

THE GROWTH OF SELF-HELP GROUPS THROUGH THE MICROFINANCE BANK LINKAGE MODEL

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Abstract

Purpose - The purpose of this research project is to study the growth of the self-help group after their linkage with the banking institutions.

Approach - A quantitative approach has been used by ascertaining variables and using statistical techniques to study the growth of the self-help groups.

Value – the fact has been understood that, India is a nation in which more than half of its population live in the rural sector with most of them being below the poverty line. Thus, it becomes imperative for India to support the self-help groups who collectively work together with the banking institution with the purpose of poverty alleviation. They are responsible for providing funds to the poor, imparting skills and help them become financially independent. The working of the self-help groups are flexible and have a wide geographic range which makes their working more effective. They understand the situation of the poor better to other agencies and work accordingly. After their linkage with the banking institutions, their scale of operations have increased. They have access to more funds and can help the poor in more effective ways.

Limitation – The research is limited to the amount of historical data available.

Key words – poverty alleviation, self-help groups, banking institutions.

INTRODUCTION

India is a developing country with almost a quarter of its population living below the poverty line. This particular sector of the population are the unfortunate ones who do not even have access to clean drinking water and many other basic necessities are just delicacies too far for them. Here arises the need for SHGs, which refer to a group of persons who come together to solve their daily financial and other basic problems, making an attempt to develop a basic standard of living.

The self-help groups provide funds to the remotest parts of the nation and the neediest sections. They not only provide funds to the poor, but also help them become small entrepreneurs, impart skills, counselling, facilitate optimum utilization of resources and also help them to mobilize their earnings and savings. These groups are formed by representatives within the rural population due to which they have a better understanding of the people's problem, easy acceptance by the people and flexible working. It is because of these reasons why the self-help groups concept in India is becoming a successful trend in today's time.

After the linkage of the self-help groups with the various banking institutions (commercial banks, regional rural banks and cooperative banks), the operations of the self-help groups have expanded. The loans distributed by banking institutions, the amount of savings with the banks and the outstanding loans, all three of them have been increasing year by year showing the progress and growth of the self-help groups and bank linkage model.

LITERATURE REVIEW

Role of Self Help Groups (SHGs) in Microfinance Sector Growth

(Jha, 2015) Self-help groups and Micro-finance institutions are two channels through which, the poor are aided with micro-finances in conditions where the formal institutions could not. These two channels are decentralized, cost effective and fast growing. The self-help groups through the micro-finance bank linkage model have reached more than 90 million people in the rural sector and have been able to help them in a life-changing manner. NABARD has initiated pilot projects for the use of Information Technology (IT) and Management Information System (MIS) in the self-help groups with special focus on Tamil Nadu and Maharashtra. The success of the self-help groups can be witnessed with the recent display of entrepreneurial qualities by the rural sector with the help of these small finances which helped them to start their

own small businesses. It was also stated that these entrepreneurial skills were not only exhibited by males but also females. These small finances have made rural people more independent and have helped them elevate from their adverse conditions.

MICRO-FINANCE: GROWTH OF SHG MODEL IN INDIA

(Kumar, 2014) The Self-help groups provides those people with finance who are not eligible to attain a loan from banks as they do not have anything to mortgage with the bank. The SHGs are an informal and flexible approach to credit the needs of the poor, it helps the poor to acquire loans in an easy way with minimal burden. They use pooled resources of people to attain an objective common to all. The recent outlook of commercial banks towards these self-help groups have increased their savings by 67.3 %. The scale of operations have been increased of these SHGs by the help of the Commercial Banks. These commercial banks have taken various initiatives to empower the self-help groups through the bank linkage model. Both the average loan distributed and the amount of loans outstanding with the commercial banks have increased in the past few years, showing the progress of the self-help groups with the help of the commercial banks.

A STUDY ON THE PERFORMANCE OF SELF HELP GROUP BANK LINKAGE PROGRAMME IN INDIA

(Dr. S. K. Goyal, 2017) The decline in the number of SHGs savings linked with Banks noticed in 2012-13 has been reversed during the year 2013-2014 with a marginal increase of about 2%. During the year 2015-16, 18.32 lakh SHGs were sanctioned fresh loans which is about 13% increase over 2014-15. The share of exclusive women SHGs in the total number of SHGs linked to banks stands at 85.57%. This is a clear indication that the self-help groups have been making significant contributions in the development of women especially in the rural sector. Commercial Banks accounted for about two thirds of the bank loan outstanding under SHG-BLP. The share of RRBs and cooperative banks was 28.20 and 6.80 percent, respectively. The above three are the main sources of funds for the self-help groups, commercial banks being the highest out of them.

EFFICACY OF NABARD IN INDIAN RURAL DEVELOPMENT

(Jain, 2012) Microfinance sector has travelled a long journey from micro-savings to micro-credit and now entered the field of micro-insurance, micro-remittance and micro-pension. The Self Help Group (SHG)-Bank Linkage models in the past eighteen years, has become a well-known tool for bankers, developmental agencies and even for corporate houses. The focus of this programs has been on training and capacity building of partners, promotional grant assistance to Self Help Promoting Institutions (SHPIs), Revolving Fund Assistance (RFA) to MFIs, equity and capital support to MFIs to supplement their financial resources and provision of 100 per cent refinance against bank loans provided by various banks for microfinance activities. These reinforcements provided to the self-help groups has helped in the strategic functioning of the self-help groups to obtain the objectives set by each one of them under different circumstances.

ROLE OF SELF HELP GROUPS (SHGs) OF TRIBAL INHABITED RURAL AREA ON FOOD SECURITY AT HOUSEHOLD LEVEL

(Mondal, 2013) As the main reason for the household level food insecurity in India is low income or purchasing power, to break the vicious circle of food insecurity the first thing that is ultimately needed is to involve the people suffering from food insecurity in the income generating activities. Once their income level is increased, their purchasing power will automatically increase which in turn will help them to get adequate nutritious food and finally they will get rid of the food insecurity. As the Self Help Groups is playing a vital role in involving the poor people in the income generating activities, it can take positive role in eradicating the problem of food insecurity among rural poor.

PROGRESS OF SHG: BANK LINKAGE PROGRAMME IN SOCIO-ECONOMIC EMPOWERMENT OF WOMEN IN KURNOOL DISTRICT OF ANDHRA PRADESH

(Devi, 2016) This particular article mentions that India is a rural or agricultural based economy. Which makes it very important for India to focus on its rural sector of the population. India as a nation can only develop if the rural sector develops at a constant rate. In India around 70% of the population are situated in the rural areas which constitutes to more than half of the population. It is imperative for the government bodies and agencies to focus on this particular sector and facilitate its advancement. The micro-credit provided to the poor through the bank linkage model has initiated a socio-economic transformation in the rural sector. They have induced a habit of savings among the poor from the surplus they have started earning from the finance provided by this particular model. This particular article also emphasizes on the fact that for a sustainable economic growth of India, we would have to focus on the development of the condition of women in India with respect to the rural sector.

Micro financing through self-help groups

(K.C.Sharma, 2001) The self-help groups are an informal rural financial market body, which is more flexible and adaptable when compared to the formal bodies. They generate credit which is more accessible to the poor. Their reach is far more than that of the formal bodies. The linking of the self-help groups with the various banks have empowered these groups to a great extent. The savings with the self-help groups after the linkage have increased largely, their economies of scale have increased. The rural population have benefited more by this linkage which makes the self-help groups a fully operational viable unit. This particular model of self-help groups linked with banks have been able to create conducive conditions for human development. The response that this model has received is tremendous. The rural population have accepted this model in their lives with full cooperation. As a result of which the participation in economic activities as well as decision-making have increased in the rural sector of the country. Which would eventually lead to sustainable growth of the rural sector as well as the economy of the country.

(Bansal, 2012) The self-help groups provide credit to the poor for the purpose of establishing small businesses, invest in small productive assets, generate working capital, illness, emergencies etc. These groups not only provide financial support to the poor but also socially support them. As these groups are homogeneous in nature, the kind of problems they face, both socially or economically are more or less the same. For which standard solutions are set to provide immediate remedy to their problems. Thus, they help to alleviate poverty from all sides. The article also speaks about the three main sources of finance for the self-help groups. They are commercial banks, regional rural banks and cooperative banks. Out of which the commercial banks are most effective. They constitute nearly about 50% of the sources of finance for the self-help groups. Also, the contribution of NGOs cannot be left unappreciated. Both the self-help groups and the NGOs have similar objectives, helping people in need. They might not help that much in terms of finance but a lot of management solutions to the self-help groups are provided by the NGOs, their contribution in the success of the self-help groups are commendable.

MICROFINANCING THROUGH SELF HELP GROUPS- A CASE STUDY OF BANK LINKAGE PROGRAMME OF NABARD

(Mansuri, 2010) In India, about 26.10 % of the population are living below the poverty line, which means that they are unable to arrange the basic needs like food, clean water, cloths, shelter etc. on a daily basis. Various attempts have been made by the government to help the poor. They have come up with various schemes but have failed. The problem with their schemes are a clear lack of implementation and strategy. Similarly, the formal financial institutions also have failed to achieve the same objective because they are unwilling to take the risk connected with financing the poor, as it is not guaranteed whether the money would come back or not. With all the above institutions having failed in the objective of alleviating poverty, the self-help groups have surpassed all expectations. Their performance in the rural sector has been great. They have managed to overcome exploitation of the poor, create confidence among them and make them self-reliant, provide training and provide grant cum aid to the poor.

Microfinance in India: self- help groups bank linkage model

(Das, 2012) The poor sector of the population are considered as a non-bankable, as they are not capable enough to attain a credit from the bank due to lack of security. The banks are not ready to take risk by lending money to the poor. Due to the above failure of institutions of helping the poor, they were forced to borrow money from common money-lenders who exploited them by charging a very high rate of interest against the loan they provide. As a remedy to this two channels were emerged by the NABARD – self-help groups and micro-finance institutions. Both these channels are informal in nature and are able to provide flexible credit to the poor. They together were able to reduce poverty, helped generate income, empowered women, reduced child mortality, better maternal health and better immune system through quality nutrition. These various functions provided by the self-help groups and micro-finance institutions are making significant contributions in the sustainable development of the country by alleviating poverty.

THE CHANGING FACE OF THE MICROFINANCE INDUSTRY IN INDIA

(Singh, 2012) This article speaks about the extended services of the self-help groups. It states that the self-help groups have gone way beyond the functions of just providing micro-funds. It now involves processes to facilitate micro-credit, micro-savings and micro-insurance which reduces the risk, poverty and vulnerability of common people. The contribution of self-help promoting institutions have also been acknowledged. It serves as an intermediary between the common self-help groups and government bodies. It bridges the gap between the informal self-help groups and formal banking institutions. It also provides consultancy to the self-help groups regarding any issues they face during their day-to-day functioning. A very important point regarding the shift of trend of the self-help groups in the past few years has also been mentioned in this article. It is said that the self-help groups have transformed from the next big innovation to address the poverty issues to the next best investment opportunity in the financial market.

RESEARCH METHODOLOGY

Statement of Problem

To study the growth of the self-help groups through the microfinance bank linkage model

Objective of the Study

- To study about the growth of self-help groups and bank linkage model in India.
- To study and analyse the impact of non-performing assets on the provision of credit by commercial banks, regional rural banks and cooperative banks.
- To study about the relationship between savings of self-help groups and non-performing assets of the self-help groups.

Scope of the Study

The study aims to emphasize on the potential and performance of the Self-help Groups. It makes an attempt to describe how the SHGs can be used as an effective tool to alleviate the poor and cause development of the rural sector. It shows the way in which economies of scale have increased of the self-help groups after their linkage with the banking institutions. Also, NABARD with other government agencies have launched various pilot projects for the implementation of IT and MIS in the functioning of the self-help groups. The research aims to present this model as the next big investment opportunity for a good cause and display the untapped potential in the self-help groups.

Statistical Design

The statistical design of the study is as follows:

1. **Correlation** – Correlation studies the relationship or connection between two or more variables. In this study, correlation will be used to understand and analyses the relationship between the savings of the self-help groups and their non-performing assets.
2. **Regression** – Regression is a statistical tool used in finance to measure the impact of one independent variable and a series of other changing variables. In this study, regression will be used to identify and analyze the impact of non-performing assets on the loans distributed by the banking institutions.

Hypothesis Development

Null Hypothesis (N0) – the growth of Self-help groups through the Microfinance bank linkage model is stagnant

Alternative Hypothesis (N1) – the growth of Self-help groups through the Microfinance bank linkage model is significant.

Method of Data Collection

For this particular project, only secondary data has been collected. Some of the sources are – the NABARD reports, Bharat Microfinance reports, the Panchayat reports, Panchayat activity and plan report, Microfinance Institution Network reports, Status of Microfinance in India etc.

Limitations of the study

The limitations of the study is that the data referred to in the study is secondary and the fact that there is no first-hand data regarding the impact of SHGs on the poor and the reach of the SHGs in all parts of the country.

FINDINGS & SUGGESTIONS

Findings of the Study

The major observations are as follows:

1. Growth of the self-help group and bank linkage model

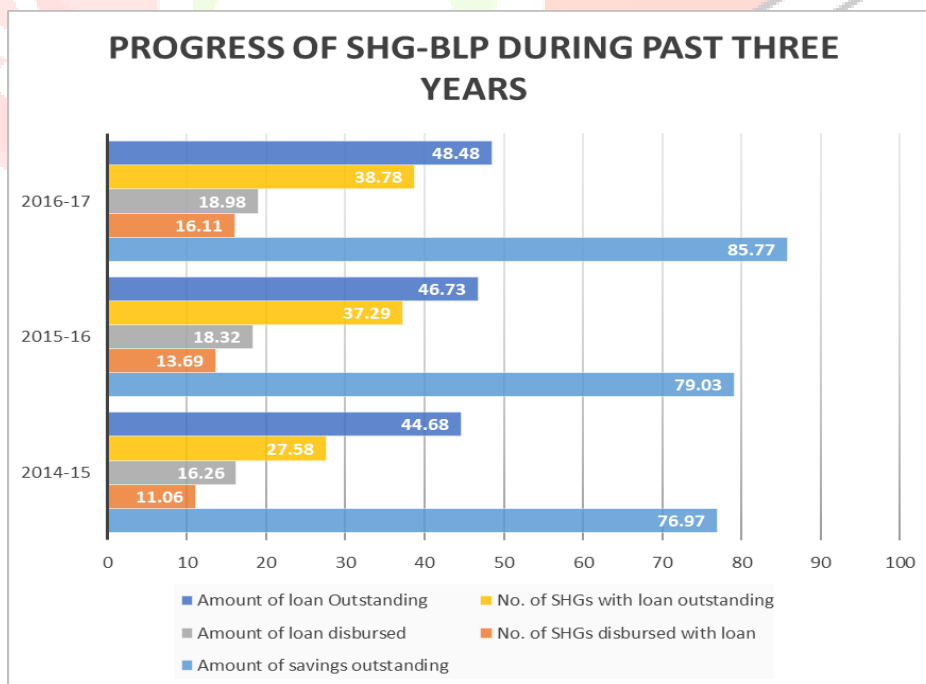


Figure – 1.0

Inference –

The analysis show that the Bank Linkage Model has led to an overall positive growth in the Loans outstanding and disbursed with SHGs during the past 3 years. The total amount of loans outstanding, loans disbursed, and savings outstanding linked to the Bank Linkage Model has also gone up during these years. This shows that after the collaboration of the banks with the SHGs, their economies of scale have increased. They

have got more funds to carry out their operations on a larger scale and have saved more money and have deposited the same with the banks. Their deposit of savings will also earn them interest from the banks.

2. Relationship and Impact between savings and the non-performing assets of the SHGs

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.988 ^a	.976	.953		91323.79244

Table- 2.0

a. Dependent Variable: Savings of SHGs

b. Predictors: (Constant), non-performing assets (npa)

Inference –

The analysis shows that there is a strong positive correlation of .988 between the NPA and the Savings of SHGs and the regression between the two is 97.6 % which shows that the change in NPA are highly influenced by the change in Savings of SHGs.

3. Relationship and Impact between loans distributed by banking institutions and the non-performing assets of the SHGs

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.936 ^a	.875	.751		636688.34675

Table – 3.0

a. Dependent Variable: loans disbursed to SHGs

b. Predictors: (Constant), npa

Inference –

The analysis shows that there is a positive correlation of .936 between the NPA and the role of NPA on loans disbursed and the regression between the two is 87.5% which shows that both the variables move in line with each other and there is a great impact of non-performing assets on the loans disbursed by the banking institutions.

Findings

1. From the figure 1.0, we can analyse that the SHG-BLM has being progressively growing from the past three years.
2. The loans disbursed by banking institutions have been increasing over the past three years, which is a clear indication that the SHGs have full support from the banking institutions.
3. The savings of the SHGs with the banks have been also increasing continuously over the past three years, which show us the increased efficiency of operations of the SHGs.
4. There is a positive correlation between the savings and non-performing assets of the SHGs, which show that there is direct relationship between them and a high regression percentage shows that the non-performing assets have a strong impact on the savings of the SHG.
5. There is a positive correlation between the loans disbursed by banking institutions and the non-performing assets of the SHGs, which show that there is direct relationship between them and a high regression percentage shows that the non-performing assets have a strong impact on the loans disbursed by banking institutions to the SHGs.

Suggestions

1. The SHGs are a concept with great potential. They can be transformed from a not for-profit concept to a for-profit concept. This will also attract the corporate world to invest in the SHGs.
2. The government show support the SHGs by implementing the use of technology (IT and MIS) in their functioning.
3. From the study we notice that the loans outstanding of the SHGs are also increasing year after year, which is a big burden on them. The government should help the SHGs financially to repay the loans of the formal banking institutions.

CONCLUSION

India is a country with more than half of its population still living in the rural areas in a miserable condition. The rural population of India are in a state in which survival is their only motive i.e. gathering the basic necessities of life. In such a scenario, it is vital for India to focus on its rural population, their development and poverty alleviation, without which India will be unable to emerge as a super-power.

Our objective could be achieved affectively with the help of the Self-help Groups and Bank linkage Model. The above model has an informal and efficient approach to working, they are flexible and have an outreach better than many formal institutions. The SHGs have originated from the rural sector, which gives them a better understanding of the problems faced by the rural population. Thus, giving them the set platform to work in a focused manner on the key issues of the poor.

Initially the SHGs were responsible to just provide micro-finance to the poor and make their struggles a little easy. But currently the SHGs are working in a dynamic manner by increasing their scope operations which include consultancy, imparting entrepreneurial seeds, training, education etc. The working of the SHGs were enhanced largely with their collaboration with the banks. This factor increased their economies of scale and took their operations to the next level. A better financial position of the SHGs have been formed with the boost provided by the banks.

The government and NABARD have also realized the potential of these self-help groups. They have started the process to impart Information Technology and Management Information System in the working of the SHGs. A good number of pilot projects have been initiated with the SHGs by NABARD.

The performance and potential of the SHGs have also attracted the corporate sector. The corporates analyze the SHGs as the next big thing to invest in. There has been a change of trend with relation to the SHGs, it has emerged as a for-profit concept from a non-profit concept. We can predict that in the near future the SHGs with the help of banking institutions and the corporates will be able to perform even better. This will cause the development of the rural sector of India, eventually leading to the economic development of India.

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