

Explanatory Study on Linking Banks to the Self Help Programme In India

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NABARD established the Self Help Group-Bank Linkage Programme (SBLP) in 1992. The main purpose of the SBLP's is to connect the informal sector of our people with the established banking sector. 20 members come from low-income families, usually women. The purpose of this paper is to understand the system and also to identify the challenges it faces. Secondary data has been applied here. This study is explanatory in nature. It has been concluded in this study that the SBLP is a productive tool for poverty alleviation and business development business for poor rural especially for women group.

Keywords: Self Help Group, SBLP, NABARD, poverty, banking sector, women group.

Introduction:

The main purpose of producing banking services in the fragile and fragmented sector is the Bank self help group linkage programme that was launched in the early 1990s. The program was launched by NABARD in 1992 to merge the informal industry with the legal banking sector. Often this segment of the population comes from low-income and recruited people to meet their economic needs through limited resources such as moneylenders, traders, family, and friends, etc. Under the scheme, banks were allowed to open savings accounts for Budget Assistance Groups (SHGs). SHGs are registered / unregistered bodies usually consisting of a group of 15 to 20 members from low-income families, usually women. They assemble savings from members and utilize the combine funds to grant loans to the underprivileged members. Banks should examine whole credit necessities of SHG members, namely, (a) income generation activities, (b) social requirement such as housing, education, marriage, etc. and (c) debt swapping". As far as except that the productive movement and utilization of advantage no one tool will be the effective. But it is feasible long run obligation to the activities. Self-Help Group (SHG) program is a

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sensible path to eliminate poverty. It is introduced into as a self-employment program in the idiom of poverty destruction measures as well as empowerment program in the country. The SHG program was initiated in many District of Indian State in by the Govt. with a view to bring more poor women under this program to make them empowered politically, socially and economically. There is a drastic requirement of effective practice from all sides to build the development process of SBLP powerful and viable in the district.

Literature Review

Pitt, and Khandker(1998) has shown that established credit institutions, for example, commercial banks do not meet the debt requirements of the rural poor because, among other things, they see greater risk of failure, higher transaction costs combined with smaller loans and savings deposits, asymmetry facts and lack of collateral. among insufficient debtor.

Namoodiri and Shivani (2001) review the promising performance of Gujarat SHGs in conditions of its weakness, strength and threat.

Anjuman and Alaghmoni (2001) conducted a study in the Madurai district of Tamil Nadu with the aim of determining the commercial, social and financial impact of the small financial institution with the help of SHGs. The case study has previously determined that if the class establishment is accurate, it exists can have a positive impact on all of the above situation.

Dasgupta (2001) the focus area on a few of the positive aspects of these categories namely. significant empowerment of poor women, access to essential credit and poverty-saving savings for the poor, compliance with the need and provision of debt structure and the opening of new financial institutions' markets.

Sinha and Patole (2002) point out that an important aspect of SHG is voluntary savings with members are initially used to finance members' debt needs.

Chakrabarti (2004) in his research explains that all decisions regarding group contributions, loan sanctions, interest rates loans, payment schedules and other related decision-making decisions have sunk into the party meetings. He also refers to the important and crucial role of Self Help that promotes institutions (SHPI) in the formulation and maintenance of SHGs.

Satish (2005) in his research revealed that the legal interest in informal group growth gained momentum in 1986-87 through NABARD action and the Self Help Group (SHG) was considered the largest microfinance care center. He announced that SHGs are built around the concept of savings and debt. Unlike in the case of the Grameen Model, SHG completely prohibits the use of its funds. It is up to the women to determine the level of interest they offer in order to be included.

Nair (2005) in his research he points out that the SBLP belongs to a very small financial sector.

NABARD (2005) in his research examine the role of SHG in indebtedness. The findings of the study were that the SBLP was started as a result of the world's largest small-scale financial system. The SBLP has thus become the poorest response to the formal banking system, in a sustainable and inexpensive manner. Thus, the SHGs have become regular component of the Indian financial system since 1996.

According to Rangarajan (2005) the SHG defined savings and a group of debtors with numbers 10-20 who are equals in a common fund held by the members themselves.

Objective of the paper

1. To understand the self help group programme.
2. To identify the challenges of self help group programme.

Research Methodology

Explanatory research is used here. Data was collected from secondary sources such as Books, Journals, Magazines to understand various professional bodies associated with management, education and its various components. Apart from this, I have visited different important management and regulatory websites and professional magazines. Some more data was collected through personal and telephonic interviews and discussion with SHG people. The present study is based on secondary data source collected from several issues and papers published on SBLP and those are figure out 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 searched the path for their socio-economic empowerment and poverty reduction.

Self Help Group

Self help Group: Self help Group is financial Intermediary generally the group consists of 10- 20 members voluntarily join together and concentrating their common problems.

Women Empowerment: Women empowerment is multidisciplinary approach and its refers on social, economic and political aspects. Empowerment will take place within the social, psychological, economic and social spheres, as individual groups and communities. To accomplish the permanent and the sustainable growth of society empowerment of the women is ultimate essential.

The self-help group's structure:

Self-help groups are created by 10-20 women from lower-income sectors who are engaged in livelihood activities such as producing candles, imitation jewellery, road vendors, hawkers, tailoring jobs, retail businesses, livestock husbandry, and so on. Another notable feature of the connectivity scheme is that around 85 percent of the organisations affiliated with banks were created only by women.

The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment

Once the group is founded, members are urged to contribute to the group's common fund with money they have neatly saved from their wages and utilized those amount in financial scarcity, essential life events or to acquire assets. The members' fund is used to lend internally to fulfil their wealth production operations and emergent credit requirements at such a rate of interest, loan length, and other terms as the group may select. Beyond their function as a savings and credit group, SHG's offer poor women a platform for building unity. They allow women to come together and act on issues related to their own lives including health, nutrition, governance and gender justice. In India, RBI regulations order that banks propose financial services, involving collateral free loans to these groups on very less interest rates. This acknowledges poor women to circumvent the challenges of exclusion from institutional financial services. This system is closely connected to that of unity lending, widely utilize by microfinance institutions.

SHG Bank linkage programme

Banks are recommended to implement the Total Financial Inclusion concept and all scheduled commercial banks have been asked to follow the lead set by some public sector banks and fulfill all of the credit needs of SHG members, including (a) income generation activities, (b) requirements such as housing, education, marriage, and so on, and (c) debt swapping." Linking SHGs with banks has thus been emphasised in the Reserve Bank of India's Monetary Policy Statements and Union Budget announcements from time to time, and various guidelines have been issued to banks in this reference.

Opening of Savings Bank Account

Customer Due Diligence (CDD) of all SHG members as described in the Know Your Customer (KYC) Direction, 2016 shall not be required when opening the SHG's savings bank account, according to the Simplified norms for Self Help Groups (SHGs). All of the office bearers' CDD will probably be sufficient. At the time of credit linking of SHGs, no separate CDD of the members or office bearers is required.

Loans to SHGs

Under the SBLP, such established SHGs are linked to banks through NGOs known as Self Help Promotion Centers (SHPI), by opening a savings account. According to the NABARD mandate, SHGs may be approved by a bank-linked loan (fluctuating from a savings rate to a 1: 1 to 1: 4 loan rate). However, in the case of full SHGs, banks may offer loans in excess of four times the amount of savings at the forefront of the bank. The limit is mandated by banks to evaluate the activities of the party concerned in respect of regular meetings, savings, currency exchanges with internal loan repayments, revenue generation, bookkeeping, etc. Each bank that lends SHGs will need to include a credit plan, a regional credit plan, a credit plan, and a branch credit plan as an integral part of the bank's business credit plan.

The presence of failure in SHGs

Failure with a few SHG members and / or their family members in a funding bank they should not normally come to the SHG individual banking process, as long as SHG does not automatically exist. Therefore, the bank loan will not be used by SHG to finance a member of the bank.

Cost of Services/Processing

There are no loan-related charges and temporary service / inspection costs to be considered for a sector loan of up to 25,000. In the case of a suitable loan for an important category for SHG / JLGs, this limit will apply to each member and not the group as a whole.

Monitoring the Success of SHG Credit Status

Leading banks in their forums such as Block Level Bankers 'Committee (BLBC), District Consultative Committee (DCC), State Level Bankers 'Committee (SLBC), discusses the problem in all aspects of linking SHG-bank with other financial institutions and monitors the wisdom of the branch the acquisition of the SHG credit status of each bank. By linking SHG-bank, SLBCs will have subcommittee with members from all government banks, RBI, NABARD, CEO of SRLM, Representatives of the Department of Rural Development, Secretary-General of Institutional Finance and Representatives of Development Departments. The subcommittee meets once a month with a specific agenda for review, implementation, and monitoring of SHG-Bank communications and issues / issues in achieving the purpose of the loan.

Divide Category under important category

In order for banks to report their SHG lending without difficulty, it is prescribed that banks report their lending to SHGs by lending their loans to SHG members under the appropriate category, i.e. 'Progress to the SHG' without regard to the purpose for which loans have been issued to SHG members. Priority Sector loans to SHGs are made intentionally under the "Weaker Sections" section. The interest rate applicable to banks' loans to Self Help Groups / member beneficiaries will be left to determine in advance.

Savings and loans under SHG links

According to NABARD as at 31 March 2014, it was likely to save an estimated 74.30 lakhs linked to SHGs, kidnapping 9.7 crore poor families. The total futures amount of these SHGs and banks amounted to Rs 9897 million. The number of SHGs linked to debt under the scheme was close to around 42lakhs.

In the first phase of the SHGs movement saw the concentration of SHGs in the southern parts of the country, but now the SHGs are increasing significantly in the eastern and northeastern regions where fiscal tightness is better. The Indian government has also been using SHGs to obtain credit programs linked to the poor. NABARD provides financial support to NGOs that assist SHGs and link them to banks.

Benefits

A business related poor individual boost the intensity as member of a group.

- Also, funding for SHG transactions costs for both lenders and borrowers.
- Although lenders should only carry a SHG account three times instead of multiple smaller accounts, one-person accounts, the beggar as part of a reduced SHG or travel (to and from the branch and elsewhere) for paperwork and workday damage their loan campaign.
- At higher levels, SHGs empower the poor, especially women, in rural areas.
- SHGs have been instrumental in reducing the impact of illegal lenders in rural areas.
- The houses of the largest companies and make SHGs in the highest places in India.
- SHGs help borrowers overcome debt crisis. Women can explain their problems and seek their answers.

Challenges faced by SHG programme.

1. Up gradation in standard of living: A major problem for the rural poor is the low standard of living, especially in developing countries such as India. Following the intervention of the SBLP, the standard of living of the rural poor has been increased and they can also access healthy food for their livelihoods.

2. Monitoring Scheme: Under the SBLP, enthusiastic monitoring has been developed such as the involvement of bank officials, NGOs, Municipal Corporation, etc. to strengthen and establish a strong SBLP system. This happens in the productive use of financial resources to do profitable work.
3. Capacity Building: Under the auspices of the bank, SHG members and bank officials must continue with the Government and NABARD skills development strategy. Build effectively on the go and control of the system.
4. Low Rate Bank Loans: Under the SBLP, the policy is to provide fixed financial services to the poorest rural people at a low interest rate. At the same time, with the involvement of NABARD and RBI this goal has been achieved and resulted in many families becoming economically empowered to run modern services.
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. Maximum members do not have much knowledge concerning the NABARD timely direction and Government sponsored plans. This influence for under development of leadership qualities and trained members taking imitated for any plans.
7. In the rural and village groups, maximum of the SHG members do not include 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 introduction and workshop programmes for SHGs in order to build up most open taps for society.
9. Maximum reports have recommended in managing the flock at village and taluka wise in order to gain topmost advantageous from the Government.
10. The representatives should practitioner to the SHGs rules and they have to divide each and every issue in the group and take an opportunity to resolve them along with their self-respect goal.

Recommendation for strengthening SHG-Bank linkage program

1. Promoting SHGs in Excluded Districts: The spread of SHGs in the Northern, Eastern and North-Eastern regions is poor. One of the reasons for this is the weak banking network and the social decline and the small work of the NGO. There is a need to change the SHG models that fit the local context.
2. Capacity building of Government employees: There is a need for adequate training of Suvida Dhata and local NGO / bank employees in view of the SHG.
3. Guarantee of corruption / commission when approving and increasing loans: Commissions and lower levels of corruption lead to unqualified selection, high crime rates, credit mismanagement (such as borrowing loans, luxury spending).
4. Retention of the participant character of the SHG movement: The SHG movement maintains its character of participation and self-help.
5. Definition of the poor by NABARD: NABARD has already identified 16 states with the poorest population, but showing poor performance in the implementation of this program. NABARD's ongoing efforts to improve the system in identified countries need to be renewed.
6. NGO incentive package: incentives to be given to NGO-focused NGOs and Suvida Dhata
7. Avoid 'staying green' of debt: A certain "green" aspect of loans is reported to occur within SHGs linked to credit. NABARD may quickly read this feature and come up with a recommendation to reverse this negative trend.
8. Transparency in record keeping: Banks, with the assistance of NABARD, should modify the standard checklist for all SHGs by keeping records very simple.
9. SHGs will change the revenue distribution mechanisms: There is a need to change the distribution mechanisms (such as dividend) especially at the time when a member leaves the group.
10. Need for redesigning design and directing of SGSY services: All portions of SGSY funding should be used for revenue-generating activities.

11. Resource Center's: Resource Center's in the Andhra Pradesh Mahila Abhivruddhi Society (APMAS) can be established in different parts of the country.

12. Recognition of income-generating / employment-generating activities: The current challenge is to lead SHGs and their members to success at the senior business level, which is a result of the diversity of livelihoods. A separate cell in each bank branch to be resolved to identify this attitude.

13. Co-operatives: Co-operatives, if they voluntarily withdraw from SHGs, can be encouraged.

14. ICT technology and product innovation: In ever-changing technologies there is an excellent place for ICT tools to reduce investment costs. This needs to be adequately investigated for the benefit of banks and rural SHG members.

Conclusion

It has stated in this paper 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 a possible long run commitment to the activities. SHG has confronted many challenges while proving their scheme beneficial. Apart from that many suggestion has been provided to strengthening this programme and making it successful. It has been concluded that the women in the SHGs have achieved self dependent and confidence for social and economic self reliant and self adequate between the members. The women in the SHGs are less dependent on personal saving sources rather they prefer the banks to save their saving which is a positive sign in itself. Being a member of the SHG the women are getting the disclosure to have a social interaction with other people.

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