



Performance of SHG Bank Linkage Programme in Andhra Pradesh & Telangana States

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ABSTRACT

Micro finance is emerging as a powerful instrument through bank linkage programme for poverty alleviation in the new economy aimed at providing a cost-effective mechanism in granting financial support to the “unreached poor”. Self Help Groups Bank Linkage Program (SHG BLP) in India has been increasingly promoted for their positive economic impact and the belief that they empower women. The SHG BLP movement has to grow from self-employment to employment of some more people in the micro enterprises organised by SHG members and it has been successful in not only meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment

Key Words: Micro Finance, SHG BLP, Micro Credit, Women Empowerment, Rural Poor, Self-Employment, Poverty Alleviation, Economic Growth.

INTRODUCTION

SHG movement has a prominent place in the in the country with 14.66 lakh SHGs. SHGs are small, economically homogeneous affinity groups of rural poor (10-20) members each, voluntarily formed to save and mutually contribute to a common fund to be lent to its members as per the group members’ decision. SHGs can, therefore be called member - run mini – banks. The SHG - Bank Linkage Programme (SBLP) was an outcome of pilot projects during the 1980s for improving access of India’s rural poor to formal institutional financial services. For banks, it was a way of reducing their transaction costs by dealing with groups of people rather than individuals and reducing their risks through ‘peer pressure’ and making people save.

SHG Bank linkage programme launched by NABARD in the year 1992 with the policy thrust of Govt. of India and Reserve Bank of India, as proved that poor are bankable and have high propensity to save if opportunity and motivation are provided to them. This programme is the largest non directed micro savings and micro credit programmes in the developing world. Government of India has adopted the development model based on self help group approach for poverty eradication under the World Bank aided Indira Kranthi Patham project. Looking back SHG banking was an excellent innovation to bridge the gap between rural India and the formal banking system. It was an indigenously developed banking model and emerged as a “disruptive innovation” in rural credit. Being a ‘savings - first, credit later’ model, credit discipline became a norm for SHGs and ‘social collateral’ made them bankable.

NABARD was actively supported by the Reserve Bank of India (RBI), which encouraged banks to link with SHGs permitted informal entities like SHGs to open savings accounts and made the SBLP a mainstream activity under its priority sector lending guidelines. A little over 80% of the SHGs links to banks are exclusive women groups, a distinguishing feature of the microfinance sector in India. Over the past decades the SHGs have empowered rural women especially in South India. SHG banking, which started 1992, has already resulted in setting up of about 7.5 million SHGs so far and more than 90 million households have been link to banks. In the union budget of 1999, the Government of India (GOI) accorded national priority to the SHG movement and in 2011, announced a proposal to create a women’s SHG’s development fund with a corpus of INR 5000 million to empower women and promote their SHGs.

OBJECTIVES

The objectives of the present study are:

- To analyse the number of groups benefited through SHG Bank linkage programme.
- To evaluate Bank wise progress of SHG loan in Andhra Pradesh & Telangana
- To suggest suitable measures to overcome the weakness of SHG Bank linkage.

METHODOLOGY

This study involves analysis of economic impact and social empowerment of women through SHG Bank programme. For this study both primary and secondary data were used to draw the meaningful results. The primary data is collected through personal interview and questionnaires and secondary data is collected from various journals, books, annual reports of various banks, websites etc. The collected data will be tabulated and analysed through percentages, mean correlation etc. Five years data were used for the study to analyse the progress of SHG Bank linkage programme in Andhra Pradesh & Telangana

PROGRESS OF SHG BANK LINKAGE IN ANDHRA PRADESH & TELANGANA

SHGs experience has proved as one of the successful programmes in the country with active participation of the State Government. The following table indicates about the progress of SHG Bank Linkage in Andhra Pradesh & Telangana

Table -1

Progress of SHG Bank Linkage in Andhra Pradesh from 2014-15 to 2018-19

Period	No.of groups financed	Banks loan (Rs. In crores)	Average per group finance (in Rs.lakhs)
2014-15	359276 --	2776 --	69611 --
2015-16	415206 (15.57)	5573 (100.83)	134230 (92.83)
2016-17	500536 (20.55)	6767 (21.42)	135203 (0.72)
2017-18	433015 (-13.49)	6473 (-4.34)	149497 (10.57)
2018-19	367420 (-15.15)	6209 (-4.08)	168994 (13.04)

Source: State focus paper of NABARD, Andhra Pradesh.

Note: Figures in parentheses represent percentages over the preceding year.

The overall progress in both SHGs and Bank loan shows an increasing trend though there were some up and downs as from 2014-15 it is increasing trend up to 2016-17 and after wards it shows a declining trend due to misutilization of loans by leaders of few members of the groups, weakness has crept in the groups, group dynamics are not sound and credit at member level was limited. The average per group finance shows an increasing trend throughout the study period which indicates banks are maintaining equal distribution policy among all the SHG members contrary to the credit needs assessed in the plan.

Especially in the last year of the study period i.e., 2018-19, the banks in Andhra Pradesh have provided loan amounting to Rs.6209 crore to 3.67 lakh SHGs. The average finance per group during 2018-19 works out Rs.1.68 lakh. The following table explains the share of bank credit to SHGs.

Table -2

Share of Bank Credit to SHGs

Agency	No.of groups financed	Amount (Rs. In crores)	Share in total (per cent)
Commercial Banks	268392	4696	75.60
Regional Rural Banks	89870	1360	22.00
Cooperative Banks	9158	153	2.40
Total	367420	6209	100.00

Source: State focus paper of NABARD, Andhra Pradesh.

From the above table, it is to be revealed that the share of bank credit provided to SHGs by Commercial Banks stood at 75.6 per cent whereas the share of Regional Rural Banks was 22 per cent and that of Cooperative banks was 2.4 per cent which indicates Commercial Banks plays a vital role in providing credit to SHGs than the other banks because of its widespread existence all over the country. The bank wise progress of SHG Loan in Andhra Pradesh is shown in the following table.

Table - 3
Bank wise progress of SHG loan in Andhra Pradesh

Period	Commercial Banks	RRBs	Coop. banks
2016-17	140125	94770	70328
2017-18	171477	112196	118546
2018-19	174952	151380	167245

Source : State focus paper of NABARD, Andhra Pradesh.

SHG finance extended by the Commercial Banks had made a quantum jump from Rs. 140125 in 2016-17 to Rs.174952 in the year 2018-19. During the same period, the SHG finance of RRBs has increased Rs.94770 to Rs.151380, while for Cooperative Banks, the same increased Rs.70328 to Rs.167245. The overall performance of banks in financing to SHGs has shown an increasing trend throughout the study period due to The sustained access to finance has enabled the groups to clear old debts, upscale current livelihood activities and improve their economic status as the banks continue to support the programme and SBLP constitutes 20-50% of total loan portfolio of rural branches and formed a significant component of rural banking.

PERFORMANCE OF SHGS

- Functioning of SHGs have revealed that while the groups are able to meet the credit requirements of the members and continue to be group mode over the years, some areas of concern regarding the quality and sustainability exist.
- On the positive front the members of groups for their life general exhibit faith and trust in the groups and would prefer to remain members of groups for their life due to self awareness it has created and the solidarity and social security the group has provided.
- Despite not so strong group dynamics, the groups have been able to provide financial services to the members, demonstrates, the organizational sustainability of the groups.
- The sustained access to finance has enabled the groups to clear old debts, upscale current livelihood activities and improve their economic status as the banks continue to support the programme and SBLP constitutes 20-50% of total loan portfolio of rural branches and formed a significant component of rural banking.

FINDINGS OF THE STUDY

- Further, with no rotation of leadership, dependence of groups on same leader continues to be high and there is no clear understanding of rights and responsibilities of leaders/members.
- There has been misutilisation of loans by leaders of few of the members of the groups.
- The loans are being used for consumption needs and income-generating activities are not taken up.
- Maintenance of records is not proper as they are either not updated are not accurate.
- More credit plans are generally not prepared systematically and sometimes they are very unrealistic. The bank loans are distributed equally amongst the members contrary to the credit needs assessed in the plan.
- Besides there were reports that banks are not extending loans to the full extent of MCPs. The banks have also reported increase in NPAs under the sector.

SUGGESTIONS

- Organize refresher programmes to groups to reinforce the basic tenets and create better awareness and to strengthen group dynamics
- Identity branch officials newly posted to rural branches and organize sensitisation meets.
- Organize activity-oriented training programmes based on the groups choice to initiate the groups into income generating levels.
- To select a few Mandal Samakhya and support livelihood projects based on local resources and skills to promote entrepreneurship and give required confidence to groups to manage the business operations.
- Improve the records maintenance by having a time bound programme

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- To have a monitoring mechanism to identify potential NPAs and follow up to arrest the falling trends in recovery.
 - To have periodical monitoring studies of the programme in different parts of the state to suggest corrective measures to be initiated for sustainability of the programme.
 - Banks and SERP functionaries at the field level need to synergise their efforts that will strengthen the programme and the branch officials should make effective use of tools like of Community Based Recovery Mechanism for sustaining the recovery performance.
 - Stakeholders at State Level should coordinate for building reliable database on SBLP and have an MIS that will serve as an effective monitoring tool.

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