

## **GROWTH OF SHG-BANK LINKAGE PROGRAMME (2011-2021): A COMPARATIVE PERFORMANCE STUDY OF SIX REGIONS OF INDIA.**

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### **Abstract**

In India SHG-Bank Linkage is headed by National Bank for Agriculture and Rural Development (NABARD), with the aim of enabling access of financial resources to the poorest of the poor so as to increase the household income as well as sustainable livelihood. Since its inception Self-help group has been performing commendable job in the area of rural development and women empowerment. Study is associated with a purpose to explore the penetration and growth trend of SHGBLK programme among six regions from 2011 to 2021 in India. The two objectives of the study are to judge performance of SHG programme on the basis of its geographical extensions and to study the growth of Non-performance Assets (NPA) level in SHG loan with banks. Result indicated a significant relationship between saving per SHG, credit distribution per SHG and outstanding loan per SHG. As the difference between outstanding per SHG and loan dispersion per SHG increases, NPA level per SHG with banks also increases. Study also found SHG programme are enjoying success with well-off states such as Southern states, while some states like Central and Northern-Eastern regions are still struggling. Immediate intervention is required to control the increasing level of NPA in these regions.

Keywords: SHG, SBLK, NABARD, NPA, Loan Outstanding, Saving, Credit

### **Introduction**

Active involvement of informal sector has contributed to make microfinance unique in India which provides essential financial assistance to the deprived people by making relationship with informal institutions as clients. A programme self-help group (SHG) was initiated by National Bank for Agriculture and Rural Development to assist the deprived people by providing microcredit and to develop the habits of small saving among them<sup>1</sup>. These SHGs are being supported by formal financial institutions. SHGs schemes not only work as a mechanism of financial intermediation but it is unique process of socio-economic engineering (Kropp and Suran 2020). Each member of SHG has equal right to participate in decision making and to decide further course of action in order to achieve the group objective (Kantikar 2002, Tiwari and Fahad 2004). SHGs have been providing financial assistance since a long time simultaneously they have performed active role for women empowerment and other development mission like education, health and to access basic amenities.

From beginning to present day, SHGs programme has achieved various milestones in its journey (NIRDPR 2019). With the help of different financial players, it has created various livelihood opportunities for poor. Further SHGs has made efforts to empower poor people. Several SHG women member has now become self-dependent, confident and also has entered in the field of entrepreneurship. This leads to improve their socio-economic growth<sup>2</sup>. Now SHGs have their

own huge network. Government and other financial institutions are providing financial support to these groups on the large scale. However, with the enlargement of SHGs movement in different part of the country it is being noticed that some concerns have been entered in the picture. SHGs have been struggling with two major problems regional disparity and increase in the share of Non-Performing Assets (NPA) in credit with bank

This research paper is made to review the performance of SHG programme for ten years. Here we have two main and concerns: first the growth of SHG in different part of the country; second is growth in the amount of Non-Performing Assets (NPA) with banks against SHG loan in different region of country. It provides a summary of performance of SHG that had started its journey from a village to a vast network of rural financial structure of banks. Furthermore, the paper also attempts to find out significant factors for increase in NPA as well as overview of policy implication in India.

### **History**

After independence, government had biggest challenge to access financial assistance for the welfare of country. Government has occasionally initiated various projects to reach the needy and poor people basically residing in rural areas. To complete this task a huge network of rural cooperative banks was established in 1950. In 1969 Government had started campaign to nationalise the commercial banks and various branches of banks were opened across the country to access easy credit facility to the rural people. During 1980 government had introduced subsidised credit programme but that was not successful. Because banks had to face challenges to avail credit in tiny denomination to individual borrowers. Moreover, the banking structure was made to provide rural credit focused on quantity aspect ignoring the fact of quality (Misra 2006). They were not able to serve the need of neither rural poor, nor their financial performance was feasible as they had worst loan repayment records. It was NABARD action which had made a significant turnaround in economy to change traditional banking system. It had provided the opportunities to poor to utilise their potential to come out from darkness of poverty<sup>3</sup>. In 1986-87 first official attempt was made to finance an informal group. A research project was developed by Mysore Resettlement and Development named “Saving and Credit Management of Shgs” was being considered an innovative action taken by NABARD. This programme found to gain success at very early stage and has expended its area of operation to different states (Das Gupta, 2005).

In 1991 RBI had come into action and encouraged commercial banks to avail credit to SHG which came under the project of NABARD. (Das Gupta, 2005). In 1993 regional rural banks were added with this complain and has provided support to this project. It was first time when formal financial institution merged with informal groups to provide financial facilities to the poor and weaker section of society. NABARD made a new strategy based on two pillars. First, was to promote SHG with the support of formal and informal agencies and second to increase the share of stakeholders. Further it figured out major problem faced by poor lacking physical collateral, which was replaced by social collateral. In SHGs all members are equally responsible for the repayment of loan, which an individual owns from the group. This serves affirmation to the lending agency to get reimburse on time and enable credit surety. (Armendáriz and Morduch 2010). SHG promotes financial discipline as well as social affinity among members (Bardhan 1993).

In 1996 RBI instructed to commercial bank to support SHG on precedence for lending money.

Further it also speeds up the process of bank linkage program with SHG (SBPL). Later Government has adopted SHG microfinance model to remove poverty, generate self-employment and easy accessibility of credit for needy people. In 1999 Swarnajayanti Gram Swarajgar Yojana (SGSY) was initiated to eliminate poverty by government. After that SBL and SGSY was linked together to increase self-employment opportunities among rural people. In 2011 to support SHG government initiated National Rural Livelihood Mission (NRLM). In 2015 this project (NRLM) was renamed Deendayal Antyodaya Yojana (DAY-NRLM). The main objective of this mission is to recruit a large no of women to be a part of self-help group. Central government has announced the setting up of storage facilities<sup>4</sup> at the village level, which would be headed by women SHG members. Government has proposed to convert the Nano-enterprise of women SHG to the next level of microenterprise and facilitates them to more credit facilities to these SHGs (Government of India 2020)<sup>5</sup>.

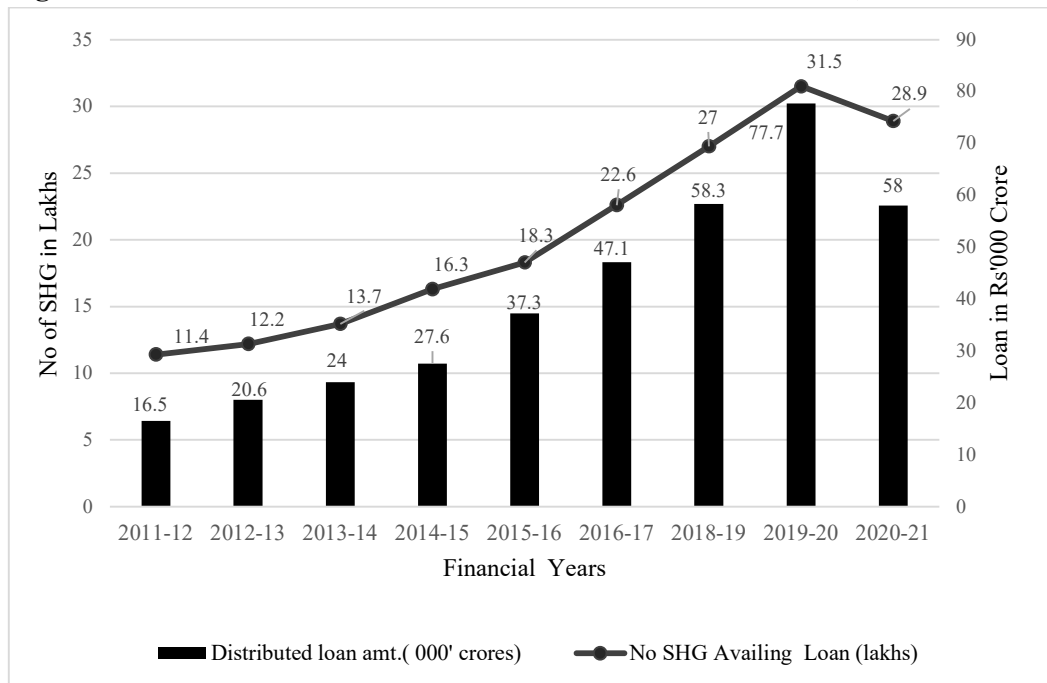
**Objectives of Study:**

1. To evaluate the performance of SHG programme on the basis of its geographical extensions.
2. To study the growth of Non-performance Assets (NPA) in banks against SHGs loan.

**Progress of SHG Programme:**

SHG programme has proved a boon for expansion of microfinance in India. It has been continuously moving forward for improving the lives of rural people (NIRDPR 2019; Bird 2019). The SHG movement has been progressively increasing over the years.

**Figure 1-Loan Disbursed and Number of SHGs that Avail Loan, FY 2011-12 to 2020-21**

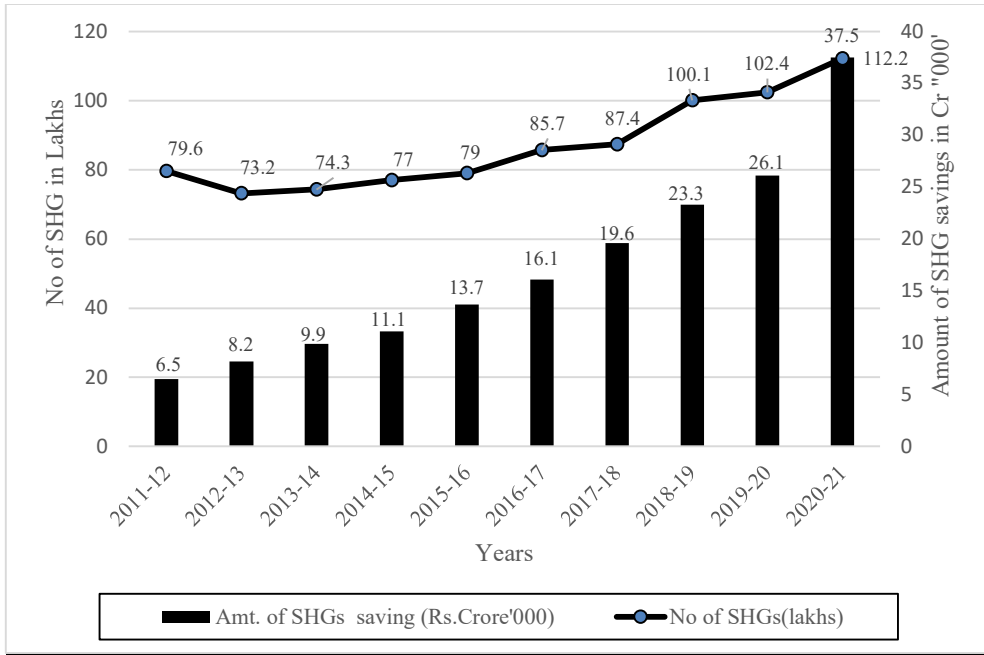


Source NABARD (2011,2012,2013,2014,2015,2016,2017,2018,2019,2020,2021).

**Figure 1** shows the total amount of loan has been given to SHG. The credit distribution to SHG by banks has been increasing since 2011. Figure shows in the 2011-12 (FY) 11.48 lakh SHGs has received '16.53' thousand crore from banks. With a great improvement now total amount of loan distribution has raised 77.7 thousand crore to 31.5 lakh SHGs in 2019-20 (FY). So here a large

no of SHGs is connecting with banks and are availing credit from banks. This enhancement in loan disbursement to SHGs is efforts of NRLM programme (Misra and Tankha 2018). But in 2020-21 total loan distribution is 58.07 thousand crore to 28.2 lakh SHGs, a decrease in amount of loan distributed as well as in no of SHGs.

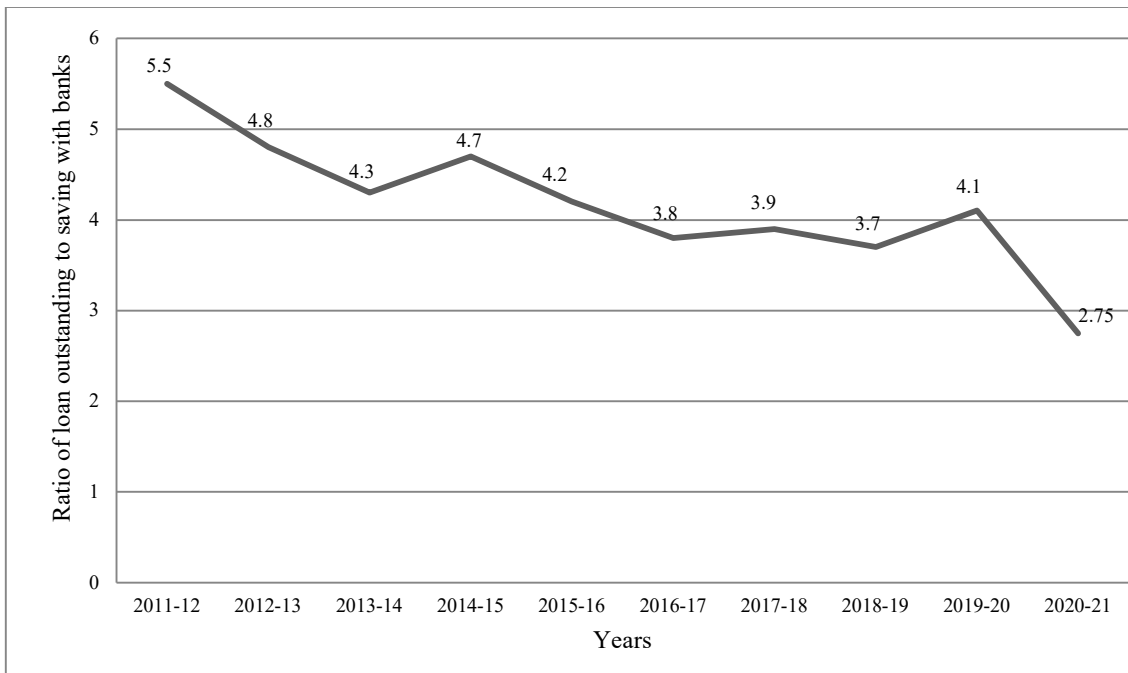
**Figure 2-Amount of Saving and Number of SHGs, FY 2011-12 to 2020-21**



Source NABARD (2011,2012,2013,2014,2015,2016,2017,2018,2019,2020,2021).

**Figure 2** explains the number of SHGs contributing to saving and total annual saving of SHGs with banks. It has been recording steady increase in amount of saving since its inception. In 2011-12, 79.6 lakh SHGs has made contribution 6.5 thousand crore amount of saving to banks. Now in 2020-21, annual saving has rose, 26.15 thousand crore with 102.4 lakh SHG. In 2020-21 total amount of saving is 37.48 thousand crore with 112.23 lakh SHGs. The total amount of loan outstanding against SHG with banks was 36.34 thousand crore in 2011-12 and 2019-20 it has rose up to 108.07 thousand crore. In 2020-21 outstanding loan against SHG with banks is 103.39 thousand crore. There is decrease in amount of outstanding loan in 2020-21 with banks. If we compare the amount of loan distributed to SHG and amount of saving of SHG with banks, we can conclude the financial needs of SHGs are much higher than the accumulated saving. Yet, SHG members failed to access their group saving which is deposited in saving accounts of SHG members. Banks occasionally follow this kind of informal practice known as risk reduction strategy (APMAS 2017). Holding the group saving as a security is against the rule of SHG and bank linkage programme. As a result of these practice SHG members are forced to borrow small amount of loan from any other source at high rate of interest.

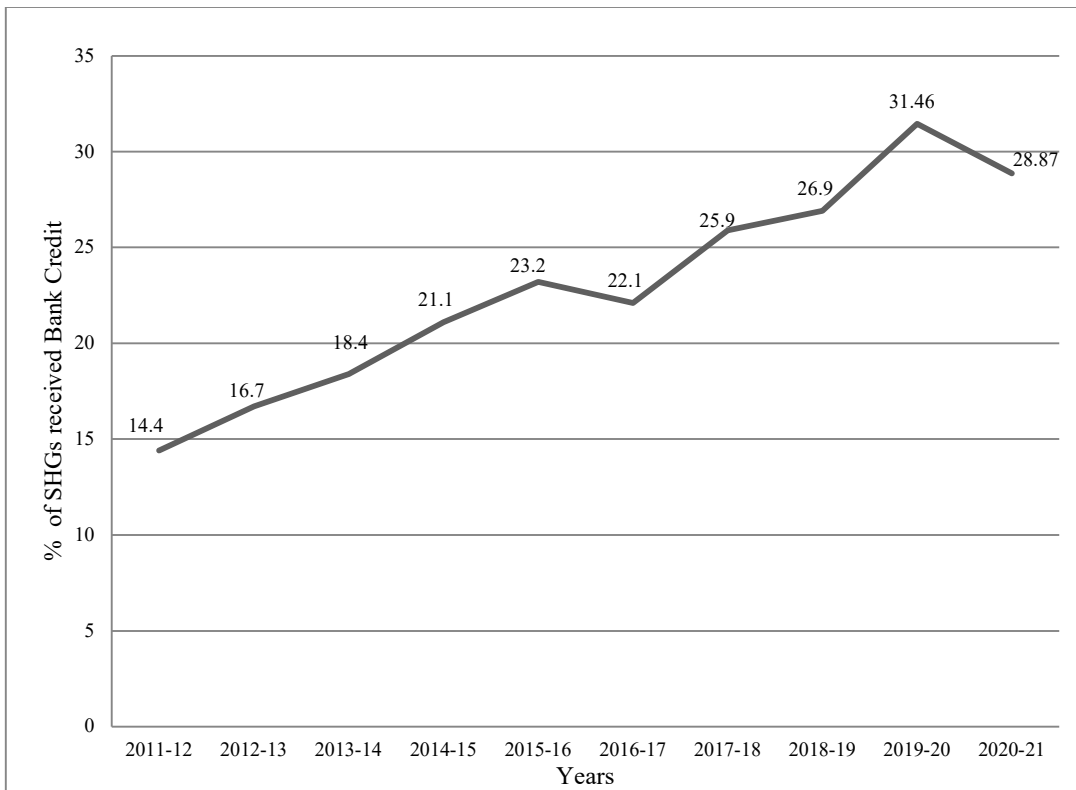
**Figure 3-Credit Multiplier (Ratio of loan outstanding to saving with banks) of SHGs.**



Source NABARD (2011,2012,2013,2014,2015,2016,2017,2018,2019,2020,2021)

**Figure 3** shows credit multiplier<sup>6</sup> for SHG. The figure represents the steady decline in credit multipliers since 2011-2021. It is 5.5 in 2011-12 but goes down to 3.73 in 2018-19. In 2019-20 it rises to 4.1, but again falls to 2.8 in 2020-21. The decline in this ratio is the result of low rate of growth of loan disbursement comparatively increases in the amount of SHG saving with banks. The amount of saving of SHG members has increased due to money provided to them under NRLM in the form of revolving funds.

**Figure 4-Percentage of SHGs received Institutional Credit.**



Source NABARD (2011,2012,2013,2014,2015,2016,2017,2018,2019,2020,2021)

**Figure 4** shows the percentage of SHGs which have received loan even once in their lifetime. The consistent growth in the no of SHG receiving institutional credit is recorded from 2011 to 2020 but it slightly decreases in 2020-21. Still credits requirements of SHGs members are high and largely unmet. In 2020-21 only 28.87% SHGs has able to receive institutional credit, even most of them received only once and some has received lump sum amount.

#### Spatial Distribution of the SHG Movement

SHG has achieved success more significantly in southern states of India (Bansal 2003; Fouillet and Augsburg 2007). Afterward it made steady growth all over India. Here SHG growth and expansion in different region is shown in Table1 and Table 2.

**Table -1: Distribution of SHG, received loan among Different Regions**

Regions	2011-12	2015-16	2018-19	Amounts in lakhs 2020-21
	Total SHG that SHGs obtain loan (%)	Total SHG that SHGs obtain loan (%)	Total SHG that SHGs obtain loan (%)	Total SHG that SHGs obtain loan (%)
<b>Northern</b>	4,09,326 7.51	3,93,475 9.68	5,48,624 10.9	6,09,808 11.09
<b>North-eastern</b>	3,66,718 13.91	4,29,823 6.06	5,23,469 5.17	6,33,714 10.75
<b>Central</b>	8,12,767	8,15,653	10,62,759	13,45,575

	7.19	10.33	8.01	9.56
<b>Western</b>	10,62,087 9.51	10,18,049 11.05	13,88,615 10.56	15,50,176 10.40
<b>Eastern</b>	16,25,714 12.38	17,00,106 24.27	26,54,358 34.26	31,22,424 36.02
<b>Southern</b>	36,83,737 19.15	35,45,896 32.68	38,36,418 38.43	39,61,703 33.75
<b>All India</b>	79,60,349 14.42	79,03,002 23.19	1,00,14,243 26.95	1,12,23,400 28.87

Source NABARD (2012, 2016, 2019, 2021).

The data given in Table 1 provide information about loan distributed to different regions. It represents the regional disparities in distribution of loan. In 2018-19 about 40% of SHG Operated in south region as compared to north-east region had only 6.06% SHG managed to get bank loan which is considerably very low. In 2020-21 we can see bit increase in no of SHG in north-east region 10.75 %and in central region only 9.56% SHG able to get bank loan. In south region 33.75% of SHG has able to acquire loan.

**Table -2: Distribution of SHGs with Credit and Saving among Different Regions.**

Regions	Total % Loan Distributed to SHGs			Total % of Saving of SHGs		
	2011-12 19	2015-16 2020-21	2018- 19	2011-12 2020-21	2015-16	2018-19
<b>Northern</b>	2.03 2.48	1.03	1.07	3.86 4.65	3.29	2.68
<b>North-Eastern</b>	2.73 2.84	0.59	0.50	2.33 2.22	1.39	1.73
<b>Central</b>	4.29 6.37	3.19	1.24	9.37 5.65	6.14	5.71
<b>Western</b>	4.55 5.42	5.06	3.16	13.31 9.98	7.72	8.80
<b>East</b>	9.82 38.96	9.37	20.53	14.46 20.68	18.14	25.77
<b>Southern</b>	76.58 43.93	80.49	73.50	56.68 56.82	63.32	55.30
<b>All India</b>	100	100	100	100 100	100	100

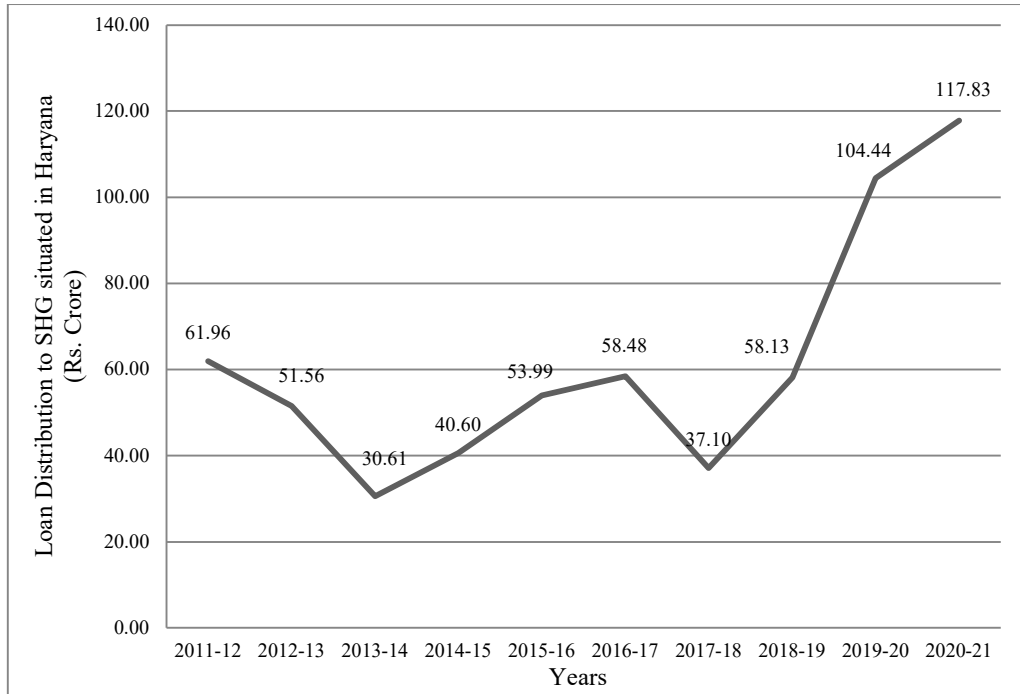
Source NABARD (2012, 2016, 2019, 2021).

Table 2 shows loan presented to SHGs. In 2011-12 maximum percentages of loans distributed 76.58% to south region with low amount of loan 2.03% and 2.73% in north and north-east regions respectively. In 2015-16 it further increased to 80% in south and decreased in north-east to 0.59%. In 2018-19 distributed amount of total loan is 20.53% to east region which is more than 10% of total loan from last calculated year. In 2020-21 43.93% loan were provided in south region with further increase in 38.96% east region. Still there is no such improvement in north

and north-east regions. In case of saving maximum amount of saving comes from south region. Share of saving from east region has increased during 2016 and 2019. In term of saving 56.78% of total saving comes from south region in 2020-21. East and south region both comprised as maximum 82% of total credit provided to all SHGs.

Self-help groups came into existence with the objective to remove rural poverty from the country. This study tries to find the growth in movement of SHG and its expansion in different parts of the country. Here it must be noted there are other factors also which come along with the movement of SHG and have a vital role in removing poverty.

**Figure 5-Distribution of loan to SHG from 2011 to 2021 in Haryana.**

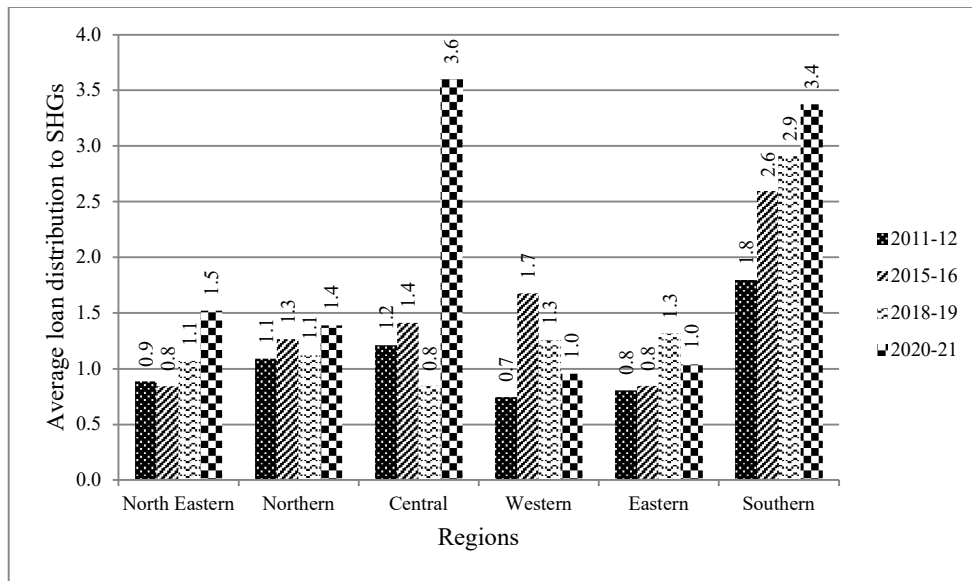


Source NABARD from various years

In above figure status of disbursement of loan to SHG which are located in Haryana has been explained. In 2011-12 total loans distributed Rs.61.96 crore to SHG. We can see loan size has a steep fall to Rs. 30.61 crore in 2013-14. Again, it has reached up to Rs. 58.48 crore in 2016-17. With a decrease in 2017-18 to Rs. 37.10 crore there is continue rise in distribution of loans to SHG. Loan size has been started to grow from 2018-19 to Rs 58.13 crore and has reached up to Rs. 117.83 crore in 2020-21. There is significant increase in distribution of loan to SHG over ten years.

**Figure 6-Average loan Distributed to SHG among Different Regions (Rs-Lakh)**



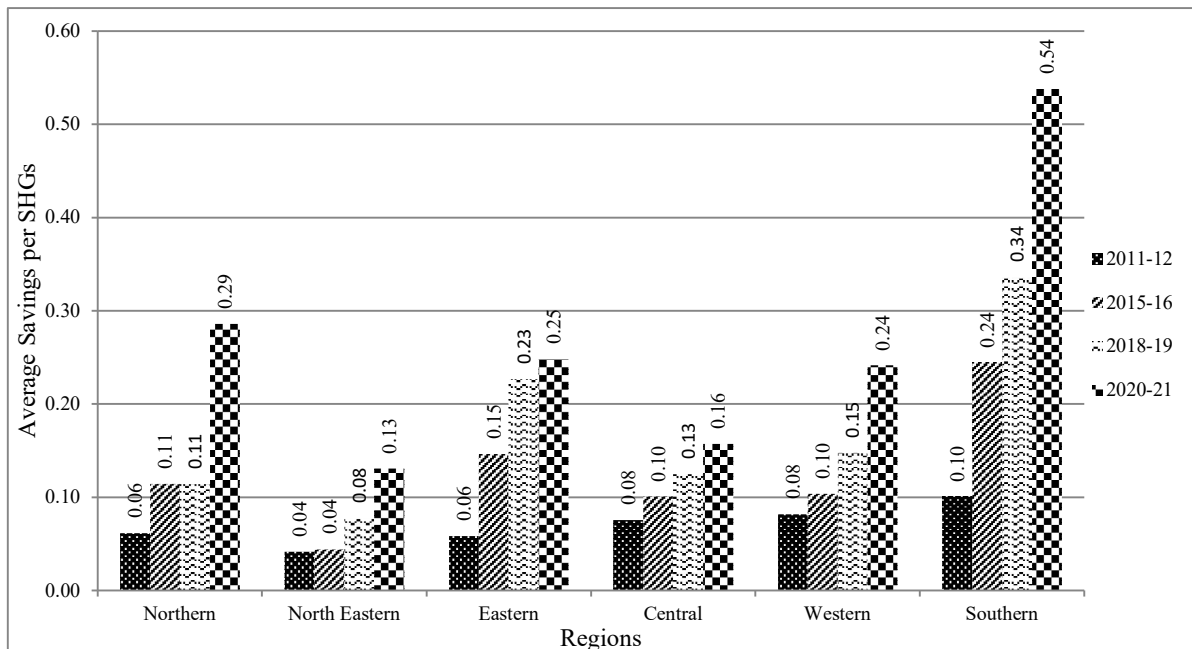


Source NABARD (2012, 2016, 2018, 2021)

There is presence of disparity both in distribution of loan size per SHG and amount of average saving made by SHG in different regions<sup>8</sup>.

**Figure 6** shows the average loan distributed to SHG. In 2011-12 average loan distributed for east region is 0.8 lakh per SHG lowest among five regions. In 2015-16 south region has received maximum 2.6 lakh loan per SHG and northeast and eastern region both received lowest 0.8 lakh per SHG loan in same period. In 2018-19 western region has received lowest 0.1 lakh per SHG among five regions. In 2020-21 central region has maximum loan 3.6 lakh per SHG and western, eastern regions both have received 1.0 lakh per SHG.

**Figure 7-Average saving made by SHGs in Different Regions (Rs- Lakh)**



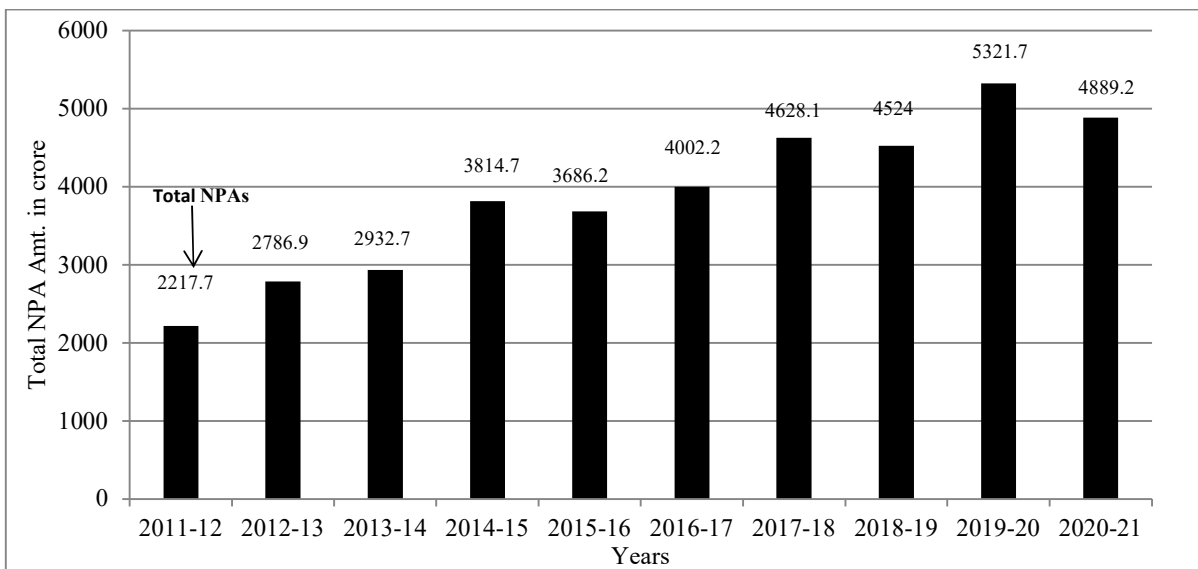
Source NABARD (2012, 2016, 2018, 2021)

In **Figure 7** contribution of saving of south region is highest among five regions during all time periods. In both 2011-12 and 2015-16 lowest amount of saving has been contributed by north eastern region 4159 lakh (0.04) and 4427 lakh (0.04) per SHG respectively. This indicates that northern east is insufficient in capacity building and utilizing financial resources. Low saving made by SHG may create hindrance for taking credit from banks. Further bank lose confidence to issue huge loan to these SHG. However in 2018-19 eastern region has made contribution 22648 lakh per SHG but north eastern region has 7719 lakh per SHG. In 2020-21 amount of average saving of SHG has increased 24818 lakh per SHG in eastern regions, 24128 lakh per SHG in western region.

**Status of Non-Performing Assets (NPA) in SHG**

Microfinance has a most important feature is high repayment rate of loan, which has attracted other financial institutions to enter in this sector. There is substantial expansion of SHG programme there has been swift increased loan defaulter which had not paid loan amount and converting various SHG into non-performing assets with banks (BIRD 2019).

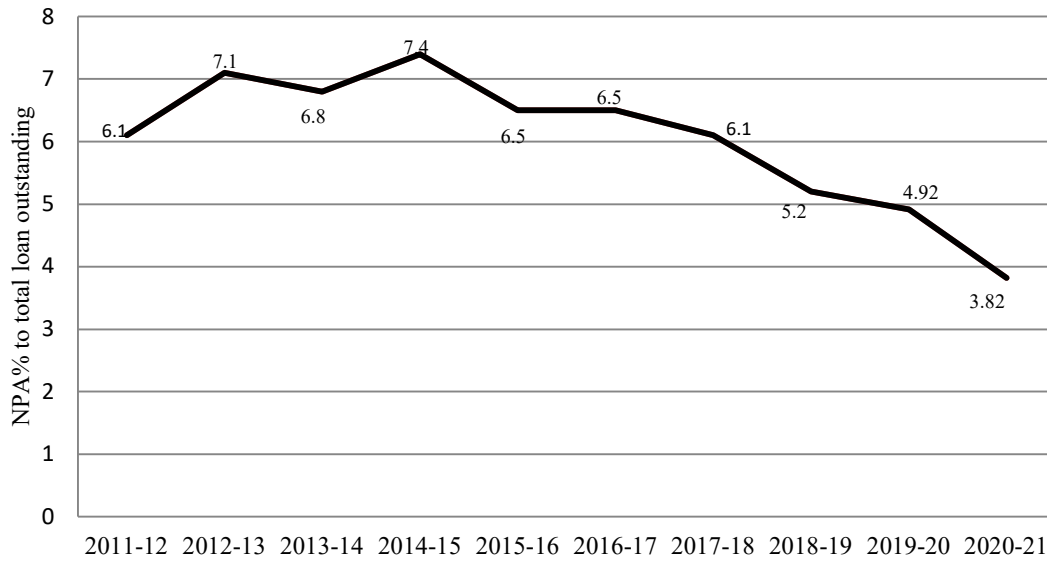
**Figure 8-NPA in banks against SHG loan (2011-12 to 2020-21)**



Source: NABARD (2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021)

**Figure 8** shows different levels of non-performing assets (NPA) in banks from SHG since 2011 to 2021. In 2011-12 NPA amount was 2217.7 crore which has increased its maximum at 5321.7 crore in 2019-20 during last ten years. From 2012-13 to 2014-15 amount of NPA has been recorded at increasing rate. In 2015-16 NPA has declined to 3686.2 crore. With the increase in amount of loan outstanding to SHG, amount of NPA with banks has also increased. In 2020-21 decline in rate of NPA 4889.2 crore is being recorded.

**Figure 9- Percentage of NPA to total loan outstanding for SHGs (2011-12 to 2020-21)**



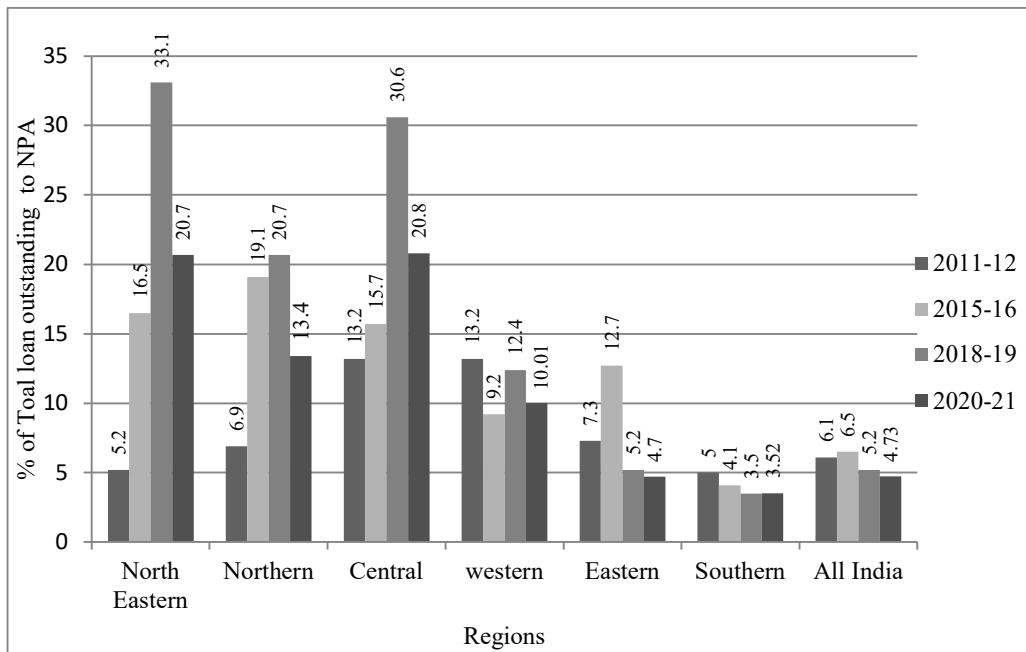
Source: NABARD (2012, 2013, 2014, 201 Years 2017, 2018, 2019, 2020, 2021).

**Figure 9** shows NPA percentage to total loan outstanding for SHG. The ratio between NPA to loan outstanding for SHG is highest at 7.4% in 2014-15. Afterwards it has been continuing to decline till 2021.

**Figure 10** exhibit region wise level of NPA as a proportion bank loan outstanding to SHG. In this figure performance of SHG on the issue of NPA has been shown. Here there is sharp variation is visible among different regions. Overall, it shows the level of NPA to loan outstanding is decreasing among regions. We can see in south region percentage is less than the whole country. This might be possible, because in Telangana and Andhra Pradesh massive amount of SHG loan has been written-off and term loans are being converted to credit limit (Sriram 2016). During recent years there is considerable decrease in NPA to loan outstanding in eastern regions. We can notice in 2018-19 both north-eastern and central regions have highest rate of NPA to loan outstanding to SHG. This shows the agencies operated in these regions in association with SHGs are unable to redesign their strategies, that could have been realized at very early stage. Rest of regions has moderate level of NPA to bank loan outstanding to SHG.

**Figure 10- Region wise Distribution of NPA**

(% of total loan outstanding)

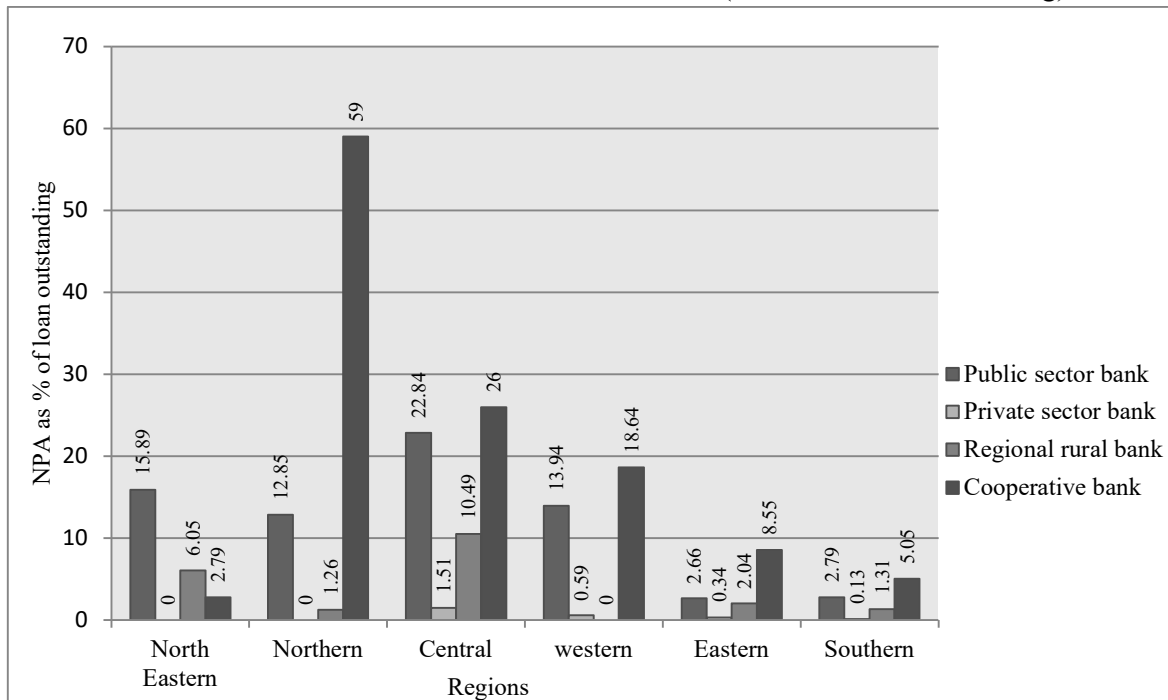


Source:

NABARD (2012, 2016, 2019, 2021).

**Figure-11 Regional Distribution of NPA by different Agencies, 2020-21**

(% of total loan outstanding)



Source: NABARD 2021

**Figure 11** explains the NPA level with different banks according to regions. Diagram demonstrates that private banks have less; even zero NPA level in northeastern and northern

regions. In eastern and southern regions private banks have 0.34 and 0.13 percentage of NPA, which is also very low. This shows private banks has low exposure to self-help groups. They are more fascinated with MFI section, aim to offer loans in bulk and make use of many financial services to MFIs and to be a part of section<sup>9</sup> (Simran 2017). Public sector banks have maximum percentage of NPA 22.84 in central region. RRB has less percentage of NPA to outstanding among different regions with zero percentage in western regions. Cooperative banks have maximum 59 percentage of NPA in northern region alone. Both public and cooperative banks are unable to cover their loan defaulters. Poor performance in repayment of loans in Northern and central regions leads to rise in NPA and low lending process by banks to SHGs. This indicates SHGs must ensure to banks for repayment of loans granted specially in these regions.

### **Factors Liable for the Growth of NPAs from SHG loans**

SHGs has less NPA in loans for banks in comparison with the banks related to provide loans for commercial purposes.<sup>10</sup> But the presence of NPA is troublesome since programme was initiated with aim “zero non-performing asset movement” (NIRDPR 2019). This may demotivate the new financial institutions to get attached with the project and one would have been extra cautious, which may hurt the growth of whole movement. It may be possible that bank would lend loans only to those matured SHGs, situated in leading states while limiting their credit capacity in rural and remote regions where NPA level is already high.

We need to investigate the reasons responsible for rise in NPA level from SHG advancing. This would be beneficial for the programme implementers for rectify the situation before time, unless it could become catastrophe. In this respect this study has reviewed reports and studies which are conducted on delinquencies in SHG and also include the latest report of (BIRD) Bankers Institutes of rural Development 2019 made on NPA from SHG. We have categorized five levels of factors responsible as specified by these reports. The basic idea is to understand fundamental cause of problems and to find responsible agencies for that. Most of the reports focus on poor performance of groups formed in SBLP programme. Foundation of SHG is based on multi-prospective processes. So it become very necessary to have depth understanding of socio-economic condition, skill, profession, livelihood of the members simultaneously knowledge of local market. This is the part of “pre-formation”, but agencies have not taken such kind of initiated. Even the region in which SHG are recently introduced, the basic work had not done by the agencies associated with these regions to achieve the main aim of programme (Puhazhendhi 2012). For example, in north-east state agencies associated with SHG movement failed to complete the basic requirements for management of SHG such as regular group meeting, monitoring attendance of members, record of regular saving and proper maintenance of accounts books with minimum errors (Sharma 2011).

Government has also initiated multiple programmes such as SGSY, Pudhu Vaazhvu (PVP), Child Development Services being operated in the same regions or location is mostly responsible for the sharp increase in NPA level (Sriram 2017, BIRD 2019). In addition, such government-sponsored programme interest to accept target-based approach to distribute credit in more quantity. In order to achieve targets agencies rapidly forms groups and transfers money to group, but so many important and critical issues are left behind that is quite necessary to investigate before the formation of a group (NABARD 2014-15). Members from these groups receive loans

and became inactive while contributing their saving in banks<sup>11</sup>. Further members of SHG are also used for political purposes. In case like this, authorities failed to complete groundwork needed for the formation of a group.

To settle as a mature group, SHGs must move through four stage process of group formation-forming, storming norming and performing with respect to develop internal strategy, coordination and discipline in a group. However, decision taken in hurried by states sometimes skips the steps include in organic growth of SHGs (Sriram 2016). Again, target racing in government schemes often leads to the formation of group, to its end (Mani and Sudheer 2012). For example, a scheme SGSY was launched in 1999 restructured in 2011 as NRLM. So, the existence members of SGSY assumed that they don't have need to repayment of loan amount. Lacking proper records, handholding and poor follow-up for recovery all loan amounts converted into NPA (BIRD 2019). Banks had recorded of a number of loan defaulters where loans were taken for commercial purpose but actually used for consumption purposes consequently increase the NPA (BIRD 2019). Studies also found that loans were being sanctioned for personal use such as marriage, health expenses of family members and education of children (APMAS 2017).

Loan size also affects NPAs, like small size of loan has more chance to loan defaults (BIRD 2019). Small size of loan is not enough for starting a business, loan amount mostly gets consumed (NIRDPR 2019). Generally, SHGs members share loan amount equally, this practice again reduces the chance of adequate use of loan in income-generating activities because small amount of money owed by each individual (APMAS 2017; Misra and Tanka 2018). Study also revealed the surprising fact that group members have different attitude toward the repayment of internal loan amount and bank loan (BIRD 2019). Their repayment capacity is more for internal loan amount as compared to bank loan. Even SHG members are taking loan from MFI and repay loan amount on time, but default in bank loan (BIRD 2019). Reason behind that MFIs follow good strategy and provides better service<sup>12</sup>. But banks follow the strategy such as frequent write-off and imbalanced interest rate which reduced financial discipline towards SHG members (Sriram 2016; NIRDPR 2019).

## **Conclusion**

While analysis the expansion of SHG movement and NPAs from SHG loans various critical issues has emerged. Although SHG programme has been extended at large scale in many parts of country but failed to make balanced growth. This programme has made great performance in southern states, where the programme has great recovery rate. During last nine years states in eastern regions has made significant improvement in their performance. But states in central and north-eastern regions are still struggling. States in western and north regions has made moderate performance. In respect of loan defaults, SHGs are confronting in the wake of escalating NPAs in different regions that requires immediate intervention.

There is one more challenge emerges that poor clients are losing their trustworthiness with programme for whom it was made. The most reason which is mentioned in various reports and study is willful default. This might be a grate reason to hamper the fully developed programme. The thought of willful default may plant the seed of corruption in poor and would leave the objective of SHG movement far behind. A good strategy should be followed by policy maker. It is essential to first build the complete process before sanctioning the financial resources from banks. This requires a close attention must be paid while formation of a group by concerned

agencies such as name, occupation, status, family income, education full information of members. The sensitive issues like caste and gender must be considered since they may influence the success of the group. In a SHG group there are members from different socio-economic<sup>13</sup> strata so it is very important to have balance between the social dimension and business activities while interacting within group members (Kantikar 2002).

People matter most than a programme as programme can be replicated easily (Ramesh 2007). The states must conduct studies in the regions where SHGs are struggling. These studies will be beneficial for the policymaker to remove obstacles for the successful implementation of SHG movement.

Each bank has data base which include complete information of customers, their portfolio and financial behavior. It is crucial for every bank to develop and share credit information of its data base. In addition, it requires keep a track on loan taken from internal source as well. Here most beneficial solution is, use of IT in banking system. Banks must encourage its customers to use internet banking to keep a check on their transactions. Second banks should avoid distributing loans only to achieve government targets. Subsidies and incentives for SHGs can prove helpful for timely repayment of loan. This will encourage SHG members to make payment on time. Banks need to have an effective monitoring system, which can keep check on loan defaulter on case-to-case basis. There must be management information system which can maintain records of SHGs loan defaulters. It is also revealed from studies groups expel the poor members from taking further loan who are defaulters but avoid taking action against the defaulters who holds influential position (EDA Rural System and APMAS 2006). Self-help groups are made to empower poor people. All plans and strategies of group must follow to make their member financial and social dependent. They must guide, motivate and encourage its members how to make effective use financial resources to flourish themselves as well as society. Government must encourage states for balanced growth in every region. State must not use self-help groups for only to fulfill their personal and political interest (Kanitkar 2002).

## Key Notes

<p>1. According to NABARD SHGs are tiny group, consist of 10 to 15 rural persons having economically homogeneous background, who have voluntarily come together to save and mutually contribute to common fund to lend its members with the decision of group members (Adolph 2003).</p> <p>2. It is being found in a survey of National Institute of Rural Development and Panchayati Raj (NIRDPR) many respondents have started to send their children in school after joining SHG. This shows their socio-economic condition has improved (NIRDPR 2019).</p> <p>3. NABARD has now worked on innovative approach to SHG lending to integrate formal and informal institutions. Now organization-</p>	<p>7. The main concept to mention is income disparities in rural per-capita income between the states. We can notice a huge inequality of income across the country. Some states like Haryana have high per capita income even some states like Chhattisgarh is not able to fulfill basic needs of villagers.</p> <p>8. NPA level against SHG women members is even much less as compared to commercial defaulters. For example, Lloyd's steel is only one defaulter who has more NPAs against 80 lakh women SHG members (Agrawal 2016).</p> <p>9. Digitisation of SHG scheme makes possible that only 60%-70% of SHG members active who were ever granted loan (Misra and</p>
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based lending is new phenomena instead of individual lending and activity-based lending

4. An announcement made by government, all SHG women members will be supported by Mudra scheme. NABARD will perform as a “Dhaanya Lakshmi” in different villages.

5. The ratio of between SHG loans outstanding to banks against the saving of SHG in banks is credit multiplier. This will help to enhance confidence of banks in SHG.

6. In recent time many banks has started to work with non-banking financial company (NFBC) –MFIs. They act as banking correspondents through MFI to the customers.

Tankha 2018). This requires doorstep service of lending and recovery of loan, well and updated planning decision for issuing loan, new provision for multiple products, to ensure additional loan only on timely repayments.

10. A recent problem has been noticed in Orissa, a conflict arises between BPL (below poverty level) and APL (above poverty level) SHG members in a group. A subsidy was provided only on loan amount only to BPL SHG members. The disturbed APL members opposed it and retaliated by not paying the loan amount. Even some members took internal loan equal to subsidy amount and did not repay the loan amount (Mani and Sudheer 2012).

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