

PERFORMANCE OF SELF HELP GROUP-BANK LINKAGE PROGRAMME (SBLP) IN INDIA – AN ANALYTICAL STUDY

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Abstract:

Self-Help Groups (SHGs) are the thrift and credit groups formed informal way whose members pool savings and relend within the group on rotational or needs basis. These groups have operated on co-operative principles and do collective actions. They succeeded in performing/providing banking services to their members door steps without any defaults. They are formed for addressing their common problems. They make regular savings habit and use the pooled savings for the benefit of their members through a structured process of essential financial intermediation like prioritization of needs, setting self-determined terms for repayment and keeping records. It builds financial discipline and credit history that then encourages banks to lend to them in certain multiples of their own savings and without any demand for collateral security.

The present study is based on secondary data source and considered as the powerful instrument for women empowerment and eradication of poverty. The SBLP has made an adventure in the economy by transforming the formal banking services to rural poor and needy people particularly women group. The study is concluded with remarkable findings and suggestion found during the review of earlier studies.

KEYWORDS:

Empowerment, India, NABARD, Poverty, Women

INTRODUCTION

Indian banking system reaching the poorest people, whose credit requirements are very small, frequent and unpredictable, was found to be crucial. The emphasis was on providing credit rather than financial products and services including savings, insurance etc to them in order to meet their needy requirements. Therefore, the need felt for alternative policies, systems and procedures, savings and loan products and other complementary services and new delivery mechanisms which would fulfill the requirements of the Indian poorest.

Micro Finance services have diversified over time into micro savings, micro insurance and several non-financial services. Thus, over years, an ongoing process of experimentation and innovation undertaken by Micro Finance Institutions (MFIs) has become vague at the edge which results in a spectrum represented by SHG models. As a result of launching of Self Help Group-Bank Linkage Programme (SBLP) in February, 1992 by the National Bank for Agriculture and Rural Development (NABARD) in India to link

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the Self Help Groups (SHGs) with formal banking system. During the period itself the financial sector has been witnessed to market oriented reforms where the focus was enhanced on the efficiency and profitability of banking system that has allegedly got neglected on account of the objective of social banking in the earlier decades. It widens the rich and poor divide in availing institutional borrowings. In the rural areas 70% of the borrowers are the richest households and 18% by the poorest households. Indeed, in the era of financial liberalization, the pursuit of financial inclusion appears to be an arduous task but the country cannot afford to have an elite minority enjoying services offered by banks and a large unorganized majority in the cash and barter mode.

REVIEW OF LITERATURE

The Self Help Groups (SHGs) are created small and homogeneous groups to reap economic benefits for members out of mutual savings, solidarity and joint responsibility through peer monitoring. The main advantage to banks of their links with the SHGs are the externalization of a part of work items of credit cycle such as assessment of credit needs, appraisals, disbursement supervision and repayment, reduction in the formal paper work and transaction costs.

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According to the Planning Commission of India, a Self-Help Group (SHG) is:

- (i) a self-governed, peer-controlled, small and informal association of the poor, with an average size of 15/20 people, usually from socio-economically homogeneous families, organized around savings and credit activities.
- (ii) members of the SHGs meet weekly or monthly to discuss their common problems and share information to arrive at a solution.
- (iii) group members make efforts to rectify their economic and social problems through mutual assistance and encouraged to make voluntary monetary contributions on a regular basis.

OBJECTIVES OF THE STUDY

The following objectives have been set for the present study:

1. To study the importance of SHG Bank Linkage in the present context.
2. To know the performance of SBLP in rural areas.
3. To analyze the SBLP towards women empowerment and poverty alleviation.

Methodology of the Study

The present study is based on secondary data source collected from several issues and papers published on SBLP and those are evaluated in an analytical manner in order to satisfy the predetermined objectives and research based questions. The study is concentrated to rural areas particularly for the agriculture women groups and finds the ways for their socio-economic empowerment and poverty reduction.

Origin and History Bank Linkages – At Glance

An experience, at the first, is gained from Bangladesh. Prof. Muhammed Yunus, Professor of Economics at Chitgaon University of Bangladesh, was an initiator of an action research project 'Grameen Bank'. The project was started in 1976 and later this was recognized as a formal bank by the Government of Bangladesh. It gets status of Schedule Bank (SB) in 1986 and starts lending to landless poor particularly women to promote them for self employment. At the end of December 2001, it had a membership of 23.78

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lakhs and cumulative micro credit disbursements of 14.65 crores in the country. The Bangladesh Rural Advancement Committee (BRAC), the Association for Social Advancement (ASA) and PROSHIKA are the other micro finance giants operating for over two decades. The BRAC is the largest Non-Governmental Organisation (NGO) addressed the issues of poverty alleviation and empowerment of poor especially women in the rural areas of the country. It has spread its functions in the fields of literacy, legal education and human rights, health, nutrition and other supportive services.

India is a country for rural, poor, youth, poverty and unemployment also move forwarded to adopt the success of Bangladesh's modified model in its economy. It has well understood that the micro finance is the powerful instrument to alleviate vicious poverty circle and to empower the women. With this intension in the country, the SHGs and credit management groups are started and the journey of SHG is started to the liberalized and globalised economy.

In India, banks are considered as the predominant agency for delivery of micro credit. In 1970s, Mr. Ilaben Bhat, Founder Member of Self Employed Women's Association (SEWA), Ahmadabad had developed a concept of Women and Micro Finance. The Annapurna Mahila Mandal in Maharashtra and Working Women's Forum in Tamil Nadu and many NABARD sponsored groups has followed the path of SEWA. Since 1987, Mysore Resettlement and Development Agency (MYRAD) have promoted Credit Management Groups (CMGs) which are similar to SHGs with an aim to bestow social empowerment of women.

In 1991-92, the NABARD started promoting SHGs in a large scale and it was the real take-off point for the SHG movement in India. With an addition to this, in 1993, the Reserve Bank of India (RBI) allowed SHGs to open saving accounts in banks and avail the banking services and it was the major boost to the movement. Now, nearly, 560 banks including Nationalised Banks (NBs), Scheduled Banks (SBs), Regional Rural Banks (RRBs) and the Government institutions like District Rural Development Agency (DRDA), local elected bodies and more than 3024 NGOs are collectively and actively involved in the promotion of SHGs towards booming economy.

Issues and Challenges for Members Prosperity and Growth of SBLP – An Analysis

In India, SHGs represents a unique approach to financial intermediation. The approach combines access to low-cost financial services with a process of self management and development for the women. SHGs are formed and supported, usually, by NGOs or Government Agencies. Linking the SHGs not only banks but also for wider development programmes. SHGs are seen to confer many benefits both economic and social and enable women to grow their savings and to access the credit along with formal banking services, active in village affairs, social campaigns, stand for local body elections, address social or community issues.

This pattern has now shifted with greater involvement of Government agencies in promotion of SHGs though it has also become less clear-cut with Government agencies taking over NGOs and banks often promoting through local NGOs. There are several instances of experiments made a positive impact on the income and employment situation of poor. Women from different social and economic levels are joining to SHGs. However, the barriers to entry for the poor are high not only do they have lower income but their incomes are usually more variable. To reduce these barriers for the poor means allowing varying deposit amounts and frequency perhaps with a specified annual minimum principles them to access credit and repayments again within specified norms.

Some of the issues and challenges are enlisted in below paragraphs:

- 1.Livelihood Promotion: The basic problem in the rural poor is low level of standard of living especially in developing countries like India. After the intervention of SBLP, the standard of living of the rural poor has been increased and they can also get nutritious food for their lives.
- 2.Monitoring System: Under SBLP, the keen monitoring has been set up like involvement of bank officials, NGOs, Municipal Corporation, etc. to strengthen and make more strong the SBLP system. This resulted into the effective utilization of economic resources for the beneficial activities.
- 3.Capacity Building: Under bank linkages, both the SHG members and bank officials have to undergone with the capacity building process organized by the Government and the NABARD. It makes more efficient in operation and management of the system.
- 4.Low Rate Bank Loans: Under the SBLP, the intension is to provide the formal financial services to the rural poor at a affordable rate of interest. Simultaneously, with the involvement of the NABARD and the RBI this objective has been achieved and resulted into many families become economically strong to access the modern services.

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5. Micro Insurance Products: After succession in the micro savings and micro credit, the system laid the foundation for micro insurance products. As the time passes and with the social requirement, the system introduced the micro insurance scheme to the members of SHGs for their beneficiary.

6. Emergence of Federations: Some of the matured and urban based SHGs have made some federations to get maximum benefits from the Government as well as financial institutions. Similarly, the NGOs and other institutions are putting efforts to form the federations involving rural and very poor SHGs.

7. Technology for Financial Inclusion: Due to the awareness of formal banking services among the members, the technological financial innovations are laid the foundation to make financial inclusion among the SHGs families. This resulted in bringing of members into the mainstream.

8. Functioning: The SHGs are functioning with new looks like they have inculcated time management and heavy practice of cooperative principles etc made the healthier competition in the economy.

9. Sustainability: The SHGs are formed not only for a purpose or achieving any specified objectives. Therefore, they are established to sustain in the society for a long run in order to get maximum benefits for the empowerment and self reliance.

FINDINGS AND SUGGESTIONS

During the review of various earlier studies, the following highlights or observations have been found majorly and drawn some suggestion on them.

1. It is found that the many have covered under the category of illiterate background. The access of SHG information and Government schemes has accounted very less due to the lack of education they have failed to aware and gather the information independently. The study has recommended to the SHG members and other authorities that they have to come front in educating them like Micro Finance Institutions (MFIs) doing at the time of sanctioning the loans. It is possible by policy measures like compulsory education and lending through evening learning centers located at villages.

2. The studies have found that many SHG members are from house wives and daily agriculture labourers. Hence, the level of income and empowerment among them is very low. Through the SHGs instruments, they empowerment can be uplifted at most.

3. Many of the studies have reported that the members prefer to raise the loans from the group for their family and agriculture purposes. In this the SHGs are surviving the society through its co-operative principle "One for All and All for One". Similarly, the members are started internal lending in the group towards meeting their individual shortlisted demands easily.

4. The earlier studies accounted that the meetings in the groups are conducted at very negligible manner and most of the members do not have active in the group. This may be a cause of vital role of group representative and illiteracy. The main aim of SHG is to become very serious about meetings and time management.

5. The studies also found that many SHG members are failed in becoming successful entrepreneurs due to primary occupation and lack of training and awareness in undertaking the entrepreneurial activities in the group.

6. Most of the members do not have much awareness regarding the NABARD timely guidance and Government sponsored schemes. This lead for under development of leadership qualities and trained members taking repeated for any schemes.

7. In the rural and village clusters, many of the SHG members do not involve in the social campaigns and awareness fairs due to unaware of the SHG principles and family restriction.

8. The Government and local bodies should organize the orientation and workshop programmes for SHGs in order to make them most open taps for society.

9. Many of the reports have suggested in maintaining the clusters at village and taluka wise in order to gain topmost benefits from the Government.

10. The members should addict to the SHGs regulation and they have to share each and every problems in the group and take a chance to solve them along with their self-esteem objective.

CONCLUSION

We have stated in this study that the SHGs are the powerful instruments in eradicating the poverty and generating employment for rural poor particularly for women group. Until unless the effective operation and utilization of benefits no one instrument will be the powerful. But it is possible long run commitment to the activities.

Figure-1: Self Help Group

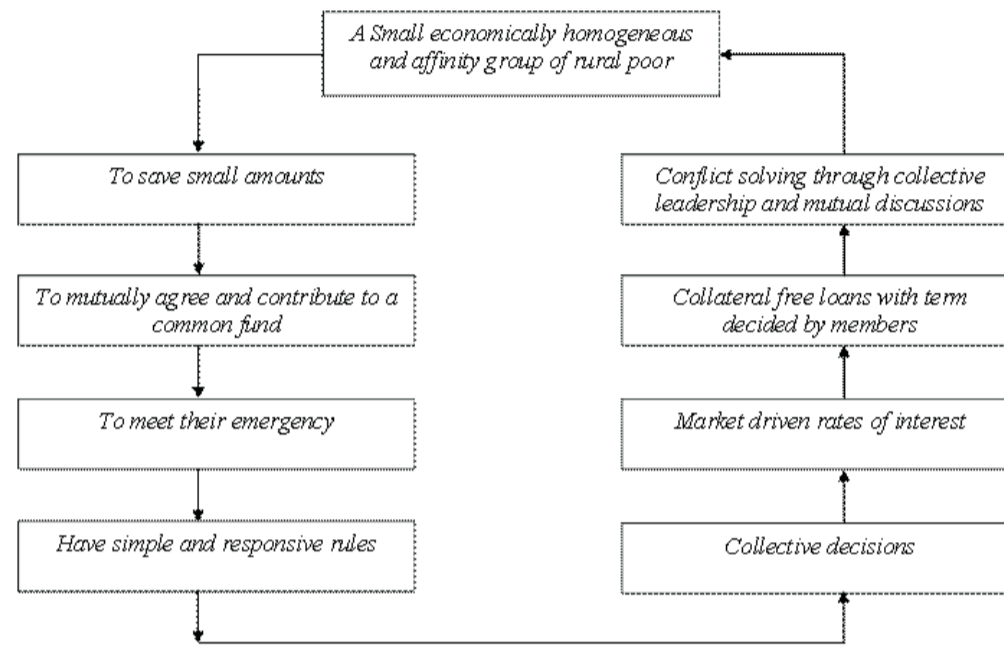


Figure-2: Approach for SBLP Succession

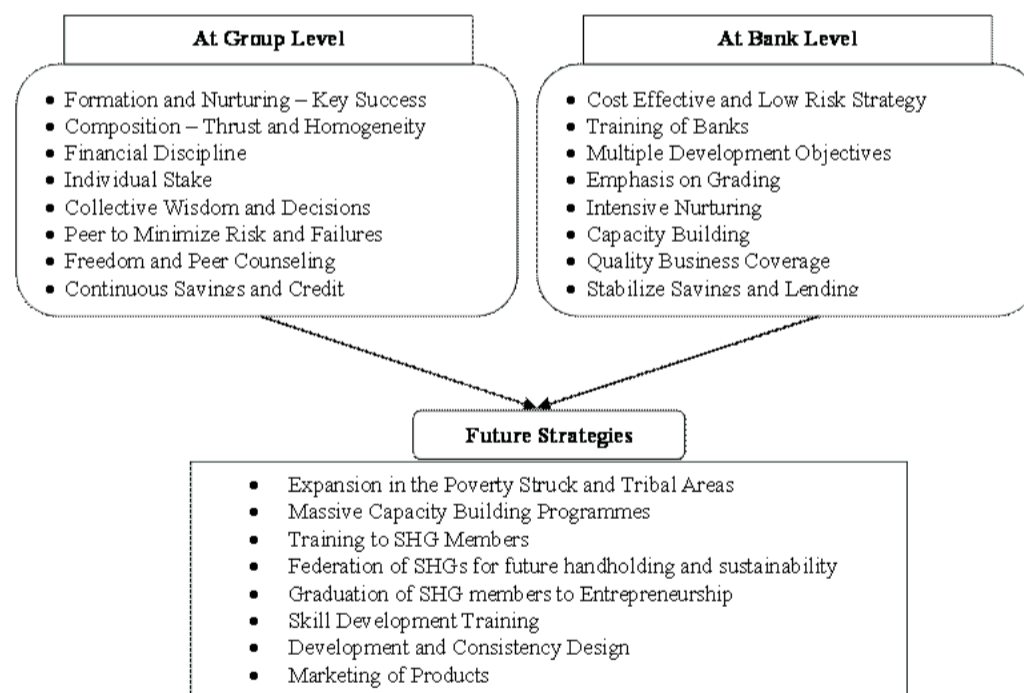
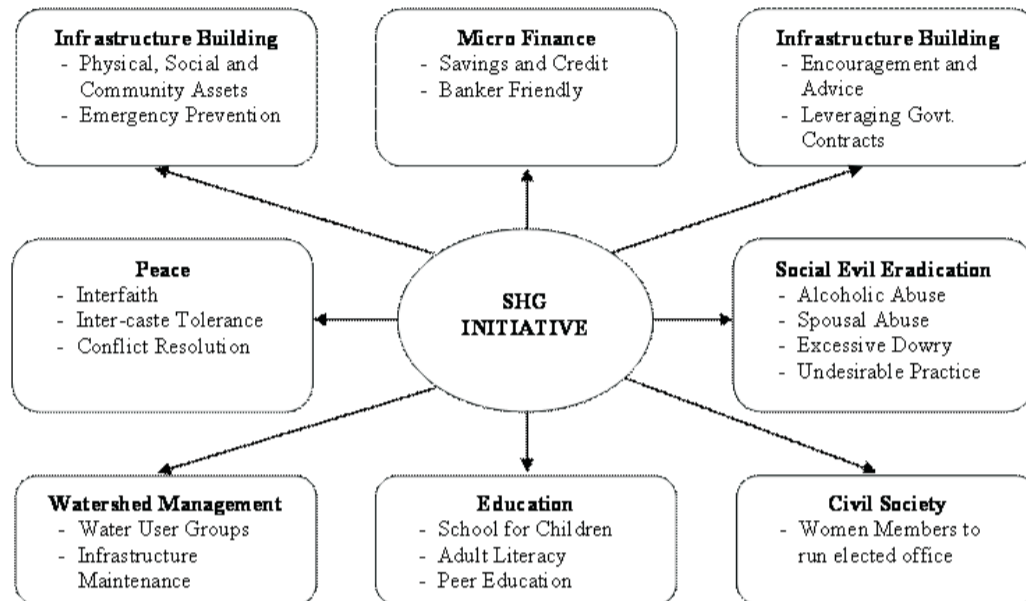


Figure-3: Impact of SHGs on Environment
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