

Review Of Research

ORIGIN AND EVOLUTION OF MICRO-FINANCE THROUGH SHG-BANK LINKAGE PROGRAMME IN INDIA

Abstract:

In India with the inspiration of the Bangladesh Grameen Bank model the microfinance movement was formally launched in 1992 by the National Bank for Agriculture and Rural Development (NABARD) with a pilot project for linking SHGs with banks. After a hesitant beginning, the movement gathered momentum, largely due to the efforts made by NABARD. The main aim of the SHG-Bank Linkage Programme (SBLP) is to tap the potential of the SHG concept to bring banking services to the doorsteps of the poor, especially the women who have been ignored by the formal financial agencies in the past. The main objective of this present study is to examine the origin and evolution of microfinance through SHG bank linkage programme in India based on the secondary data. The study reveals that, eventhough there are up and downs in the growth rates there is a continuous improvement in the number of SHGs, bank linkage and refinance activities taken by the NABARD under SBLP. Commercial Banks have the highest share in SHGs loan disbursed and loans outstanding against SHGs followed by Regional Rural Banks (RRBs) and Co-operatives Banks during 2009-12. Majority of the beneficiaries from the SBLP programme are women. In India, credit was not distributed equally through the SBLP across all the regions. The southern region continuous to occupy the leading position in the programme in terms of its share in credit linked SHGs as well as loan disbursement and outstanding.

KEY WORDS:

Microfinance, SHGs, SBLP, Savings, Loan disbursement and Loan outstanding.



Rajani Manikonda

Guest Faculty, Department of Economics, Acharya Nagarjuna University, Nagarjuna Nagar, Guntur, Andhra Pradesh.



INTRODUCTION

Micro-finance and Self-Help Groups are often used as synonyms but there is a qualitative difference. The former refers to the quantum of credit and the latter to the means of providing small sums of credit to the poor to reduce transaction cost to the lender, and to reduce risks of non-repayment. Defined in another way, micro-finance refers to the financial sector or formal credit organizations that respond to the credit needs of low-income households and SHGs refer to the group approach in channeling micro-finance instead of dealing with individuals by the formal financial organizations. SHGs and microfinance organizations together have a long history. The Task Force on Supportive and Regulatory Framework for Microfinance defined microfinance as the “provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas enabling them to raise their income levels and improve living standards.

Genesis of Micro-Finance and Self-Help Groups

Emergence of micro credit in late 1970s and early 1980s is because of the backdrop of growing world attention on deficiencies of earlier approach in rural finance. The origin of micro-finance could be traced back to the beginning of the co-operative movement in Germany in the middle of 19th century. The movement was started in 1844 in the field of co-operative based credit system by the Raiffeisen societies as well as Rochdale Pioneers in England. Actually in some form or the other, the concept of ‘micro-finance’ always existed in almost each and every society. Over the past few decades several informal and innovative approaches in financing the poor in a sustainable manner have been experimented in many developing countries. The era of organized sector finance in much of South Asia (Bangladesh, India, and Pakistan) is generally acknowledged have been started with the Cooperative Credit Societies Act of 1904. The act’s objectives make it clear that the cooperative movement in South Asia was initiated to reach out to farmers, artisans, and others were excluded by the formal financial system.

The failure of cooperatives to serve this purpose adequately is noteworthy because some seven decades later, in the 1970s, it was still thought necessary to nationalize commercial banks in throughout the region, and the first attempts were made to launch microfinance. In 1976, Muhammad Yunus founded the Grameen Bank (GB) to make loans to poor Bangladeshis. The Grameen Bangladesh System is the basis for the micro-credit and SHG system. In India with the inspiration of the Bangladesh Grameen Bank model the microfinance movement was formally launched in 1992 by the National Bank for Agriculture and Rural Development (NABARD) with a pilot project for linking SHGs with banks. After a hesitant beginning, the movement gathered momentum, largely due to the efforts made by NABARD.

Origin and Evolution of Micro-Finance through Self-Help Groups in India

The Ministry of Rural Development of India is striving to bring about rapid and sustainable development through socio-economic transformation in rural India. It adopts an integrated approach towards improving the quality of life of rural poor and ensuring equity and effective people’s participation. In this approach, Non-Government Organizations, SHGs and Panchayati Raj Institutions have been accorded important role in the rural development. Of these, SHG is a ‘people’s scheme’ and its organization is a significant step towards empowering women (Mittal, 1999).

Microfinance has evolved over the past quarter century across India into various operating forms and to a varying degree of success. One such form of microfinance has been the development of the self-help movement. Based on the concept of “Self-help”, small groups of women have formed into groups of 10-20 and operate a savings- first business model where by the member’s savings are used to fund loans. In India, the SHG movement has become the basis for programs promoting empowerment and overall improvement of the status of women in society. The existence of traditional saving groups has been well documented and has a long and successful history in India. Informal SHGs oriented to saving and credit functions are not a new phenomenon (Desai and Namboodiri, 2001). Some forms of credit instruments were in operation even before 1904 when then co-operative Credit societies Act was passed.

Hence the year 1904, could be considered as the beginning of the micro- finance in India. Credit instruments such as ‘Nidhis’ and ‘Chit Funds’ were popular especially in South India. They had several distinguishing features such as to encourage thrift, mobilize small savings and inculcate in the members the habits of punctuality and planning for future. The useful role played by these instruments in the rural areas as an important source of credit to people with moderate needs was well recognized. Since the SHGs in India are informal groups, their legal status has not been defined. What they initially intended was to bring together people particularly economically weaker sections and to undertake activities of mutual interest. Members of SHGs have no risk taking ability, hardly anything to offer as guarantee against availing loans from formal Rural Finance Institutions (RFIs), and limited earning opportunities. However, thrift, credit and income activities emerged as the major activities of the SHGs. In other words, the SHGs evolved a system for collective savings, group consumption credit as well as integrating social and economic goals among small groups.

The initial growth of SHGs has been in areas where they received support from Non-Governmental Organizations (NGOs). The NGOs supported not only in the formation of SHGs but also in identifying economic activities, imparting training and even financial support in the initial stage. The critical areas in forming the group at the beginning were their size and composition, homogeneity, group

discipline, saving habits, and sustainability. By offering saving services, a financial institution can promote greater customer loyalty and loan repayment discipline, thus reducing the institution's cost of funds for on lending and overall transaction cost (Desai and Mellor, 1993). Subsequently, the SHGs have been linked with banks for saving and credit operations. Bank linkage model is enveloped as a core strategy that could be used by the banking system for increasing its outreach to the poorest of the poor who were hitherto getting bypassed by it (Nanda, 2000). The NGOs of Mysore Resettlement and Development Agency (MYRADA) in Karnataka and Professional Assistance for Development Action (PRADAN) in Rajasthan were the pioneers of discovered the concept of Self-help in 1980s. Development of Women and Children in Rural Areas (DWCRA), organized under Government auspices can also be considered a SHG in the general sense. The launching of DWCRA programme exclusively for women in Andhra Pradesh as a sub-programme of Integrated Rural Development Programme (IRDP) can be considered as an important landmark in the history of women development in India.

Linking SHGs with the Formal System Initiation in India

The SHG movement was formally launched in February, 1992 with the NABARD launching pilot project for linking 500 SHGs with banks in India to encourage thrift and savings amongst the rural poor and to supplement their credit needs through the banking system. The main aim of the SHG-Bank Linkage Programme (SBLP) is to tap the potential of the SHG concept to bring banking services to the doorsteps of the poor, especially the women who have been ignored by the formal financial agencies in the past (Shylendra H. S, 2004). The SHG bank linkage programme registered a significant growth both in terms of coverage and the outreach of credit to the poor in India.

OBJECTIVE OF THE STUDY

The main objective of this study is to examine the origin and evolution of microfinance through SHG-Bank Linkage Programme in India.

METHODOLOGY AND ANALYTICAL TECHNIQUES

Secondary data is used for the analysis of the study. The data collected from the secondary sources of various reports of state of the sector reports and different reports published by NABARD. For the statistical analysis of the data pertaining to the study based on tabular analysis. Percentages and growth rates are used to analyze the data.

GROWTH OF MICROFINANCE THROUGH SHGS IN INDIA

Microfinance services in India have grown under two different models, namely, SHG-Bank Linkage Programme and Micro-Finance Institutions model. The SHG-Bank Linkage Model has emerged as the more dominant model due to its adoption by state-owned formal financial institutions, namely, Commercial Banks (Public Sector and Private Sector), Regional Rural Banks (RRBs) and Co-operative Banks. The MFI-Bank Linkage Model is also gaining importance due to the massive support gets from banking agencies, especially new generation banks in the private sector and foreign funding agencies.

SHG-Bank Linkage Models

The conceptual thinking behind the SHG-Bank Linkage Model of NABARD is to establish synergy between the banks and NGOs to build up their capacity to avail loans from banks and aimed at the economic empowerment of the rural poor by improving their access to the formal credit system through various credit innovations in a cost effective and sustainable manner. Initially in India, SBLP was operational under three delivery models for providing microfinance services as follows:

Model I: The bank itself acts as Self-Help Promoting Institution (SHPI) and forms and nurtures the SHGs

Model II: The NGOs act as SHPIs and banks financed the SHGs directly

Model III: The NGOs act as both SHPI and financial intermediaries between the banks and SHGs

From the year 2006-07, SBLP follows a two models strategy where the focus is on credit linkage to SHG.

The two models are:

Model I: SHG-Bank Linkage Model: SHGs are directly financed by the banks.

Model II: MFI-Bank Linkage Model: Banks lend to MFIs for on lending to SHGs.

Table-1
Model wise distribution of linked SHGs

Year	Model I	Model II	Model III	Cumulative Total
Savings and Credit Linkage				
2001	34,297	2,00,507	29,021	2,63,825
2002	73,836	3,46,109	41,533	4,61,478
2003	1,43,472	5,16,499	57,389	7,17,360
2004	2,15,818	7,76,946	86,327	10,79,091
2005	3,39,876	11,65,288	1,13,292	16,18,456
2006	4,47,713	16,56,538	1,34,314	22,38,565
Credit Linkage				
	Model I (SHG-Bank Linkage Model)		Model II (MFI-Bank Linkage Model)	
2006-07	41,60,584		550	
2007-08	50,09,794		1,109	
2008-09	61,21,147		1,915	
2009-10	69,53,250		1,659	
2010-11	74,61,946		2,315	
2011-12	79,60,349		1,960	

Source: (i) NABARD Fact sheet March 2001- March 2006
(ii) Status of Microfinance in India reports from 2008-2012.

Since 2007-08 onwards banks and NGOs facilitate SHG formation, the reporting of credit linkage of SHGs is under SHG-Bank Linkage Model and MFI- Bank Linkage Model. The details about model wise distribution of linked SHGs are given in the table-1. It revealed that majority of the SHGs were linked under Model II under SBLP up to 2006. It appears that NGOs and other SHPI have helped banks to increase the outreach under SBLP. The overall outreach was growing at rate of 124 per cent per annum during the period from 2001-2006. After 2006, however, it can be seen that majority of the SHGs are linked under Model I where banks linked the SHGs directly. Overall the number of credit linked SHGs increasing at the rate of 15 per cent per annum during 2006-2012.

Evolution of SHG-Bank Linkage Programme in India

Progress of SHG-Bank Linkage Programme in India during the period of two decades from 1992-93 to 2011-12

The SHG-Bank Linkage Programme, in the past eighteen years, has become a well known tool for bankers, developmental agencies and even for corporate houses. SHGs, in many ways, have gone beyond the means of delivering the financial services as a channel and turned out to be focal point for purveying various services to the poor. The programme, over a period, has become the common vehicle in the development process, converging important development programmes. With the small beginning as Pilot Programme launched by NABARD by linking 255 SHGs with banks in 1992, the programme has reached to linking of 69.5 lakh saving-linked SHGs and 48.5 lakh credit-linked SHGs and thus about 9.7 crore households are covered under the programme, envisaging synthesis of formal financial system and informal sector.

The progress of SHG-Bank linkage programme in India and its growth rates during the period 1992-93 to 2011-12 presented in the table-2. In the initial period in 1992-93, the number of SHGs was only 255 linked to banks with Rs. 2.9 million as bank loan from NABARD. It gradually increased to link the number of SHGs touched one million milestones, 1,14,775 SHGs with banks with 192.98 crores during the year 1999-2000. Since then, the expansion of the SHG linkage and loans provided to them by banks increased tremendously at an increased rate. In a span of couple of years, during 2011-12 it had rapidly expanded with linking more than 10 million SHGs with provided by the bank loan of Rs. 84,606 crores and with the refinancing of Rs. 18,479 crores from NABARD.

Table-2 shows that the number of credit linked SHGs have been growing tremendously since 1998-99. It means the number of SHGs increased from 255 to 10112492 during the time period of two decades. While the bank linkages to these SHGs was only Rs. 0.29 crores in 1992-93, it had been increased to Rs 11.84 crores, Rs. 192.98 crores and Rs. 1,026.34 crores in the year 1996-97, 1999-2000 and 2001-02 respectively. Approximately Rs. 4,000 crores was finance to the SHGs in 2003-04 then onwards bank linkages were increased tremendously from nearly Rs. 40,000 crores in 2008-09 to Rs. 84,606 cores in 2011-12. It is observed that the bank linkage has increased from Rs. 0.29 crores to Rs. 84,606 cores during the period of two decades 1992-93 to 2011-12. At the same time from NABARD refinance assistance to SHGs was reported Rs. 0.27 crores in 1992-93 and increased to Rs. 18,479 crores in 2011-12, which indicates considerable financial assistant provided to the SHGs through NABARD SBLP programme.

In the beginning of SBLP programme the average loan per SHG is Rs. 11,373 in 1992-93. The faster growth in Bank loans to SHGs has lead to almost a fivefold increase in average loans per SHG from

Rs. 16,814 in 1999-2000 to Rs. 83,665 in the year 2011-12. As a result of this, there is a rapid growth in the average loan per SHG during the period of two decades 1992-93 to 2011-12. The trends of growth rates over the annual number of SHGs, Bank loan and refinance assistance amount are gradually decreasing when compared to the previous year from 2000-2001. Even though, there are up and downs in the growth rates there is a continuous improvement in the number of SHGs, bank linkage and refinance activities taken by the NABARD under SHG-Bank Linkage Programme.

Table-2
Progress of SHG-Bank Linkage Programme in India during the Period of Two Decades 1992-93 to 2011-12

(Amount Rupees in crore)

Year (31 st March)	Number of SHGs financed by Banks			Bank Loan (Rupees in Crore)			Refinance assistance (Rupees in Crore)		
	Number of SHGs during the year	Growth (in Per cent)	Cumulative No. of SHGs	Amount during the year	Growth (in Per cent)	Cumulative Amount	Amount during the year	Growth (in Per cent)	Cumulative Amount
1992-93	255	----	255	0.29	----	0.29	0.27	----	0.27
1993-94	365	43.1	620	0.36	24.1	0.65	0.19	-29.6	0.46
1994-95	1,502	311.5	2,122	1.79	397.2	2.44	1.67	778.9	2.13
1995-96	2,635	75.4	4,757	3.62	102.2	6.06	3.53	111.4	5.66
1996-97	3,841	45.8	8,598	5.78	59.7	11.84	4.99	41.4	10.65
1997-98	5,719	48.9	14,317	11.92	106.2	23.76	10.74	115.2	21.39
1998-99	18,678	226.6	32,995	33.31	179.4	57.07	30.70	185.8	52.09
1999-00	81,780	337.8	1,14,775	135.91	308.0	192.98	98.04	219.3	150.13
2000-01	1,49,050	82.3	2,63,825	287.89	111.8	480.87	250.61	155.6	400.74
2001-02	1,97,653	32.6	4,61,478	545.47	89.5	1,026.34	395.76	57.9	796.50
2002-03	2,55,882	29.5	7,17,360	1,022.33	87.4	2,048.67	622.30	57.2	1,418.80
2003-04	3,61,731	41.4	10,79,091	1,855.53	81.5	3,904.20	705.40	13.3	2,124.20
2004-05	5,39,365	49.1	16,18,456	2,994.26	61.4	6,898.46	967.80	37.2	3,092.00
2005-06	6,20,109	15.0	22,38,565	4,499.00	50.2	11,397.46	1,067.70	10.3	4,159.70
2006-07	11,05,749	78.3	33,44,314*	6,570.00	46.0	17,967.46	1,292.86	21.1	5,452.56
2007-08	12,27,770	11.0	45,72,084	8,849.26	34.7	26,816.72	1,615.50	25.0	7,068.06
2008-09	16,09,586	31.1	61,81,670	12,253.51	38.5	39,070.23	2,620.03	62.2	9,688.09
2009-10	15,86,822	-1.4	77,68,492	14,453.30	17.9	53,523.53	3,173.56	21.1	12,861.65
2010-11	11,96,000	-24.6	89,64,492	14,547.73	0.6	68,071.26	2,545.36	-19.8	15,407.01
2011-12	11,48,000	-4.0	1,01,12,492	16,534.77	13.7	84,606.03	3,072.59	20.7	18,479.60

Source: i. Status of microfinance in India various reports published by NABARD.
ii. NABARD's different annual Reports.

Note: * From 2006-07 onwards, data in respect of number of SHGs financed by banks and bank loans are inclusive of SHGs financed under the Swarnajayanti Gram Swarozgar Yozana (SGSY) and the existing groups receiving repeat loans. Due to this change, NABARD discontinued compilation of data on cumulative basis from 2006-07. As such data from 2006-07 onwards are not comparable with the data of the previous years.

Current and overall Progress under SHG-Bank linkage programme during 2009-2012 in India

Table-3 represents the progress of SHGs, saving as well as credit linked during the three financial years from 2009 to 2012, separately for all Groups, Groups formed under SGSY and exclusive women groups. Over 103 million rural households have now access to regular savings through 7.96 million SHGs linked to banks under the SHG-Bank linkage programme as at the end of March 2012 (RBI, 2012). About 27 per cent of these SHGs are savings linked through the SGSY programme. Over 79 per cent of SHGs linked to banks are exclusive women groups. There has been a decline in an amount of balance of savings with banks to the extent of 6.7 per cent as compared to the previous year although the number of SHGs saving linked has shown a growth of 6.7 per cent during the year 2011-12. This decline is almost entirely attributable to the SGSY groups where the decline was to an amount of 23.2 per cent followed by the women SHGs has been decline with the extent of 3.7 per cent.

Even though there is an increase of 13.7 per cent in fresh lending to SHGs in 2011-12 over the previous year 2010-11, the steady decline in the number of SHGs being extended fresh loans by banks during 2009-2012 is a matter of concern. The number of SHGs having loans outstanding against them from banks declined by 9 per cent during 2011-12 to Rs. 43.54 lakh as against Rs. 47.87 lakh during 2010-11 even though an amount of loans outstanding increased to Rs. 36,340 crore contribute 16.4 per cent increase over previous year. Partly the decline can be attributed to the continued decline in the number of SHGs being extended fresh loans by banks over the three years.

While the quantum of fresh loans issued to SHGs by banks rose by 13.7 per cent during 2011-12 to Rs. 16,535 crore to Rs. 11.48 lakh SHGs as against Rs. 14,548 crore disbursed to Rs. 11.96 lakh SHGs in 2010-11, the number of SHGs obtaining fresh loans from banks declined by 4 per cent in 2011-12. The number has been declining during the 3 years, though the rate of decline has come down from nearly 24 per cent in 2010-11 to 4 per cent in 2011-12.

Table-3
Overall Progress under SHG-Bank Linkage during 2009-2012 in India
(Amount Rupees in crore/ Numbers in lakh)

Particulars		2009-10		2010-2011		2011-12	
		No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
SHG Savings with Banks as on 31 st March	Total SHGs	69.53	6,198.71	74.62 (7.3)	7,016.30 (13.2)	79.60 (6.7)	6,551.41 (-6.7)
	Of which SGSY Groups	16.94	1,292.62	20.23 (19.4)	1,817.12 (40.6)	21.23 (5.0)	1,395.25 (-23.2)
	Per cent of SGSY \Groups to Total	24.4	20.9	27.1	25.9	26.7	21.3
	All women SHGs	53.10	4,498.66	60.98 (14.8)	5,298.65 (17.8)	62.99 (3.3)	5,104.33 (-3.7)
	Per cent of Women SHGs	76.4	72.6	81.7	75.5	79.1	77.9
Loans Disbursed to SHGs during the year	Total SHGs	15.87	1,445.3	11.96 (-24.6)	14,547.73 (0.01)	11.48 (-4.0)	16,534.77 (13.7)
	Of which SGSY Groups	2.67	2,198.00	2.41 (-9.9)	2,480.37 (12.8)	2.10 (-12.9)	2,643.56 (6.6)
	Per cent of SGSY Groups to Total	16.9	15.2	20.1	17.0	18.3	16.0
	All women SHGs	12.94	12,429.37	10.17 (-21.4)	12,622.33 (1.6)	9.23 (-9.2)	14,132.02 (12.0)
	Per cent of Women SHGs	81.6	86.0	85.0	86.8	80.4	85.5
Loans Outstanding against SHGs as on 31 st March	Total SHGs	48.51	28,038.28	47.87 (-1.3)	31,221.17 (11.4)	43.54 (-9.0)	36,340.00 (16.4)
	Of which SGSY Groups	12.45	6,251.08	12.86 (3.4)	7,829.39 (25.2)	12.16 (-5.4)	8,054.83 (2.9)
	Per cent of SGSY Groups to Total	25.7	22.3	26.9	25.1	27.9	22.2
	No. of all women SHGs linked	38.98	23,030.36	39.84 (2.2)	26,123.75 (13.4)	36.49 (-8.4)	30,465.28 (16.6)
	Per cent of Women SHGs	80.3	82.1	83.2	83.7	83.8	83.8

Note: Figures in parentheses are growth percentages to the previous year.
Source: Status of Microfinance in India 2011-12, NABARD.

Coverage of Women SHGs in India during 2009-2012

The details of total number of women SHGs saving linked, credit linked and loans outstanding during the three financial years from 2009 to 2012 are given in table-4. It reveals that of the total number of saving linked and credit linked SHGs, exclusive women SHGs with banks were 79.1 per cent as on 31 March 2012 and 80.4 per cent during in 2011-12, respectively. Further, the percentage of loans outstanding of exclusive women SHGs to loans outstanding of total SHGs which was 82.1 per cent as on 31 March 2010 has increased to 83.8 per cent as on 31 March 2012. Savings and loan outstanding is increased in terms of both number of SHGs and the percentage of amount from 2009-10 to 2011-2012 but loans disbursed SHGs number and percentage of amount both were declined during the same period.

Table-4
Coverage of Women SHGs in India during 2009-2012
(Amount Rupees in crore/ Numbers in lakh)

Particulars	Year	Total SHGs		Exclusive Women SHGs		Percentage of Women SHGs to total SHGs	
		Number	Amount	Number	Amount	Number	Amount
SHG Savings with Banks as on 31 st March	2009-10	69.53	6,198.71	53.10	4,498.66	76.4	72.6
	2010-11	74.62	7,016.30	60.98	5,298.65	81.7	75.5
	2011-12	79.60	6,551.41	62.99	5,104.33	79.1	77.9
Loans Disbursed to SHGs during the year	2009-10	15.87	14,453.30	12.94	12,429.37	81.6	86.0
	2010-11	11.96	14,547.73	10.17	12,622.33	85.0	86.8
	2011-12	11.48	16,534.77	9.23	14,132.02	80.4	85.5
Loans Outstanding against SHGs as on 31 st March	2009-10	48.51	28,038.28	38.98	23,030.36	80.3	82.1
	2010-11	47.87	31,221.17	39.84	26,123.75	83.2	83.7
	2011-12	43.54	36,340.00	36.49	30,465.28	83.8	83.8

Source: Compiling the reports of Status of Microfinance in India 2009-10, 2010-11, 2011-12 published by NABARD. Available at www.nabard.org.

Agency wise SHG Bank Linkage in India during 2009-2012

The agency-wise distribution of disbursed and outstanding loans to SHGs during the years 2009-2010 to 2011-12 were reported in table-5. At the all India level, there are mainly three types of financial institutions are Commercial Banks, Regional Rural Banks and Cooperative Banks involved in extending financial assistance to SHG bank linkage programme. In terms of relative shares of these agencies, Commercial Banks have the highest share in SHGs loan disbursed and loans outstanding against SHGs followed by Regional Rural Banks (RRBs) and Co-operatives Banks during 2009-12. While Commercial Banks share in fresh lending to SHGs is 60 per cent whereas RRBs accounted for 29.7 per cent and cooperative Bank's share is only 10 per cent of the fresh loans issued during 2011-12. This is suggestive of cautious attitude of the Commercial Banks in lending for SHGs as compared to RRBs. Among the agencies, Commercial Banks had an average outstanding loan of Rs. 1,00,000 per SHG while RRBs had Rs. 0.67 lakh and Cooperative Banks Rs. 0.43 lakh during 2011-12.

In terms of loan disbursed amount per SHG and loan outstanding against per SHG amount also Commercial Banks have the major share followed by RRBs and Co-operatives Banks during the three financial years from 2009 to 2012. Among the financing banks, Commercial Banks and RRBs extended loan of Rs. 1.65 lakh on an average per SHG while cooperative Banks lent Rs. 0.65 lakh only per SHG in 2011-12. By the end of March 2012, 52.3 per cent of SHGs get 60.1 per cent fresh loans by commercial banks, 26.6 per cent SHGs get 30.4 per cent fresh loans by RRBs and 21.1 per cent SHGs get 9.5 per cent fresh loans by co-operative banks respectively. Similarly, 60.1 per cent of SHGs get 71 per cent outstanding loans by Commercial Banks, 29.7 per cent SHGs get 23.7 per cent outstanding loans by RRBs and 10.2 per cent SHGs get 5.3 per cent outstanding loans by Co-operative banks.

Table-5
Agency-wise Distribution of Disbursed and Outstanding Bank Loans to SHGs in India
(Amount Rupees in crore)

Agency	Year	Total Loans Disbursed by Banks to SHGs during the year			Total Outstanding Bank Loans against SHGs as on 31 st March in each year		
		No. of SHGs	Amount of Loan Disbursed (Rupees in Crore)	Per SHG Loan Disbursed (Rupees)	No. of SHGs	Amount of Loan Outstanding (Rupees in Crore)	Per SHG Loan Outstanding (Rupees)
Commercial Banks	2009-10	9,77,521 (61.6)	9,780.19 (67.7)	1,00,051	32,37,263 (66.7)	20,164.71 (71.9)	62,289
	2010-11	6,69,741 (56.0)	9,724.55 (66.8)	1,45,199	30,53,472 (63.8)	21,883.26 (70.1)	71,667
	2011-12	6,00,807 (52.3)	9,942.04 (60.1)	1,65,478	26,17,199 (60.1)	2,5810.29 (71.0)	98,618
Regional Rural Banks	2009-10	3,76,797 (23.7)	3,333.20 (23.1)	88,461	11,03,980 (22.8)	6,144.58 (21.9)	55,658
	2010-11	2,96,773 (24.8)	3,197.62 (22.0)	1,07,746	12,81,493 (26.8)	7,430.05 (23.8)	57,980
	2011-12	3,04,809 (26.6)	5,026.05 (30.4)	1,64,892	12,93,809 (29.7)	8,613.58 (23.7)	66,575
Cooperative Banks	2009-10	2,32,504 (14.7)	1,339.92 (9.3)	57,630	5,10,113 (10.5)	1,728.99 (6.2)	33,894
	2010-11	2,29,620 (19.2)	1,625.56 (11.2)	70,794	4,51,798 (9.4)	1,907.86 (6.1)	42,228
	2011-12	2,42,262 (21.1)	1,566.67 (9.5)	64,669	4,43,434 (10.2)	1,916.14 (5.3)	43,211
Total	2009-10	15,86,822 (100.0)	14,453.30 (100.0)	91,083	48,51,356 (100.0)	28,038.28 (100.0)	57,795
	2010-11	11,96,134 (100.0)	14,547.73 (100.0)	1,21,623	47,86,763 (100.0)	31,221.17 (100.0)	65,224
	2011-12	11,47,878 (100.0)	16,534.77 (100.0)	1,44,046	43,54,442 (100.0)	36,340.00 (100.0)	83,455

Note: Figures in parentheses are percentages to total.

Source: Compiling the reports of Status of Microfinance in India 2009-10, 2010-11, 2011-12 published by NABARD.

During 2011-12, there was decline in percentage of share in loan disbursed amount 60.1 per cent from 67.7 per cent and as well as decline in the loan outstanding amount 71 per cent from 71.9 per cent of commercial banks due to decline in percentage share in loan disbursed to number of SHGs 52.3 per cent from 61.6 per cent and decline in loan outstanding to number of SHGs 60.7 per cent from 66.7 per cent finance under Commercial banks over the year 2009-2010. Consequently, there is an increase in the share in

the above areas during 2011-12 over the year 2009-2010 under RRBs.

Regional Disparities in SHG-Bank Linkage Programme in India

In spite of the significant progress, regionally there is a wide disparity both in terms of the spread of SHGs linked to banks and bank loans disbursed under the SBLP programme in India. From its beginning, the programme has had major success in the Southern region, while its performance has been very poor in the other regions, particularly in the northern, north-eastern, central and western regions. The southern region continuous to occupy the leading position in the programme in terms of its share in credit linked SHGs as well as loan disbursement and outstanding.

Table-6 shows that in the case of loan amount disbursed, while the southern region accounted for 61.4 per cent (7,05,419 SHGs) of the total SHGs and 76.6 per cent (Rs. 12,661.76 crores) of the total loan disbursed with per SHG loan of Rs. 1,79,493 in 2011-12, the share of the north-eastern region was 4.4 per cent (51,003 SHGs) of the total SHGs and 2.7 per cent (Rs. 451.29 crores) of the total loans disbursed to SHGs with per SHG loan of Rs. 88,483. Northern region accounted only for 2.7 per cent (30,751 SHGs) of the total SHGs and 2 per cent (Rs. 335.43 crores) of the total loans disbursed to SHGs with per SHG loan of Rs. 1,09,080 in the year 2011-12. The average size of fresh loans extended ranged from Rs. 1.79 lakh per SHG in the Southern region it is increased from Rs. 1.5 lakh in 2010-11 and Rs. 0.75 lakh in the western region in 2011-12, the lowest average is Rs. 0.65 lakh for eastern region in 2010-11. The average loan size across the regions is Rs. 1.44 lakh per SHG. Considering that on an average loan issued works out to Rs. 14,000 per member in 2011-12 and it is only Rs. 9,100 in 2009-2010.

Similarly in the case of outstanding amount disbursed, while the share of the southern region was 54.1 per cent (23,55,732 SHGs) of the total SHGs and 69.9 per cent (Rs. 25,394.59 crores) of the total loan outstanding with per SHG loan of Rs. 1,07,799 as on 31 March 2012, the north-eastern region accounted for 3.7 per cent (1,59,416 SHGs) of the SHGs and 2.7 per cent (Rs. 993.27 crores) of the total outstanding loans with per SHG loan of Rs. 62,307. The northern region accounted for 4.9 per cent (2,12,041 SHGs) of the SHGs and 3.2 per cent (Rs. 1,178.28 crores) of the outstanding loans, with per SHG loan of Rs. 55,568 as on 31st March 2012. The shares of the remaining regions in SHGs and total disbursed and outstanding loans are also very low. Average amount of loan outstanding ranged from Rs. 47,000 per SHG in eastern and western region to Rs. 1.08 lakh in the southern region as on 31st March 2012. The average loan outstanding across the regions works out to Rs. 0.83 lakh per SHG. It appears that the inter-regional disparity in bank loans to SHGs has been wider than that in the number of SHGs. While all the regions excluding the southern region accounted for 38.5 per cent of the SHGs, their share in total disbursed loans to SHGs was only 23.4 per cent in 2011-12. Similarly, while their share of the total SHGs linked to banks was 45.9 per cent, they accounted for only 30.1 per cent of the total outstanding loans against SHGs in March 2012. The average disbursed and outstanding loan per SHG was much higher in the southern region compared to the other regions from the three years of 2009-2012. This indicates that credit was not distributed equally through the SBLP across all the regions.

Table-6
Region-wise Progress of SHG-Bank Linkage Programme in India
(Amount Rupees in crore)

Region	Year	Bank Loans Disbursed to SHGs during the year			Bank Loans outstanding against SHGs as on 31 March in each year		
		No. of SHGs	Amount of Loan Disbursed (Rupees Crore)	Loan Disbursed Per SHG (Rupees)	No. of SHGs	Amount of Loan Outstanding (Rupees Crore)	Loan Outstanding Per SHG (Rupees)
Northern Region	2009-10	37,375 (2.4)	306.33 (2.1)	81,962	1,52,491 (3.1)	815.13 (2.9)	53,455
	2010-11	42,493 (3.5)	377.52 (2.6)	88,843	1,49,108 (3.1)	903.14 (2.89)	60,570
	2011-12	30,751 (2.7)	335.43 (2.0)	1,09,080	2,12,041 (4.9)	1,178.28 (3.2)	55,568
North Eastern Region	2009-10	49,307 (3.1)	287.17 (2.0)	58,241	1,33,785 (2.8)	673.48 (2.4)	50,340
	2010-11	39,307 (3.3)	320.96 (2.2)	81,654	1,50,021 (3.1)	695.25 (2.2)	46,344
	2011-12	51,003 (4.4)	451.29 (2.7)	88,483	1,59,416 (3.7)	993.27 (2.7)	62,307
Eastern Region	2009-10	2,77,446 (17.5)	1,540.19 (10.7)	55,513	10,27,570 (21.2)	3,694.91 (13.18)	35,958
	2010-11	2,47,624 (20.7)	1,619.50 (11.1)	65,402	11,05,533 (23.1)	4,202.55 (13.5)	38,014
	2011-12	2,01,201 (17.5)	1,624.06 (9.8)	80,718	9,85,329 (22.6)	4,629.80 (12.7)	46,987

Central Region	2009-10	77,846 (4.9)	632.10 (4.37)	81,199	4,97,922 (10.3)	2,462.40 (8.8)	49,453
	2010-11	48,734 (4.1)	607.55 (4.18)	1,24,667	3,58,872 (7.5)	2,365.40 (7.6)	65,912
	2011-12	58,460 (5.1)	709.37 (4.3)	1,21,343	3,52,452 (8.1)	2,780.29 (7.6)	78,884
Western Region	2009-10	1,49,130 (9.4)	646.98 (4.5)	43,383	4,57,476 (9.4)	1,369.48 (4.9)	29,936
	2010-11	91,954 (7.7)	625.91 (4.3)	68,068	3,16,821 (6.6)	1,246.23 (4.0)	39,335
	2011-12	1,01,044 (8.8)	752.86 (4.5)	74,508	2,89,472 (6.6)	1,363.78 (3.7)	47,113
Southern Region	2009-10	9,95,718 (62.7)	11,040.54 (76.4)	1,10,880	25,82,112 (53.2)	19,022.88 (67.8)	73,672
	2010-11	7,26,022 (60.7)	10,996.29 (75.6)	1,51,459	27,06,408 (56.5)	21,808.59 (69.8)	80,581
	2011-12	7,05,419 (61.4)	12,661.76 (76.6)	1,79,493	23,55,732 (54.1)	25,394.59 (69.9)	1,07,799
All India (Total)	2009-10	15,86,822 (100.0)	14,453.30 (100.0)	91,083	48,51,356 (100.0)	28,038.28 (100.0)	57,795
	2010-11	11,96,134 (100.0)	14,547.73 (100.0)	1,21,623	47,86,763 (100.0)	31,221.17 (100.0)	65,224
	2011-12	11,47,878 (100.0)	16,534.77 (100.0)	1,44,046	43,54,442 (100.0)	36,340.00 (100.0)	83,455

Note: Figures in parentheses are percentages to total.

Source: Compiling the reports of Status of Microfinance in India 2009-10, 2010-11, 2011-12 published by NABARD. Available at www.nabard.org.

CONCLUSION

The study concluded that, eventhough there are up and downs in the growth rates there is a continuous improvement in the number of SHGs, bank linkage and refinance activities taken by the NABARD under SBLP. Commercial Banks have the highest share in SHGs loan disbursed and loans outstanding against SHGs followed by Regional Rural Banks (RRBs) and Co-operatives Banks during 2009-12. Majority of the beneficiaries from the SBLP programme are women. In India, credit was not distributed equally through the SBLP across all the regions. The southern region continuous to occupy the leading position in the programme in terms of its share in credit linked SHGs as well as loan disbursement and outstanding.

REFERENCES

- 1.Desai B M and J W Mellor (1993), "Institutional Finance for Agricultural Development: An Analytical Survey of Critical Issues", Food Policy Review 1, International Food Policy Research Institute, Washington, D.C., U.S.A.
- 2.Desai B M and N V Namboodiri (2001), "Organization and Management of Rural Financial Sector: Text, Cases and Exercises", Oxford and IBH Publishing Company Pvt. Ltd., New Delhi.
- 3.Mittal S (1999), "SHGs and Micro Credit: Grassroots Finance in Tamil Nadu", Social Welfare, Vol.45, pp 23-24.
- 4.NABARD (1998), "NABARD Annual Report 1998", NABARD, Mumbai.
- 5.NABARD (2010), "Status of Micro Finance in India 2009-2010 Report", NABARD, Mumbai.
- 6.NABARD (2011), "Status of Micro Finance in India 2010-11 Report", NABARD, Mumbai. P.no.xii.
- 7.NABARD (2012), "NABARD Annual Report 2011-2012", NABARD, Mumbai. Pp.62-63.
- 8.NABARD (2012), "Status of Micro Finance in India 2011-12 Report", NABARD, Mumbai. Pp. 13-14.
- 9.Nanda Y C (2000), "Role of Banks in Rural Development in the New Millennium", National Bank for Agriculture and Rural Development, Mumbai.
- 10.Shylendra H S (2004), "The SHG-Bank Linkage Programme: An Assessment and Future Strategies", Journal of Rural Development, NIRD, Hyderabad, Vol.23, No.4, Pp. 411-433.
- 11.www.nabard.org.