SHG-Bank Linkage Programme In Rajasthan - An Analysis

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ABSTRACT
Spatial analysis of the poverty in Rajasthan suggests that there is a high concentration of poverty in areas where there are less of economic opportunities being made available to the citizens especially poor people. Policy initiatives of the government are to be targeted in such a manner so as to tackle poverty. A considerable progress has been made by NABARD by developing the model of Self-help group-bank linkage programme where they provide small loans to the group without deposition of any collateral security. Therefore, the aim of our study is to analyse NABARD-bank linkage programme in Rajasthan with the aim of providing better understanding to our readers.

Keywords— NABARD Bank

I. INTRODUCTION
A Self Help Group (SHG) is a group of 10 to 20 people of a homogeneous class who come together to address their common community and economic problems. They pool together their small savings and on the basis of their pooled resources, they make small interest bearing loans to their members. In this manner, collectively, they solve each others’ problems. They may seek external assistance either by banks, NGO or MFI which provide small loans to the group without deposition of any collateral security. It is one of the successful programmes of Microfinance introduced by NABARD¹. The SHG Bank Linkage Programme was initiated by NABARD in the year 1992 and now NABARD is one of the largest microfinance movements in the world with 3 million Self Help Groups and over 25 million members. SHGs symbolize a unique approach to financial intermediation. The approach of SLG-BLP combines access to low-cost financial services with a development of self-management².

Since 1996, SHG banking has been recognised as a regular banking activity. The programme had a modest beginning, with 225 credit-linked groups and a loan amount of Rs 2.9 million. This programme has also helped the banking sector in capturing the rural market. The journey so far traversed by the Self Help Group – Bank Linkage Programme (SHG-BLP) crossed many milestones from linking a pilot of 500 SHGs of rural poor two decades ago to cross 8 million groups a year ago. In these programmes, government agencies, NGOs and banks play the role of Self Help Promoting Institutions (SHPIs)³.

An Overview of the SHGs at World Level
The world summit for social development held at Copenhagen in 1954 stressed the easy access of credit for small producers, landless farmers and other low income individuals, particularly for women and requested the governments of diverse nations to formulate suitable policies so that poor have easy access to credit⁴. The existence of the SHG is the concept of Professor Mohammed Yunus who is a Bangladeshi economist, social entrepreneur, banker who founded the Grameen Bank and is the torch bearer in evolving the concept of Microcredit and microfinance. In 1984, the Federal Ministry of Economic Co-operation and the Agency for Technical Cooperation of the Federal Republic of Germany engaged in a series of in-depth studies and workshops on microfinance in developing countries which strengthened their ideas in the formulation of new policy on Self-Help Groups. The participation of Asia and Pacific Regional Agriculturist Credit Association (APRACA) in 1986 decided on a Co-ordinate programme for the support of relationship between banks and SHGs for rural savings and credit to the rural people. The central bank of Indonesia in 1989 with the involvement of Self-Help Promotional Institution (SHPI) started a pilot project named “Linking Banks and SHGs”⁵. After the success of the Grameen Bank Model in Bangladesh, the concept of micro-finance became popular among economists worldwide. The UNDP, SAARC and other international developmental organizations worldwide have preached and supported the SHG model as an essential tool in eradication of poverty⁶. The concept of micro-finance became popular in many under developed countries along with India. With the passage of time, India
has become home to one of the largest micro-credit programmes in the world.¹

II. FINANCIAL INCLUSION

Financial inclusion is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable.

**Why financial inclusion is needed**

In India, women constitute nearly 48.5% of the total population.² Though with the passage of time, some womenfolk have occupied good positions in the country and abroad, it is just a drop in the ocean and nothing more than a window dressing. Still today women are considered as second grade citizens and since 1990, the realisation came that women are the core of India’s poor and are not just a segment. Women have been identified as the key agent for the sustainable development in the country. In spite of the various measures taken up by the government after Independence and even during British rule the women haven’t been fully empowered. They are the largest discriminated community in India.

The participation of the women is the base in the stable socio-economic development of our economy. It is the strategic question which we all need to understand. Any economy which neglects the equal role of women in no ways can move forward with her strategy for development. Women’s role is the dynamic factor and a valuable asset for the overall process of development. An integral approach is to be adopted towards empowering women. This undergoes intrinsic efforts on various fronts viz. social, economical, legal and political.

**Models of SHG Bank Linkage**

The principal objective behind making the models is encouraging the homogenous group of poor people in pooling their savings and using their pooled savings to make small interest bearing loans to the SHG members and thus inculcating in them financial discipline. Subsequently, bank credit is also been provided to the group for lending to its members. The three models of SHG-bank linkage programme are:

- **Model 1**- SHGs promoted and supported by banks-In this model; banks play a prominent role in providing the bank loans. Banks themselves take up the work for making and strengthening the groups, opening their savings accounts and providing them bank loans.

- **Model 2**- SHGs promoted by NGOs but financed by banks-In this model NGOs help in the formation of SHGs by providing training and credit facilities which in turn are financed by banks. The second model is the most popular model.¹⁰ Almost three-fourths of all the SHGs come under this model. Only 20% of the SHGs are covered under the first and 8% under the third model respectively.¹² Model 2 has emerged as the most popular model under the SBLP programme. Commercial banks, Co-operative banks and the Regional Rural Banks have been actively participating in the SBLP.

- **Model 3**- SHGs promoted by NGOs and financed by NGO itself or any formal agency-In this model, NGOs not only promote and nurture SHGs but in most of the cases financing is also done by them. Banks take the sole responsibility for promoting, developing and financing SHGs. Model 3 requires considerable effort on the part of the banking staff towards the formation of SHG. This model is not an encouraging one and only 8% of SHGs follows this model.¹³

III. OBJECTIVES

1. To find out the status of SHG in Rajasthan.
2. To provide suggestions for the outreach of the programme in Rajasthan

IV. SHG-BANK LINKAGE PROGRAMME IN RAJASTHAN-AN ANALYSIS

The state of Rajasthan is divided into 33 districts for administrative purposes. Rajasthan is the largest state in India and the peculiar natural, social and economic features of Rajasthan define the need and scope for a strong micro Finance movement. The primary sector dominates the essentially agrarian economy, with 2/3rd of the population dependent on agriculture and allied activities for their livelihoods. As per the Human Development Index, Rajasthan comes at the 12th rank among 15 major states in India. In terms of availability of credit from RFI the state is among the least privileged states. In Rajasthan, micro Finance is almost synonymous with Self Help Groups. There is no other model of MF in the state. The majority of the SHG belong to women.

**Table 1: Relative Position of Microfinance in Rajasthan as on March 31, 2015 (Amount in Rs. Crore)**

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>No. of SHG</th>
<th>SAVINGS DISBURSED</th>
<th>LOAN OUTSTANDING AGAINST SHG</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>76.97</td>
<td>110.984.07</td>
<td>2758231.06</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>245.03</td>
<td>147.394.43</td>
<td>28920.80</td>
</tr>
<tr>
<td>Share of Rajasthan</td>
<td>3.19%</td>
<td>1.33%</td>
<td>1.04%</td>
</tr>
</tbody>
</table>

Source: Status of microfinance in India 2014-15

It is clear from the table that the share of microfinance in Rajasthan is not even four percent of the
country in respect of number of SHGs and not even two percent in terms of savings, loans disbursed and outstanding loan amount.

Comparative position of loan disbursed in SHG-Bank Linkage Program in Rajasthan is given in Table 2 and Figure 1.

Table 2: Relative position of loan disbursed in Rajasthan as on 31st March, 2015

| Source: Status of microfinance in India 2014-15 |

In Rajasthan, Co-operative banks are playing a major role in total SHG formation. Out of the total groups in Rajasthan, 53.13% of the SHGs are with Co-operative banks and cover 21.75% of credit disbursed in the state. Commercial banks have a more important role in the state in credit disbursement with 35.40% of the total groups and credit disbursement of 69%. RRBs disburse 9.5% of the credit as against the national average of 28% credit disbursement.

Table 3 Comparative Statement of Savings of SHGs with Banks in India and in Rajasthan

| Source: Status of Microfinance in India 2013-14, 2014-15 |

Though over the years, number of SHG and their savings has been growing considerably in Rajasthan, but the year 2014-15 found a decline in savings as well as in linkage of SHG with the bank. The savings amount dropped by 17.68% and number of SHG by 4.41%. However, this is in contrast in comparison with all India ratios which has shown a steady increase.

Table 4 Comparative Statement of loan amount outstanding against SHGs in Rajasthan

| Source: Status of microfinance in India 2014-15 |

In Rajasthan, NPA is more than the national average of 7.04%. However, while the NPA against loan to SHGs in 2010-11 was 6.49%, it had a giant leap to 11.95% in 2012-13, 12.19% in 2013-14 and now it has reduced to 8.39% which is a good indication of good governance.

SUGGESTIONS

Though considerable progress has been made to tap the rural households in Rajasthan, however much need to be done. One important observation which has come out of the analysis is that savings linked SHG, instead of showing an upward trend is declining. This is not a good indication. The government needs to educate women. The vocational training opportunities must be made mandatory even at the tehsil level. Motivation classes for the famous women must be addressed to women. The bankers, government have to take necessary steps for the state to develop steadily. The best solution is for women to come together as a unifying force and initiate self empowering actions at the ground level.

REFERENCES