

“Financial Inclusion for Self Help Groups”

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Abstract

Financial inclusion is the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. It is pertinent to note that although tremendous developments have taken place in the banking technology, the access to such technology is restricted only to a certain segments of the society. Micro Finance has gained a lot of significance and thrust in the last decade. It is a novel approach to “Banking with the poor”. Bank credit is extended successfully to the poor through Self Help Groups (SHGs), NGOs, Credit Unions etc. India now occupies a significant place in global micro finance through promotion of the SHGs and SHG-Bank Linkage Programme (SBLP). This is essentially because of the potential training and capacity building programmes organized by NABARD. More than 30,000 branches of Commercial Banks, RRBs and Co-operative Banks in over 520 districts in 30 states and union territories are now implementing the SBLP. This article describes features of SHGs, models of SBLP and operational aspects of SBLP. This article also examines the role of training in growth and development of SHGs under SBLP.

Keywords: Financial Inclusion, Self Help Groups, Policy, Commercial Banks.

INTRODUCTION

Micro Finance is an economic development approach that involves providing financial services to low income clients. It is the provision of thrift, credit and other financial services and products of very small amounts to the poor for enabling them to raise their income levels and improve their living standards. It helps the poor people to meet their financial needs through small credit (Anil and K.Khadelwal, 2007). The beginning of the micro finance movement in India could be traced to the Self-Help Group (SHG) - Bank Linkage Programme (SBLP) started as a pilot project in 1992 by National Bank for Agricultural and Rural Development (NABARD). SHG-Banking is a programme that helps to promote financial transactions between the formal rural banking system in India comprising of public and private sector commercial banks, regional rural banks and cooperative banks with the Self Help Groups (SHGs) as clients. They usually start by making voluntary thrift on a regular basis. They use this pooled resource together with the external bank loan to provide interest-bearing loans to their members. Such loan provides additional liquidity or purchasing power for use in any of the borrower's production, investment, or consumption activities. SHG-Banking, through SHGs and the existing decentralized formal banking network including several organizations in the formal and non-formal sectors as banking partners, allow for large-scale outreach of micro finance services to the poor in India. These banking services such as depositing savings and taking loans are made available at low cost and are easily accessible and flexible enough to meet poor people's needs. This programme has emerged as the most popular model of micro finance in India. NABARD has been conducting several training programmes for SHG members, bankers and NGOs to improve the efficiency of SBLP. NABARD has been able to achieve the sustainability of SHGs in India by implementing SBLP successfully (S Nadarajan and R Ponmurugan, 2006).

The origin of SHG is from the brainchild of Grameen Bank of Bangladesh, which was found by the economist, Prof. Mohammed Yunus of Chittagong University in the Year 1975, to provide micro-finance to rural women. In Bangladesh, micro-finance has been established as a most powerful instrument to tackle poverty. The SHGs in India were formed by Mysore Resettlement and Development Agency (MYRADA), an NGO in 1985 due to the breakdown of the large cooperatives organized by MYRADA. By 1986-87, there were nearly 300 SHGs in MYRADA's

projects. MYRADA then approached NABARD for an action research project on self-help groups. Within the same timeline, Asian and Pacific Regional Agricultural Credit Association (APRACA) weighed options and agreed on further action for effectively increasing credit access for the poor. In India, NABARD and a member of APRACA carried out an elaborate study which gave useful insights into the dynamics of group organization, saving potential and repayment ethics of the poor. Encouraged by the results of the study and action research project of MYRADA and NABARD, in consultation with the Reserve Bank of India (RBI), Commercial Banks and NGOs, launched a pilot project in 1991–92 for linking of SHGs with banks. Thus, the microfinance activity is the result of NABARD'S work that started in February 1992 through an initial pilot project promoting 500 SHGs. RBI had advised Commercial Banks in July 1991 to extend finance to SHGs as per NABARD guidelines. Subsequently, the linkage project was extended to RRBs and Cooperatives.

FINANCIAL INCLUSION FOR SELF HELP GROUPS

The poverty in India is wide spread as well as deep rooted and continues to be one of the biggest policy concerns. Amongst various measures to fight this menace, Microfinance practices in India seem to provide a solution. The Task Force on supportive policy and regulatory Frame work for Microfinance constituted by NABARD defined microfinance as “the provision of thrift , saving, credit and financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improving their standard of living.” The Banking system in India witnessed unprecedented growth and achieved phenomenon out reach. Apart from the existing banking network, with a view to developing a supplementary credit delivery system i.e. cost effective and user friendly for both banks and the poor, micro finance initiatives were encouraged in India. These initiatives have been centered around two models i.e. the SHG – Bank linkage programme & the Micro Finance Institutions (MFI's) model. Women, who number 495.7 million according to 2001 census, represent 48.3% and 933 females per thousand males. It reveals that the decline of women number in total population of the country. Moreover nearly 1.5% of women have their own property. About 11% women are in employment and mere 5% have been participating in business. The present paper is an attempt to study the Micro Finance through SHG's.

Microfinance Industry and Commercial Banks:

With the phenomenal growth recorded by microfinance in recent years – 62% per annum in terms of the number of unique clients and 88% per annum in terms of portfolio over the past five years and around 27 million borrowers' accounts – India now has the largest microfinance industry in the world. The high growth rate of microfinance has been fuelled by commercial bank funding which inherently gravitates towards for – profit institutional structures. There is a continued Indiawide trend towards the transformation of microfinance institutions into for profit Non-Bank Finance Companies (NBFCs) so that over 50% of the 66 MFIs in the M.CRIL analysis now consist of such institutions. At the regional level the South continues to dominate the sector in the concentration of MFIs. With 27 million borrower accounts served by MFIs by March 2010, Indian microfinance represents a significant sub-sector of the financial system. It exceeds the number of borrower accounts served by the Regional Rural Banks (RRBs) by 50% and represents 40% of the total number of micro-borrower accounts of value less than Rs. 25,000. The Self-Help Group-Bank Linkage Programme (SBLP), which started as a pilot programme in 1992 has developed with rapid strides over the years. In 2017-18, 1.2 million new SHGs were credit linked with banks, and bank loans of Rs. 14,547 crore (including repeat loan) was disbursed to these SHGs. Further, at end-March 2011, 7.46 million SHGs maintained savings accounts with banks. On an average, the amount of savings per SHG was Rs. 9,405 as compared to the amount of credit of Rs. 65,180 in 2018-19.

Women Empowerment

A set of recent studies has also focused on SHGs in the state of Andhra Pradesh, which accounts for 40 percent of all SHGs in India (Galab and Rao 2003; Aiyar and Narayan, 2007). Various studies conducted by NABARD, National Council of Applied Economic Research (NCAER,2008) and Institute for Social and Economic Change (ISEC) speak in one voice about the paradigm change in the ways rural poor women think and act in the post-SHG phase. SHG members could undertake tasks like traveling alone to the next town or city, going alone to hospitals, handling a certain amount of money, addressing a forum, etc with confidence in post

SHG phase. Andhra Pradesh SHGs- a silent revolution in the empowerment of women in rural areas and have achieved a respectable position in the country overall in the states (Vasudeva, 2004) In behavioral changes, studies found that more than 70% of women respondents reported improvement or even significant enhancement in their ability to face problems. Overall findings indicate that the decision -making capacity of women members with various SHG activities has improved from a pre-SHG situation. SHG members were part of the decision-making process in children’s education, purchase of assets, the marriage of their daughters, etc. Members also reported on changing undesirable habits of their husbands. Recent panchayat elections in Kerala brought to focus the active participation of women from Kudambashree project. In another instance, while revamping the Public Distribution System (PDS), the Chattisgarh Government entrusted PDS outlets to community- based organizations, panchayats and SHGs (NABARD, 2010).

Self-Help Group Bank Linkage Model: In this model SHGs act as a bridge between bankers and the grass root clients. Banks transfer funds to microfinance bodies that are responsible for disbursal and collection. The intermediation cost could be around 6% of the loan amount. A majority of these grassroots level customers have no means to produce ration cards, identity card and even the do know how to fill in the application forms, which are the bare requirements to obtain loans in the normal course of bank lending operations.



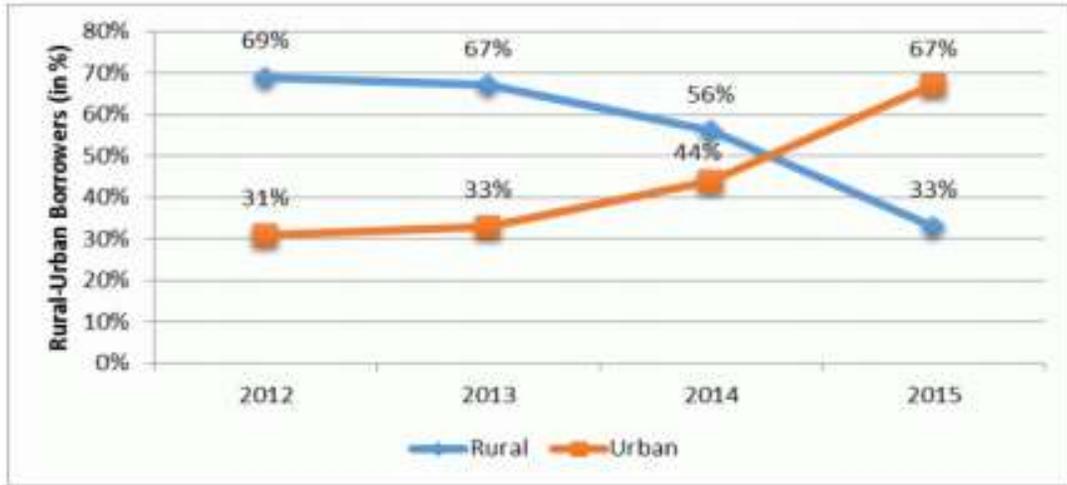
ROLE OF BANKS IN FINANCING THE SHGS:

In promoting SHG movement as a popular vehicle of microfinance in the state the role of banks is laudable. The banks in Andhra Pradesh have played a proactive role in financing SHGs starting financing 35 SHGs with bank loan of Rs. 0.09 crore in 1992-93, the banks have moved a long way in financing SHGs during the year 2008-09 paying loans to the tune of Rs. 6,767.40 crore was extending the benefit to 5.00 lakh SHGs cumulatively. Then 18.61 lakh groups have been credit-linked in the state involving outlay of Rs. 19,461.71 crore by the end of 31 March 2009. Some of the Regional Rural Banks have acted as Self Help Promoting Institutions (SHPI) in the initial phase of SHG-Bank Linkage Programme. The loans provided by the banks in Andhra Pradesh are given in Table-I.7. The formation and nurturing of SHGs and the creating confidence among them will sustain only if they are provided with adequate funds for the chosen economic activities.

S.No	Name of MFI	Gross Loan Portfolio (₹ in crore)
1	Bandhan	9524
2	SKS	4155
3	Janalakshmi	3774
4	SKDRDP	3570
5	Ujjivan	3274
6	Spandana	2665
7	Equitas	2144
8	Satin Creditcare	2141
9	Share Microfin	1603
10	Grameen Koota	1447

According to the Bharat Microfinance Report – 2015, 2014-15 can be described as a watershed year as far as the rural-urban divide in Indian microfinance is concerned. A very interesting trend is seen in the rural-urban focus of MFIs. The share of rural clientele which was 69 % in 2012 decreased to 56 % in 2014 and has drastically come down to 33 %.

The proportion of rural to urban clients for the year 2014-15 is 33% to 67%. For the first time urban clientele has outstripped the rural clientele of MFIs.



The importance of microfinance in the developing countries like India can not be undermined it play a vital role for socio-economic upliftment of poor and low income peoples. Since 1990s, poverty reduction has taken priority at both national and international development levels. Within this framework, various initiatives have been taken by government. Microfinance has caught the attention as an effective tool for poverty reduction and socio- economic development. Hence Microfinance can play a vital role for improving the standard of living of poor. The economic development of any country is severely influenced by the availability of financial services. Microfinance is the form of a broad range of financial services such as deposits, loans, payment services, money transfers, insurance, savings, micro-credit etc. to the poor and low income individuals. A well developed financial system promotes investment opportunities in an economy. Therefore it is necessary that govt. of India have to focus on extending financial services to both rural and urban to ensure sustainable and inclusive growth.

CONCLUSION

Small, homogeneous and participatory Self-Help Groups (SHGs) of the poor have today emerged as a potential tool for human development. Micro Finance provides small loans to the poor as capital through these Self-Help Groups. This small amount is used by the poor to become an entrepreneur and improve their living standards. Self-Help Groups are acting as financial intermediaries in both deposit mobilization and in the loan transactions.

From the above study it can be viewed that SHG's and MFI's are playing a vital role in delivery of microfinance services which leads development of poor and low income people in India. However, slow progress of graduation of SHG members, poor quality of group functioning, dropout of members from groups etc., have also been reported various study findings in different parts of the country, which need to be taken into account while designing the road map for the next phase of the SHG programme.

The Task Force on supportive policy and regulatory Frame work for Microfinance constituted by NABARD defined microfinance as “the provision of thrift , saving, credit and financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improving their standard of living.” Since the SHGs were able to mobilize savings from the poor who were not expected to have any savings and could also recycle effectively the pooled saving among the members, they succeeded in performing banking services to their members may be in a primitive way but in a manner which was cost effective, simple, flexible at the door steps of the members and above all without defaults in repayment by borrowings which is well managed by the poor illiterate women. Women, who number 495.7 million according to 2001 census, represent 48.3% and 933 females per thousand males. It reveals that the decline of women number in total population of the country.

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