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EVALUATION OF SHG-BANK LINKAGE PROGRAMME IN INDIA

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ABSTRACT

The Self-help Groups – Bank Linkage Programme has played a transformative role in the lives of individuals, particularly women, integrating them into the nation-building process. The SHG program has a history spanning over 30 years, originating from the first pilot program implemented by NABARD in the 90s. The study evaluates the performance of the Self-Help Group (SHG)-Bank Linkage programme in India over a nine-year period, spanning from 2012-13 to 2020-21. Utilizing secondary data from NABARD's 'Status of Microfinance in India' reports, the study analyzes key indicators such as SHG savings, loans disbursed, outstanding loans, and Non-Performing Assets (NPAs). Growth rates are employed to discern patterns in the data. The findings highlight positive trajectories in SHG numbers and financial contributions, with a consistent upward trend in the number of SHGs and substantial growth in savings. Despite fluctuations in loans disbursed and outstanding loans, SHGs demonstrate resilience with a declining trend in NPA percentages, suggesting effective management of non-performing assets. The study underscores the SHG model's success as a sustainable approach for community development and poverty alleviation, while also advocating for policymakers to delve into factors influencing these trends for the long-term financial health of SHGs.

Keywords: SHG-Bank Linkage Programme, Savings, Loans Disbursed& Outstanding, NPAs.

The initiative to connect Self Help Groups (SHGs) with banks was initiated as a pilot project by the National Bank for Agriculture and Rural Development (NABARD) in 1991-92. Since then, NABARD has been actively advocating, promoting, and financing the SHG-Bank Linkage Programme (SHG-BLP). The SHG program has a history spanning over 30 years, originating from the first pilot program implemented by NABARD in the 90s. The SHG-BLP has played a transformative role in the lives of individuals, particularly women, integrating them into the nation-building process. The concept of "Microfinance" is gaining momentum as a rapidly growing sector, though it remains relatively untapped. Studies suggest that the microfinance sector in India has the potential to achieve a Compound Annual Growth Rate (CAGR) of 40 per cent by 2025, coinciding with India's trajectory towards becoming a \$5 trillion economy.

While acknowledging the commendable efforts of banks, financial institutions, and various entities such as NRLM and civil society organizations in forming and credit-linking women, it is essential to recognize that the task is only halfway completed. Approximately 50 per cent of SHGs still await credit linkage, and there exists a regional imbalance not just in the number of accounts but also in the average loan size. Southern India holds a substantial 36 per cent share in total bank linkages, whereas Northern regions (5.4 per cent) and Northeastern regions (5.6 per cent) have a considerably smaller share. Given the heightened levels of poverty and vulnerability in these regions, the SHG movement assumes significant importance (NABARD, 2021).

Evolution of the SHG-BLP

Despite the expansion of rural banking and increased lending to the rural poor after nationalization, a significant number of asset-less individuals remained excluded from the formal banking system. In response, NABARD initiated an Action Research Programme in 1987 to identify the reasons behind this exclusion. The research revealed mismatches between the needs of the poor and the available banking products. Subsequently, a pilot program was launched in 1992, supported by the Reserve Bank of India, aiming to link 500 Self-Help Groups (SHGs) by 1994. The SHG-BLP program witnessed remarkable growth, involving over 31,000 rural outlets of more than 500 banks by 2002, with a loan portfolio exceeding ₹2,000 crore. The program reached 116 lakh very poor households, providing microcredit through 7.17 lakh SHGs. By 2012, the program had expanded to cover over 79.60 lakh savings-linked SHGs, benefiting 10.3 crore poor households with total savings of ₹6,551.41 crore.

The Government of India, since 1999, has supported SHG promotion through budgetary provisions, introducing the Swarnajayanti Gram Swarozgar Yojna (SGSY) and later the National Rural Livelihood Mission (NRLM). NRLM has supported nearly 70 lakh SHGs, reaching approximately 7.5 crore families. State governments also initiated SHG promotion programs, such as Andhra Pradesh's Podupulakshmi & Indira Kranti Patham, Bihar's Jeevika Project, Tamil Nadu's Mahalir Thittam, Kerala's Kudumbashree, and Odisha's TRIPTI/Mission Shakti projects.

NABARD has nurtured the SHG-BLP program for over three decades, providing policy support, training, capacity building, and financial assistance. As of March 31, 2021, the program achieved significant milestones, with a total membership of about 112.23 lakh SHGs covering 13.8 crore households across India. The SHG BLP program has also inspired the development of an effective credit product for landless laborers, share-croppers, tenant farmers, and oral lessees, known as "Joint Liability Groups" (JLGs). Supported by NABARD's refinance, the JLG scheme recorded impressive growth in 2020-21, benefiting 41.27 lakh JLGs with financial assistance of ₹58,311.78 crore (NABARD, 2021).

Objectives and Methodology

The aim of the study is to assess the performance of SHG-Bank Linkage programme at all India over a period of nine years, i.e., from 2012-13 to 2020-21. The study has examined the savings of Self-help Groups (SHGs), loans disbursed to SHGs through SHG-Bank Linkage programme, loans outstanding against the SHGs and the Non-performing Assets (NPAs). The study is based on secondary data collected from reports of NABARD, Mumbai on 'Status of Microfinance in India' from 2012-13 to 2020-21. Growth rates are used to analyse the data.

Impact of SHG-Bank Linkage Programme

Jyothi Guntaka (2014) explores the socio-economic circumstances of Dalit women and their path to empowerment through participation in Self-Help Groups (SHGs). The research reveals that a significant portion of the surveyed women lacks fundamental literacy skills. Even though they reside in nuclear families, they encounter enduring male dominance within their households. The choice to join SHGs is predominantly shaped by the influence of their

fellow villagers. Upon becoming members, these women achieve a certain level of economic empowerment, albeit with restricted authority over the income generated through their participation in SHGs.

Manpreet Arora and Swati Singh (2015) emphasize the vital contribution of banking institutions to a nation's economic development in their research. They specifically delve into the challenge of credit risk, with a focus on the Self-help Group (SHG) Bank Linkage Programme. This initiative offers unsecured credit to self-help groups, presenting elevated risks for banks. Arora and Singh conduct a comparative analysis between public and private sector commercial banks in terms of Non-Performing Assets (NPAs) within the SHG Bank Linkage Programme. Their study underscores the regional disparities in NPAs, particularly among public sector banks.

Nagayya and Appa Rao (2016) underscored the correlation between financial inclusion and microfinance, particularly within the context of self-help groups. The study assessed the effectiveness of microfinance initiatives facilitated by self-help groups, identified challenges, and suggested strategies for improving program implementation. Furthermore, the research emphasized the broader impact of microfinance, extending beyond mere savings and credit, by advocating for collaboration with pertinent specialized institutions.

Kalpana (2017) in her study assessed the impact of SHG participation on women beneficiaries in terms of socio-economic and educational status, entrepreneurship development, and health/nutritional improvements. The study identifies SHG loans as vital in addressing food insecurity, sickness, and emergencies. It reveals that SHG participation attracts relatively empowered individuals and contributes to empowerment through increased self-esteem. Notably, the study highlights changes in family-level decision-making as an outcome of SHG involvement. Through case studies, the study aims to identify successful women within the SHG, adding a qualitative dimension to the overall findings. In summary, Kalpana's research offers valuable insights into the comprehensive effects of SHG participation on women's lives.

Ritesh Patel and Nikunj Patel (2020) explore the profound influence of microfinance on the empowerment of women, focusing specifically on its impact on decision-making. The research highlights a notable improvement in women's decision-making capabilities after their involvement in Self-Help Groups (SHGs). Additionally, the findings reveal a positive correlation between sustained participation and regular attendance at SHG meetings by women, and increased levels of empowerment.

Pankaj Sinha and Nitin Navin(2021) scrutinize the performance of the Self-Help Group (SHG) programme, specifically focusing on its geographical expansion and the mounting Non-Performing Assets (NPAs) against SHG loans in different regions. The study finds that while the SHG programme has rapidly spread, success remains uneven, favoring southern states and improving in the east, but struggling in the central and north-eastern regions. The study highlights a concerning rise in NPAs, particularly due to wilful defaults, posing a threat to the programme's developmental goals and the trustworthiness of impoverished clients. The analysis underscores the urgency of policy interventions to address regional disparities and tackle the challenges posed by escalating NPAs, emphasizing the importance of understanding and mitigating factors contributing to wilful defaults for the sustained success of the SHG programme.

Savings of SHGs at all India level

Savings of Self-Help Groups (SHGs) in India from 2012-13 to 2020-21 is presented in Table – 1. The number of Self-Help Groups (SHGs) in India has consistently increased from 73.18 lakhs in 2012-13 to 112.23 lakhs in 2020-21. This represents a significant growth of 53.36 per cent over the eight-year period. The growth rate in the number of SHGs has shown variation, ranging from 1.53 per cent to 14.52 per cent. The most substantial growth occurred in 2018-19, with a remarkable 14.52 per cent increase, contributing to a surge in the total number of SHGs.

The savings of SHGs in India have witnessed a substantial increase from ₹8217.25 crore in 2012-13 to ₹37,477.61 crore in 2020-21. This represents a significant overall growth of 356.10 per cent over the eight-year period. The growth rate of savings in SHGs also displays fluctuations, varying from 12.12 per cent to an impressive 43.31 per cent. The year 2020-21 stands out with the highest growth rate, indicating a substantial increase in the savings of SHGs.

There is a positive correlation between the number of SHGs and their savings, suggesting that as the number of SHGs increases, the total savings also tend to grow. This correlation is indicative of the effectiveness and efficiency of SHGs in accumulating financial resources over the years. The consistent growth in both the number of SHGs and their savings reflects the success and sustainability of the SHG model in India. These groups have played a crucial role in empowering women, improving financial inclusion, and fostering community development.

Table – 1

SAVINGS OF SHGs IN INDIA FROM 2012-13 TO 2020-21

Year	Number of SHGs in lakhs	Growth rate	Amount in ₹ crore)	Growth rate
2012-13	73.18	-	8217.25	-
2013-14	74.30	1.53	9897.42	20.45
2014-15	76.97	3.59	11059.84	11.74
2015-16	79.03	2.68	13691.39	23.79
2016-17	85.77	8.53	16114.23	17.70
2017-18	87.44	1.95	19592.12	21.58
2018-19	100.14	14.52	23324.48	19.05
2019-20	102.43	2.29	26152.05	12.12
2020-21	112.23	9.57	37477.61	43.31

Source: Reports of NABARD, Mumbai on ‘Status of Microfinance in India’ from 2012-13 to 2020-21.

2. Loans disbursed to SHGs at all India level

Loans Disbursed to Self-Help Groups (SHGs) in India from 2012-13 to 2020-21 is presented in Table – 2. The number of SHGs receiving loans has shown a general increasing trend, reaching 28.87 lakhs in 2020-21. However, a significant drop of -8.23 per cent is observed in 2020-21, indicating a potential reversal in the growth pattern. The growth rate in the number of SHGs receiving loans has been dynamic, ranging from -8.23 per cent to a substantial 19.33 per cent. The negative growth in 2020-21 might be attributed to external factors such as economic downturns or pandemic-related challenges.

The total amount of loans disbursed to SHGs has increased steadily from ₹20,585.36 crore in 2012-13 to ₹58,070.68 crore in 2020-21. This represents a substantial overall growth of 181.88 per cent over the eight-year period. The growth rate of loans disbursed to SHGs has fluctuated, ranging from -25.22 per cent to 35.18 per cent. The negative growth rate in 2020-21 may indicate challenges in the financial sector or reduced funding availability during that period.

While the number of SHGs and loans disbursed generally show a positive correlation, the negative growth in loans disbursed in 2020-21 despite a positive growth in the number of SHGs suggests a potential gap in funding or challenges in the loan disbursement process. The steady increase in loans disbursed signifies the financial support provided to SHGs, enabling them to undertake various economic activities. However, the negative growth in loans disbursed in 2020-21 raises concerns about the resilience of financial systems during challenging times.

Table – 2

LOANS DISBURSED TO SHGs IN INDIA FROM 2012-13 TO 2020-21

Year	Number of SHGs in lakhs	Growth rate	Amount in ₹ crore)	Growth rate
2012-13	12.20	-	20585.36	-
2013-14	13.66	11.97	24017.36	16.67
2014-15	16.26	19.03	27582.31	14.84
2015-16	18.32	12.67	37286.90	35.18
2016-17	18.98	3.60	38781.16	4.01
2017-18	22.61	19.13	47185.88	21.67
2018-19	26.98	19.33	58317.63	23.59
2019-20	31.46	16.60	77659.35	33.17
2020-21	28.87	-8.23	58070.68	-25.22

Source: Reports of NABARD, Mumbai on ‘Status of Microfinance in India’ from 2012-13 to 2020-21.

3. Outstanding loans against the SHGs at all India level

Loans Outstanding against Self-Help Groups (SHGs) in India from 2012-13 to 2020-21 is furnished in Table – 3. The number of SHGs with outstanding loans has shown a generally increasing trend, reaching 57.80 lakhs in 2020-21. The growth rate fluctuated, with

a notable decrease of 5.71 per cent in 2013-14 and a smaller decline of 1.14 per cent in 2018-19. The growth rate in the number of SHGs with outstanding loans has been dynamic, ranging from -5.71 per cent to 11.82 per cent. While there were periods of contraction, the overall trend has been positive, indicating a steady increase in SHGs accessing loans.

The total amount of outstanding loans against SHGs has increased from ₹39,375.30 crore in 2012-13 to ₹103,289.71 crore in 2020-21. This represents a substantial overall growth of 162.32 per cent over the eight-year period. The growth rate of outstanding loans against SHGs has varied, ranging from -4.43 per cent to 24.08 per cent. The negative growth rate in 2020-21 suggests a reduction in outstanding loans during that period, possibly influenced by economic challenges.

The positive correlation between the number of SHGs and outstanding loans reflects the increasing financial engagement of SHGs. However, the negative growth in outstanding loans in 2020-21, despite a positive growth in SHG numbers, warrants further investigation into the underlying causes. The increase in outstanding loans signifies the financial reliance of SHGs on borrowed funds, supporting various economic activities. The negative growth in outstanding loans in 2020-21 may indicate challenges in loan repayment or disruptions in the financial ecosystem.

Table – 3

LOANS OUTSTANDING AGAINST SHGs IN INDIA FROM 2012-13 TO 2020-21

Year	Number of SHGs in lakhs	Growth rate	Amount in ₹ crore	Growth rate
2012-13	44.51	-	39375.30	-
2013-14	41.97	-5.71	42927.52	9.02
2014-15	44.68	6.46	51545.46	20.08
2015-16	46.73	4.59	57119.23	10.81
2016-17	48.48	3.74	61581.30	7.81
2017-18	50.20	3.55	75598.45	22.76
2018-19	50.77	1.14	87098.15	15.21
2019-20	56.77	11.82	108075.07	24.08
2020-21	57.80	1.81	103289.71	-4.43

Source: Reports of NABARD, Mumbai on ‘Status of Microfinance in India’ from 2012-13 to 2020-21.

4. Non-Performing Assets at all India level

Non-Performing Assets (NPAs) of Self-Help Groups (SHGs) in India from 2012-13 to 2020-21 is given in Table – 4. The amount of Gross NPAs in SHGs has seen fluctuations over the years, ranging from ₹2,786.90 crore in 2012-13 to ₹4,889.21 crore in 2020-21. This represents an overall increase of 75.44 per cent over the eight-year period. The NPA percentage, representing the proportion of Gross NPAs to the total loans disbursed, has varied from 4.73 per cent to 7.40 per cent. The NPA percentage decreased from 7.08 per cent in 2012-13 to 4.73 per cent in 2020-21. The growth rate in the NPA percentage has fluctuated, with negative growth observed in several years. The most significant decrease occurred in 2018-19, with a -15.20 per cent growth rate.

While NPAs have increased in absolute terms, the NPA percentage has shown a declining trend. This could indicate improved loan repayment behavior or effective measures taken to manage and reduce NPAs over the years. The overall increase in Gross NPAs may raise concerns, but the decreasing NPA percentage suggests that the proportion of non-performing assets relative to total loans is on a declining trend. This could be indicative of better risk management practices within SHGs.

Table – 4

NON-PERFORMING ASSETS OF SHGs IN INDIA FROM 2012-13 TO 2020-21

Year	Amount of Gross NPAs ₹ crore	NPA per cent	Growth rate in the percentage of NPA
2012-13	2786.90	7.08	-
2013-14	2932.70	6.83	-3.53
2014-15	3814.70	7.40	8.35
2015-16	3683.23	6.45	-12.84
2016-17	4002.19	6.50	0.78
2017-18	4628.05	6.12	-5.85
2018-19	4524.05	5.19	-15.20
2019-20	5321.70	4.92	-5.20
2020-21	4889.21	4.73	-3.86

Source: Reports of NABARD, Mumbai on ‘Status of Microfinance in India’ from 2012-13 to 2020-21.

Conclusion

In conclusion, the analysis of savings in SHGs in India from 2012-13 to 2020-21 highlights a positive trajectory in both the number of groups and their financial contributions. The number of Self-Help Groups (SHGs) in India exhibited a consistent upward trend from 73.18 lakhs in 2012-13 to 112.23 lakhs in 2020-21, with corresponding growth rates, while their savings saw a substantial increase from ₹8217.25 crore to ₹37477.61 crore during the same period, reflecting a significant growth trajectory. The success of the SHG model underscores its potential as a sustainable mechanism for community development and poverty alleviation. An analysis of loans disbursed to SHGs in India from 2012-13 to 2020-21 highlights positive trends in most years, with a notable exception in 2020-21. The loans disbursed to Self-Help Groups (SHGs) in India experienced fluctuating trends from 2012-13 to 2020-21, with the number of SHGs rising from 12.20 lakhs to 28.87 lakhs, albeit with a decline in the last year, and the corresponding loan amounts increasing from ₹20585.36 crore to ₹58070.68 crore, showcasing variations in growth rates throughout the period. An analysis of loans outstanding against SHGs in India from 2012-13 to 2020-21 highlights positive trends in most years, with a concerning deviation in 2020-21. The outstanding loans against Self-Help Groups (SHGs) in India saw a consistent growth in the number of SHGs from 44.51 lakhs in 2012-13 to 57.80 lakhs in 2020-21, with corresponding increases in loan amounts from ₹39375.30 crore to ₹103289.71 crore, displaying variations in growth rates over the years, including a slight decrease in outstanding loans in the last year. The outstanding loans against Self-Help Groups (SHGs) in India saw a consistent growth in the number of SHGs from 44.51 lakhs in 2012-13 to 57.80 lakhs in 2020-21, with corresponding

increases in loan amounts from ₹39375.30 crore to ₹103289.71 crore, displaying variations in growth rates over the years, including a slight decrease in outstanding loans in the last year. An analysis of Non-Performing Assets of SHGs in India from 2012-13 to 2020-21 highlights a nuanced scenario. The Non-Performing Assets (NPAs) of Self-Help Groups (SHGs) in India witnessed fluctuations from 2012-13 to 2020-21, with the gross NPA amount varying from ₹2786.90 crore to ₹4889.21 crore, and the corresponding NPA percentage changing from 7.08 per cent to 4.73 per cent, indicating a complex pattern of changes in NPAs, including a decline in the percentage of NPA in the later years. While there has been an increase in absolute NPAs, the decreasing NPA percentage suggests positive trends in managing and mitigating non-performing assets. Policymakers should focus on understanding the factors influencing both trends to ensure the long-term financial health and sustainability of SHGs. The ability of SHGs to maintain a declining NPA percentage amidst a rise in absolute NPAs indicates a level of resilience. Continued efforts to enhance the financial literacy of SHG members and provide support during economic challenges will contribute to the sustainability of SHGs.

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