, there has been a positive and steady increase in the number of SHG's linked with commercial banks, but it began to decline in the year 2017-18 by 35%. On the other hand the amount of saving done in the commercial banks, by the self-help groups improved from the year 2014-15 to 2015-16 by 70%. , remained almost the same in 2015-16, but there was drastic fall of 24% in the amount of saving in the year 17-18.

The number of SHG availing loan has been on a continuous decline. In the Year 2013 -14 and 2014-15 it fell by 16% and 8%, respectively and in the 2017-18 it continued to fall by 8.9%. But as far as loan disbursement is concerned, it is on a more or less stable increase initially with the 1% increase in loan disbursement 2015-16 and 7% increase in the year 2016-17. But In the year 2017-18, there has been a 10% reduction in the amount of loan disbursed to the self-help groups.

Calculating the rate of growth the of the number of SHG's with loan outstanding, has increased by 2% in the year 2015-16, and by 12% in the year 2016-17, but fell by 16% in the year 2017-18..And the loan outstanding amount

increased by 22% in the year 2015-16, reduced by 4.2 % in the year 2016-17, and again increased by 13% in the year 2017-2018.

The above analysis suggests that the commercial banks are working towards, the enhancement of SHG, but their contribution can be strengthened further.

**Table 3: Performance cooperative banks under SHG-Bank Linkage Program (2014-2018)**

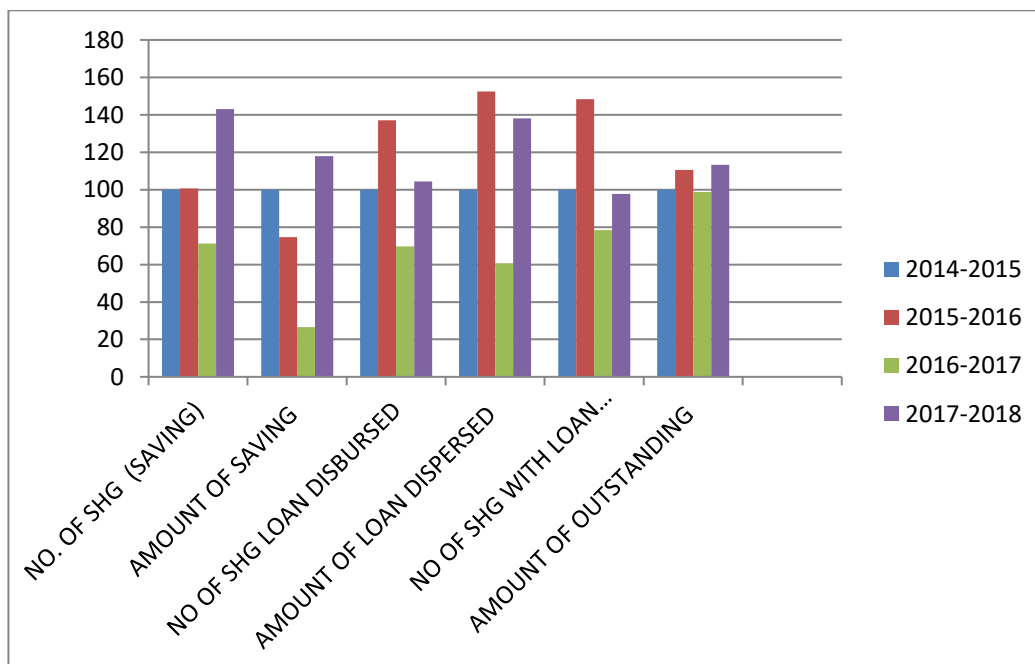
(Amount in Lakhs)

	No. of SHG 's with saving linkage	Amount of Saving outstanding	No. of SHG's Dispersed with loans	Amount of Loan Disbursed	No. of SHG's with Loan Outstanding	Amount of Loan Outstanding
2014-2015	10138	6116.53	2372	7052.99	7592	12589.87
2015-2016	10201 (+0.6%)	4565.14 (-26.4%)	3251 (+37.05%)	10754.89 (+52.4)	11274 (+48.4%)	13929.07 (-10.63%)
2016-2017	7273 (-29.8%)	1214.29 (-74.5%)	2263 (-30.4%)	6518.36 (-39.4%)	8845 (-22.6%)	13756.18 (-1.7%)
2017-2018	10454 (+43.7)	1431.89 (+17.9%)	2364 (+4.4%)	9003.75 (+30.12)	8655 (-2.2%)	15596.06 (+13.3%)

Source: Status of Micro Finance in India Reports, 2014-2018

Figures in the parenthesis represent the percentage growth rate

**Figure 3: Performance Corporate banks under SHG-Bank Linkage Program (2014-2018)**





The cooperative banks role in SHG's bank linkage program, improved its performance in the year 2017-18 which can be known from the following Analysis. Growth in the number of SHG's has increased by only 0.6% 2015-16, after which fell by 29% in the year 2016-17, but had a steady increased by 43% in the year 2017-18 . The amount of savings outstanding of SHG's in cooperative banks has been continuously falling from the year 2015-2016 to 2016-2017, i.e. 26% and 74% But , positive increase of 17% in the amount of savings outstanding of SHG's the year 2017-18.

The number of SHG's which availed loan had an increase of 37% in the year 2015-16 but began to fall by 31% in the year 2016-17, but picked up with an increase by 4% in the year 2017-18. And the loan dispersed increased by 52% in the year 2015-16, but reduced by 40% in the year 2017-18 and later increased by 38% in the year 2017-18. .

The number of SHG's with loan outstanding in cooperative banks has always been on an increase i.e. 48% increase in the year 2015-16, but a fall of 22% in the year 2016 -17 which further reduced by 3% in the year 2017-18, which is a positive sign of development. The Amount of loan outstanding also more or less showed the stable position, i.e., 10 percent increase in loan outstanding in the year 2015-16, 2% reduction in the year 2016-17, and 13% increase the year 2017-18.

Though numerically the Cooperative banks contribute in small numbers, they showed an improvement in their performance in the year 2017-18, and almost stable loan outstanding throughout all years of study

### **Comparative study on the Agencies**

**Saving** –the performance of the Regional Rural banks has been very good during this period of study specially in the year 2017-18 there was an increase of 5 times more amount of saving outstanding by the RRB'S and also the number of SHG linked with RRB has been positive throughout the period of study

.On the other hand, in the commercial banks ,we observe fall in the number of SHG , ie 35%in the year 2017-18 and also the amount of saving outstanding which reduced by 23% in the same year

The cooperative banks showed a positive increase of 43.7% in the number of SHGs in saving linkage program in the year 2017-18 and the amount of saving outstanding of the corporative banks improved by 17% in the year 2017-2018.

### **Loan Disbursement**

In the RRB's there has been a positive growth in the number of SHG in the saving linkage program and the amount of saving outstanding too, but the best performance in this area was in the year 2016-2017 which showed highest growth rate of 55%increase in terms of SHG's disbursed with loans and also 69% increase the amount of loan disbursed,

The Commercial banks continued to show a reduction in the number of shg availing loans throughout the period of study, but showed little positive figures in loan disbursement between the years 2014-2017, which again fell by 10% in 2017-18

The corporative banks showed a positive growth initially in the year 2014-15 in this regard but could not sustain it in the year 2015-16 both number of SHG's for loan disbursement and the amount of loan disbursed both declined . But in the year 2017-18 there has been a positive improvement of 4%increase in SHG availing loans and 30% increase in the amount of loan disbursement by the corporative banks

## Loan Outstanding

It is a fact that the number of SHG's with loan outstanding and the amount of loan outstanding in the RRB's has been on an increase over the year, but the rate of increase has fallen drastically i.e. 3% increase in SHGs having loan outstanding and 14% increase in amount of loan outstanding in the year 2017-18 which is much lesser than the previous years of study and is a good sign

In the commercial banks, the SHGs have successfully reduced their loan outstanding though there has been a little increase in the year 2017-18 but on the whole the commercial banks maintained a stable position in this regard

The corporative banks too continuously could reduce the number of banks with loan outstanding and also the amount of loan outstanding which is a good sign of improvement

## Conclusion

From the above findings we can conclude that the contribution of Regional rural banks and cooperative banks are progressive in SHG's bank linkage program which helps in poverty reduction and rural development. The commercial banks need to work a little more in this area to enhance their contribution towards reduction of poverty and rural development.

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