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## Self –Help Groups for Women Empowerment in the Present Scenario – A Review

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### Abstract

*In the past decade, women were constrained to join in any social activities and not considered part of any decision making process in the family. The conditions of women in rural and remote areas were still worse. But with the changing times, women are involved in income generating activities. This is the result of the initiatives taken by NGOs, MFI's and Government institutions in providing the financial support to weaker section of the society. This is where the Micro finance programmes for women are increasingly seen by development agencies as a means of poverty alleviation. In this research paper, the researcher has laid emphasis on empowerment of women through microfinance programme. Bank linkage schemes like saving linked SHG's and fresh loans to SHG's by banks have been studied. Further, measures have been suggested to banks to strengthen SHG-Bank linkage programme. Thus, a need of inclusive financial system that will facilitate financial services efficiently to women at affordable cost has led to evolution of this study.*

**Keywords:** Self-Help Group (SHG), Financial System, Financial Services, Savings' Mobilization

### 1. Introduction

Financial Inclusion refers to a process of providing the financial products/services to weaker section of the society at an affordable cost. Financial inclusion is delivery of financial services to poor people and low-income group at reasonable price. People may be financially included through Commercial Banks, Regional Rural Banks (RRBs), Insurance services, Post Office Saving Banks (POSB). Planning Commission (Government of India) has targeted the Faster Inclusive Growth in Twelfth Five Year Plan (2012-17). In the present era, financial inclusion has become a policy priority of the government. In India, RBI has taken a number of initiatives to achieve more financial inclusion viz. No-Frill Account, General Credit Card (GCC), Know Your Customers (KYCs) norms, Business Correspondence Model, Business Facilitators (BF) Model, and Bank Branches & ATMs expansion etc.

In India, Self Help Groups or SHGs represent 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 who are SHG members. A self-help group (SHG) is a village-based financial intermediary committee usually composed of 10–20 local women or men. Members make small regular savings contributions over a few months until there is enough capital in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose. In India, many SHGs are 'linked' to banks for the delivery of micro-credit. For the rural women, economic empowerment can be harvested through the concept of Self-Help Groups (SHGs) based on group approach to rural development. SHGs are indeed a boon to the rural poor women who undertake viable economic activities on their own. SHGs are voluntary association of people formed to attain some common goals.

A self-help group may be registered or unregistered. It typically comprises a group of micro entrepreneurs having homogeneous social and economic backgrounds all voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the

basis of mutual help. They pool their resources to become financially stable, taking loans from the money collected by that group and by making everybody in that group self-employed. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. This system eliminates the need for collateral and is closely related to that of solidarity lending, widely used by micro finance institutions.

Studies have shown that utilizing micro finance services, women become more assertive and confident, have increased mobility, are more visible in their communities and play stronger roles in decision making. While describing the role of micro-finance and micro credit, Yunus, the chief architect of Grameen Bank in Bangladesh, told in a conference organized by Federation of Indian chamber of Commerce and Industry (FICCI). It is time to realize that micro-finance is workable and sustainable anywhere where there is poverty. And to make it successful, it needs to emphasize and mobilize the role of women in each rural and poor household.

## 2. OBJECTIVES OF STUDY

The main objectives of the study are as follows:

1. To study the role of microfinance in empowering women.
2. To analyse the benefits of SHG Bank linkage programme in the present scenario.
3. To study savings mobility among self-help group members.

## 3. SCOPE OF THE STUDY

This study is based upon the secondary data from the concerned sources available in public domain. Moreover, the newly formed SHG's, which are still in infancy stage as well as SHG's formed under NRLM, NULM and other government supported schemes, have their own limitations in terms of their stabilization and bank linkages and hence their impact also is yet to be significant.

## 4. Literature Review

**Sahu and Tripathy (2005)**, in the book titled, "Self-Help Groups and Women Empowerment" views that 70 per cent of world's poor are women. The rural women are the marginalized groups in the society because of socio-economic constraints. They remain backward and lower position of the social hierarchical ladder. The conclusion drawn is that women can lift themselves from the morass of poverty and stagnation through micro finance and with the formation of Self-Help Groups.

**Survey (2005)**, under the title, "Gender Inequality and Women's Empowerment" observed that women are seriously disadvantaged and the findings for women indicated significantly higher illiteracy rate, lower proportion with primary or secondary and above education, lower proportion not working to earn, low or non-existent media access and far younger age at marriage. The study concluded that common and root cause is the deeprooted patriarchy culture that ascribes a low status to women in all dimensions, the power is maintained by the society and accepted even by many women.

**Sharma (2007)**, in the study, "Micro-finance and Women Empowerment" examined that empowerment is an indicator to built broadly in eight criteria's, i.e. mobility, economic security, ability to make small and large purchases, involvement in major household decisions, relative freedom from domination by the family, political and legal awareness, participation in public protests and political campaigns. The study concluded that the micro-finance industry promotes the dual objectives of sustainability of services and outreach to the women and poor when deciding to fund specific MFI donors and other social investors in the sector consider both objectives, but their relative importance varies among funders.

**Jerinabi and Kanniammal (2009)**, in the study titled, "Microfinance and Empowerment of Muslim Women : A Case Study of SHGs in Coimbatore city of Tamil Nadu" examined large number of parameters in the study like mobility, recognition in the family, credit sources, asset building and involvement at different levels of

decision making. The study recommends that planning for women self employment needs a multi-pronged strategy, procedures for credit access to women should be more easy and simple and further there is a need to evolve new products by the banks which help in long-term sustainability.

**Rangarajan (2008)** accessed that to finance by the poor and vulnerable groups is a prerequisite for poverty reduction and social cohesion. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes. Through graduated credit, the attempt must be to lift the poor from one level to another so that they come out of poverty.

**S. K., (2011)** analyzed the role of microfinance and observed that SHG membership and SHG banking/MFP linkage could promote financial inclusion and households with SHG members achieve medium level of financial inclusion than non-members. The study observed that non-members had the lowest financial inclusion index, while SHG members had higher index and those having a linkage with banks/MFPs achieved even higher index.

**Uma, H. R. and Rupa, K. N., (2013)** studied the impact of SHGs on financial inclusion with parameters of increase in bank accounts, increase in avail of credit and percentage of repayment during pre- and post-SHG situations. The study revealed positive impact of SHG on financial inclusion. The study found that the percentage of members having bank accounts, credit availed and repayment of credit had increased in post-SHG situation.

#### 4.1 WOMEN EMPOWERMENT

Certain definitions of Empowerment from report on “Empowering women through Micro finance” “enabling each person’s to reach his or her God-given potential”.

According to UNIFEM, “gaining the ability to generate choices and exercise bargaining power”.

“When women succeed, nations are more safe, secure and prosperous”. **Barack Obama**

“There is no tool for development more effective than the empowerment of women”.

**Kofi Annan**

“Empowering women is key to building a future we want”. **Amartya Sen**

Studies have shown that utilizing micro finance services, women become more assertive and confident, have increased mobility, are more visible in their communities and play stronger roles in decision making. While describing the role of micro-finance and micro credit, **Yunus**, the chief architect of Grameen Bank in Bangladesh, told in a conference organized by Federation of Indian chamber of Commerce and Industry (FICCI) “India has to understand that micro-finance is workable and sustainable anywhere where there is poverty. And to make it successful, it needs to emphasize and mobilize the role of women in each rural and poor household”.

In research, following five dimensions of women empowerment are used to measure overall empowerment: Household decision making; Economic decision making; Freedom of movement; Ownership of property and Political and social awareness, etc. Higher income increases women’s ability to contribute more to the household expenditure, and eventually improve their empowerment.

#### 5. SHG - Bank Linkage Program

SHG - Bank Linkage Programme is the largest microfinance programme in the world because of its sheer size and population it touches. What is equally remarkable is that it is also the most widely participated developmental programme in the country and perhaps in the world for the large number of channel partners, their grass root workers, Govt agencies and banking outlets involved.

The community based microfinance approach under SHG-BLP, which centered on bringing the poor onto the frontline in terms of thrift, credit linkage, livelihood activities, income generation, financial management and

overall socio economic empowerment was well accepted by the financial institutions, NGOs, civil society organizations, governments as well as other stakeholders.

The extent of participation can be gauged by the fact that at present more than 100 Scheduled Banks, 349 DCCBs, 27 State Rural Livelihood Missions and over 5000 NGOs are engaged in promoting Self Help Groups. The programme owes this level of involvement to its ability to mobilise masses of rural people, impress upon the Govt machinery and draw developmental agencies of all hues and continue to draw upon the synergies with aplomb even today.

Three radical innovations were introduced through the RBI/NABARD guidelines on SHG-BLP which are as follows:

- Acceptance of informal groups as clients of banks – both deposit and credit linkage
- Introduction of collateral free lending, and
- Permission to lend to group without specification of purpose/ activity/project

These type of innovation will lead to door step credit delivery mechanism based on social collateral factors making immediate inroads backed by an enabling policy environment and support from some national level institutions and multilateral agencies.

### **5.1 The Present Status of SHG-Bank Linkage Model**

SHG - Bank Linkage Programme has traversed twenty-five years of unabated journey towards empowering the rural poor, in general and rural women in particular. Taking a big leap from a pilot in 1992, SHG Bank Linkage Programme has now become the largest community based microfinance initiative with 85.77 lakh SHGs as on 31 March 2017 covering more than a hundred million rural households.

SHG - Bank Linkage Programme is a strong intervention in economic enablement and financial inclusion for the bottom of the pyramid. A proven platform initially conceived for increasing the outreach of banking services among the poor has since graduated to a programme for promotion of livelihoods and poverty alleviation. All the major parameters viz. the number of SHGs with savings bank accounts, amount of credit disbursed during the year, the bank loans outstanding as well as the quantum of savings outstanding had shown positive growth during the past three years. The year 2016-17 has proved particularly positive for the growth of SHGs.

The domain of SHGs consists of 85.4% women groups and is the mainstay programme for empowerment of the poor rural women in the country. Table 1 gives an account of savings, credit disbursement and credit outstanding of total SHGs and under NRLM and NULM during the past three years.

Efforts of NABARD during the year had paid off and can be seen in the turnaround made. It is observed that green shoots are visible in all aspects of the movement as compared to last year.

NABARD's experiment in SHG-BLP established the credibility of groups as a bankable proposition and rural people capable of financial discipline. It created a new set of clientele with untapped appetite leading to several NGOs acting as financial intermediaries for on-lending to groups buoyed by the success of SHG-BLP. A new breed of micro lenders was born, the Micro Finance Institutions. As per MFIN, as on 31.03.2017, the Microfinance industry has a total loan portfolio of INR106,916 crore. MFIN's heartening to share visible improvements in all aspects of the movement as compared to last year. During 2016-17, despite the impact of demonetisation on credit disbursement and repayments, combined efforts and initiatives of NABARD, banks, SHPIs, NRLM and Government agencies have given great boost to the SHG-BLP movement.

There was a net addition of INR73 lakh SHGs during the year increasing the number of SHGs having savings linkage to INR85.76 lakh as on 31 March 2017. The savings outstanding of SHGs with banks as on 31 March 2017 has reached an all-time high of INR16114.22 crore. During the year, banks have disbursed loan of INR38781.16 crore, recording 4% increase over the last year despite the impact of demonetisation which slowed down loan disbursement post October 2017.

**Table: 1 (No. of SHGs in lakh, Amount in INRcrore)**

Particulars		2014-2015		2015-2016		2016-2017	
		No of SHGs	Amount	No of SHGs	Amount	No of SHGs	Amount
SHG savings with banks as on 31st March	Total SHG Nos.	76.97 (3.59%)	11059.84 (11.74%)	79.03 (2.68%)	13691.84 (23.79%)	85.77 (8.53%)	16114.23 (17.69%)
	All Women SHGs	66.51 (6.38%)	9264.33 (15.61%)	67.63 (1.68%)	12035.78 (29.92%)	73.22 (8.26%)	14283.42 (18.67%)
	% of Women Groups	86.41	83.77	85.58	87.91	85.36	88.64
	Of which NRLM/SGSY	30.52 (34.92%)	4424.03 (78.56%)	34.57 (13.27%)	6244.97 (41.16%)	37.44 (8.30%)	7552.7 (20.94%)
	% of NRLM/SGSY Groups to total	39.65	40	43.74	45.61	43.65	46.87
	Of which NULM/SJSRY	4.33	1071.81	4.46 (3.00%)	1006.22 (6.12%)	5.45 (22.42%)	1126.86 (11.99%)
	% of NULM/SJSRY Groups to total	5.63	9.96	5.64	7.35	6.36	6.99
Particulars		2014-2015		2015-2016		2016-2017	
		No of SHGs	Amount	No of SHGs	Amount	No of SHGs	Amount
Loans Disbursed to SHGs during the year	No of SHGs extended loans	16.26 (19.03%)	27582.31 (14.84%)	18.32 (12.67%)	37286.90 (35.18%)	18.98 (3.60%)	38781.16 (4.01%)
	All Women SHGs	14.48 (25.69%)	24419.75 (16.07%)	16.29 (12.50%)	34411.42 (40.92%)	17.16 (5.34%)	36103.13 (4.92%)
	% of Women Groups	89.05	83.53	88.92	92.29	90.42	93.09
	Of which NRLM/SGSY	6.43 (28.45%)	9487.69 (27.26%)	8.16 (26.91%)	16785.78 (76.92%)	8.86 (8.58%)	17336.26 (3.28%)
	% of NRLM/SGSY Groups to total	39.54	34.4	44.54	45.02	46.69	44.7
	Of which NULM/SJSRY	1.05	1871.55	1.11 (5.71%)	2620.22 (40.00%)	1.06 (-4.5%)	2675.77 (2.12%)
	% of NULM/SJSRY Groups to total	6.46	6.79	6.06	6.06	5.6	6.9

Source: Nabard

The total bank loan outstanding to SHGs also increased by 7.81% and stood at INR61581.30 crore against INR57,119 crore as on 31 March 2016. The gross NPA of bank loans to SHGs marginally increased by about 5 basis points from 6.45% as on 31 March 2016 to 6.50% as on 31 March 2017. This was achieved in a year when there was overall deterioration in quality of assets and mounting NPAs in the banking sector.

**Table: 1 (No. of SHGs loans outstanding in lakh, Amount in INRcrore)**

Particulars		2014-2015		2015-2016		2016-2017	
		No of SHGs	Amount	No of SHGs	Amount	No of SHGs	Amount
Loans Outstanding against SHGs as on 31st March	No of SHGs extended loans	44.68 (6.46%)	51545.46 (20.06%)	46.73 (4.59%)	57119.23 (10.81%)	48.48 (3.74%)	61581.30 (7.81%)
	All Women SHGs	38.58 (13.27%)	45901.95 (26.97%)	40.36 (4.61%)	51428.91 (12.04%)	42.84 (6.14%)	56444.24 (9.75%)
	% of Women Groups	86.35	89.05	86.37	90.04	88.36	91.66
	Of Total NRLM/SGSY	18.46 (41.24%)	19752.74 (94.08%)	21.91 (18.69%)	26610.16 (34.72%)	24.91 (13.69%)	29994.43 (12.72%)
	% of NRLM/SGSY Groups to total	41.32	38.32	46.89	46.59	51.37	48.71
	Of which NULM/SJSRY	3.18	3462.62	3.13 (-1.57%)	3979.75 (14.93%)	3.18 (1.60%)	4133.29 (3.86%)
	% of NULM/SJSRY Groups to total	7.12	6.72	7	6.97	6.55	6.71

Source: Nabard

## 5.2 STATUS OF SAVINGS LINKED SHGs

The number of savings linked SHGs has shown a huge jump of 8.53% during the year. The increase is highest during this decade. With the expanding coverage of SHG-Bank Linkage Programme in Eastern and North Eastern Regions and other priority States during the last three years, there has been perceptible correction in the Southern bias of the Programme. Bihar, Maharashtra, Rajasthan and West Bengal account for 63% of the net addition of SHGs during the year.

The share of Southern Region in terms of number of SHGs declined to 43.4% in 2016-17 from almost half (48.3%) in 2014-15. There was a slight decline in the percentage share of SHGs in Southern Region as well as Central Region during 2016-17 over the previous year in spite of an absolute rise in number of SHGs. Major States like Telangana, Maharashtra, Gujarat, Chhattisgarh, Uttarakhand, West Bengal, Bihar, Jharkhand, and Rajasthan have recorded higher growth rate.

## 5.3 SAVINGS OUTSTANDING

The savings outstanding of SHGs as on 31 March 2017 has reached all-time high of INR16,114 crore, about 17.7% more than that a year back. The average savings outstanding per SHG increased by 8% during the year,

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to INR18,788 as on 31 March 2017 from INR17,324 in the previous year. The average savings outstanding was highest in Southern Region and lowest in North Eastern Region.

#### **5.4 NABARD AS MICROFINANCE FACILITATOR**

NABARD continued with its role as the main facilitator and mentor of microfinance initiatives in the country, particularly the SHG Bank Linkage initiative. It continued to provide support in the form of grant assistance for formation, nurturing and credit linking of SHGs with the banks, capacity building of various stakeholders through training, exposure visits, seminars, workshops etc. NABARD intensified its efforts to promote sustainable livelihoods among SHG members by mainstreaming Livelihood and Enterprise Development Programme (LEDP), pilots in micro insurance and pension, digitization of SHGs, commissioning studies on topics related to micro credit/ SHG-BLP.

NABARD gave due recognition to training and capacity building of various stakeholders such as Bankers, NGOs, Government officials, SHGs, SHG Federations and trainers. During 2016-17 more than 4700 training programmes were conducted and about 1.75 lakh participants were trained.

Cumulatively, around 37.69 lakh participants have been imparted training till the end of 31st March 2017 creating a strong team for implementation of the microfinance programmes.

Grant Support to Partner Agencies for Promotion and Nurturing of SHGs NABARD extended grant support to NGOs, Federations of SHGs, RRBs, NGO-MFIs, CCBs, PACS, Farmers' Clubs and Individual Rural Volunteers (IRVs) for promotion, nurturing and credit linkage of SHGs with the banks. Untiring efforts of all these agencies has led to spectacular growth of the movement and SHG concept is known to a vast majority throughout the country.

Banks reported credit linkage of more than 70000 SHGs and account opening of about 25000 new SHGs during these programmes. These programmes resulted in better interface between bankers and SHGs leading to increased credit flow and appreciation of each other's needs.

#### **5.5 EXPENDITURE ON SHGs/JLGs - FUNDS UTILIZED**

'Financial Inclusion Fund' and 'Women Self Help Group Development Fund' were utilized during the year for various microfinance related activities such as formation and linkage of SHGs/JLGs through SHPIs/JLGPIs, training and capacity building of stakeholders, livelihood promotion, studies, documentation, awareness and innovations etc. A sum of INR62.69 crore was expended during 2016-17 from these funds for the above purposes registering an increase of 18.5% over the previous year.

### **6. ON-GOING INITIATIVES**

#### **LIVELIHOOD & ENTERPRISE DEVELOPMENT PROGRAMME**

Generating income and alleviating poverty through the creation of livelihoods, is one of the goals of the SHG-Bank Linkage Programme (SHG-BLP). Skill development is an important tool for improving the employability and enhancing productivity of the working poor and thereby reducing poverty and exclusion. Rural poor women typically face difficulties or discrimination in accessing good quality training. Keeping the above in view, NABARD continued with Micro Enterprise Development Programme (MEDP) to nurture the entrepreneurial talents of members of matured SHGs to set up and run micro enterprises as a livelihood option in farm or non-farm sector. Around 15552 skill up-gradation training programmes have been conducted under this initiative covering about 4.40 lakh members of matured SHGs up to 31 March, 2017.

During the year, NABARD mainstreamed Livelihood and Enterprise Development Programme with a view to create sustainable livelihoods among SHG members and to create maximum impact of skill up-gradation. These programmes are implemented in small batches for a maximum of 150 SHG members in a cluster of contiguous villages on a project basis covering 15 to 30 SHGs. The programme provides for livelihood

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creation in agricultural & allied activities as well as rural non-farm sector activities. As on 31 March 2017, 139 proposals have been sanctioned to various agencies across India.

### **6.1 SPECIAL INITIATIVES**

Scheme for Promotion of Women SHGs in backward districts of India NABARD, in association with the Department of Financial Services, Ministry of Finance, and Govt. of India continued to implement a scheme for promotion and financing of Women Self Help Groups in 150 identified backward districts of the country. The USP of this scheme is that it provides for selection of an anchor NGO in each of the district not only for promoting and enabling credit linkage of these groups with banks (like any other SHPIs under SHG-BLP of NABARD) but also serving as a business facilitator for extending outreach of the banks, regular monitoring of the SHGs promoted and also being responsible for repayment of loans by SHGs to banks. For these services the Anchor NGO is entitled for service charges @5% of the outstanding loan amount. This approach is expected to facilitate sustained financial inclusion by extending banking services to women members of SHGs, promote sustainable livelihood opportunities to the members and facilitate effective implementation of other social development programmes for women through SHGs.

### **6.2 SWARNAJAYANTHI GRAM SWAROZGAR YOJANA (SGSY) NATIONAL RURAL-LIVELIHOODS MISSION (NRLM)**

SGSY was effective from 1st April, 1999 as a self-employment programme introduced by union government to provide assistance to poor families living below the poverty line in rural areas to take up self-employment by forming SHGs. Persons taking up self-employment are called Swarozgaris. They may take up the activity either individually or in group. Swarozgaris earn 2,000 per month, exclusive of bank loan repayment. SGSY was restructured as NRLM. Aajeevika or National Rural Livelihoods Mission (NRLM) was introduced by Ministry of Rural Development with the assistance from World Bank for addressing poverty alleviation with greater focus and momentum and to achieve Millennium Development Goals.

### **6.3 MICRO INSURANCE & MICRO PENSION**

To increase awareness regarding micro insurance among SHG members and to enhance their enrolment under the scheme Religare Health Insurance has been sanctioned two pilot projects, one in Alwar district of Rajasthan and another in Ramgarh district of Jharkhand. The projects envisages: provision of Health Insurance and Personal Accident Cover; issuance of a Master Policy in the name of the SHPI and individual cover in the name of SHG member and his/her spouse (the couple being treated as one unit); that the insured must be at least 18 years and not more than 70 years of age; that insurance cover will be provided for a period of one year to each beneficiary from the date the policy comes into effect; and will enable SHG members/families to avail cashless treatment in a hospital for any illness/injury/disease (that is not specifically excluded) and also for maternity treatment needs up to a maximum limit of 50,000/-.

International Network of Alternative Financial Institutions (INAFI) has been sanctioned a micro pension pilot project to be implemented in the tribal district of Dungarpur in Rajasthan. The project envisages educating SHG leaders, federation leaders and NGOs on the micro pension products, through pension literacy/mobilization meetings and workshops for NGO staff members and technical workshops for finalizing the pension products. The project targets coverage of minimum 1000 SHG members under micro pension.

## **7. DIGITISATION OF SHGs: ESHAKTHI**

In recent years, with the entire banking sector embracing technology, there is a smooth and seamless flow of data, both of transaction and information, across the banking system. However, the microfinance sector was more or less left out from the technology platform. It was therefore felt that SHGs should not be left behind and should evolve to be able to leverage upon technology. Digitisation of Self Help Groups is a step towards systematic and faster achievement of the avowed goals of SHG movement.

NABARD attempted digitisation of SHGs under a project called EShakti to take advantage of the available technology to address the problem of book keeping, capturing the credit history of SHG members, generating SHG grading report based on its financial and nonfinancial records and making them available to all important stakeholders.

The USP of EShakti software is 'one-click' availability of social and financial information of all the members of the Self Help Groups.

The project now covers 1.30 lakh SHGs. It also has demonstrated its potential to rejuvenate the Self Help Group movement. It has led to:

- Real time SMS alerts brought transparency to the operations / transactions and boosted confidence among the SHG members.
- Increased awareness levels of banks about functioning of SHGs, through the MIS generated from the system has resulted in large scale first as well as subsequent linkages for many SHGs and also credit deepening in some of them.
- The software has valuable data of about 15 lakh rural poor in 25 districts.

Particulars	Number
Villages covered	19,100
Groups covered	1.30 Lakhs
Groups credit linked	63,700
Members covered	14,94,300
Women covered	14,62,600(98%)
Members with Aadhaar	12,07,700(81%)
Members having mobile phones	5,15,800(35%)
Participating banks	176
Partner SHPIs	91

(On EShakti portal as on 16.06.2017)

### 8. Suggestions for Strengthening SHG-Bank Linkage Program

- **Encouraging SHGs in Excluded Regions:** The spread of SHGs in North, Eastern and North-Eastern Region is poor. One of the reasons for this is the weak banking network and social backwardness and less NGO activity. There is a need to evolve SHG models suited to the local context.
- **Capacity Building of Government Functionaries:** There is a need for sufficient training for SHG staff and members on the concept
- **Check on Corruption/Commission while Sanctioning and Upgrading the Loan:** The commission and corruption at grass root level leads to selection of wrong people for loan, higher defaults, mis-utilisation of loans (like revolving loan for money lending, luxurious consumption).
- **Identification of population below the poverty line by the NABARD:** NABARD has already identified 16 States with large population of the poor, but exhibiting low performance in implementation of the programme. The ongoing efforts of NABARD to upscale the programme in the identified States need to be given a fresh impetus.
- **Transparency in Maintenance of Records:** Banks, with the help of NABARD, should evolve a common checklist for all SHGs with very simple record keeping.
- **SHGs to Evolve Norms for Distribution of Surplus:** There is a need to evolve norms for distribution of surplus especially at the time when a member drops out of the group.
- **Need to restructure design & direction of SGSY subsidy:** All subsidy component of SGSY should be used for income generating activities.

- **Identification of Income/Employment Generating Activities:** The present challenge is to induce SHGs and their members to graduate into matured levels of enterprise, factor in livelihood diversification. Separate cell in each bank branch to be established to address this aspect.
- **Federations:** Federations, if they emerge voluntarily from amongst SHGs, can be encouraged.
- **ICT Technology and Product Innovation:** In the ever changing technology there is good scope for ICT tools to reduce cost of financial inclusion. This needs to be sufficiently explored for the benefit of both banks and rural SHG members.

## 9. CONCLUSION

In India, microfinance in the formal sector has assumed the form of SHG-bank linkage program. Through this program, the Reserve Bank of India and NABARD has tried to promote relationship banking i.e., “Improving the existing relationship between the poor and the bankers with the financial inclusion. The SHG-bank linkage program in India is rapidly expanding its outreach under the pioneering initiative of NABARD, the monitoring and supervision of RBI, and the promotional policies of the government of India.

India is still a developing country, where most part of the country is the rural sector. This sector does not have proper banking systems and due to this problem rural women cannot save their petty savings effectively and for the loan purpose they are ending up with private money lenders who are charge them very high rate of interest by exploiting them. This SHGs through bank linkage helping them to save their petty savings with nationalized and commercial banks with full security and easily they can avail bank loan through SHGs at minimum rate of interest. The SHGs and linking their savings account to bank through financial inclusion has made drastic changes in the life of rural people and even on their standard of living. If we include like this all SHGs and small NGOs savings accounts of almost all rural areas to banking sector through financial inclusion than within a short span of time we can see good changes in the rural area and which in turn help us to reduce the gap between urban and rural area leading to the development of the country.

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