

## **Linking Self-Help-Groups with Banks in India** **“ Need for Expanding Banks’ Role”**

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Program of Linking Self-Help-Groups with banks in India under the Micro-credit which made a modest beginning in the year 1992-93 has now completed more than 13 years. & has been under implementation in 572 districts of 31 States & Union Territories of India. As on 31<sup>st</sup> March’05, number of Self-Help-Groups [SHGs] linked with banks were 1,618,456 & bank credit disbursed was of the order of Rs. 68,984.6 million. The number of poor persons [one SHG representing 15 members] assisted under the program were 24.27 million reflecting rise by 8.09 million persons in one year alone. Around 90 per cent of SHGs were exclusive women SHGs & on time repayment rate was as high as 95 per cent as reported by several studies. The performance in respect of number of SHGs linked with bank credit during the last 13 years has indeed been very impressive. Besides, it is of interest to note that achievements of linking 1,079,091 SHGs with banks as on 31<sup>st</sup> March’04 were more than the targets of one million fixed by the National Bank for Agriculture & Rural Development [National Bank] for the year 2006-07. However, in the light of 193 million people in rural area still continuing to be *Below Poverty Line* as revealed by the recent report of the Council for Social Development & Oxford and implementation of the first United Nations Decade for the Eradication of Poverty [1997-2006] by reaching 100 million of the world’s poorest families, especially the women of these families with credit for self-employment & other financial services by the year 2006, India has still to go a very long way in achieving the objectives of Micro-finance program as integral part of Millenium Development Goals unanimously adopted by the member states of the United Nations in September 2000. It is against this background an attempt is made here to highlight the key areas for improving its effectiveness, by expanding banks’ role beyond providing credit, in the light of review of performance of program of Linking Self-Help-Groups with Banks & initiatives taken by the National Bank.

### ***Significance of Micro-credit***

Easy access of the poor & disadvantaged, particularly women, to dependable financial services [savings, credit, insurance & remittances] in developing countries of the Asia-Pacific, Latin America & Africa has been well recognized as a key to their mainstreaming with the development of the country. Most poor people need & use financial services all the time. They save & borrow to take advantage of business opportunities, invest in home repairs & improvements, and meet seasonal expenses like school fees & social/religious celebrations. Increased income & savings provide poor people with some cushion from their day-to-day struggle. This opens up the possibility of investing in their children’s future prospects of life, and in education in particular. Not only more number of children go to school but they stay there for longer duration and drop out rates reduce considerably. Bangladesh, Honduras & Peru are the examples. Overall, the experience of micro-finance program points to strong evidence that the access to financial services results into transfer of financial resources to poor women over time & lead to women becoming more confident, assertive & capable to confront systemic gender inequities. Access to finance empowers poor women to become economic agents of change by increasing their income & productivity; access to markets, information & decision-making power. Empirical evidence shows that all those who had access to financial services, while participating in micro-finance programs, were able to derive following benefits both at individual & household level.

1. In Bangladesh, household expenditure & assets of clients of “Bangladesh Rural Advancement Committee” increased by 28 % & 112 % respectively
2. The income of members of “Grameen Bank in Bangladesh” was 43% higher than those who were not members of “Grameen Bank”.
3. In El Salvador, the income of clients assisted by FINCA increased on an average by 145%.

4. In India, half of SHARE clients graduated out of poverty.
5. In Ghana, 80 % of clients of Freedom from Hunger had secondary sources of income compared to those who were not clients.
6. In Lombok, [Indonesia], the average income of borrowers of Bank Rakyat Indonesia increased by 100% & 90 % of households graduated out of poverty.
7. In Vietnam, the food deficits of clients of "Save the Children" program were reduced from three months to one month.

While the formal banking sector in many developing countries often have serious limitations, for providing these financial services to the poor, in terms of cost, risk & convenience, financial intermediation by various agencies in the non-formal sector has demonstrated its urgency, importance & effectiveness in these countries. The findings of a study commissioned by Asia Technical Department of the World Bank (1995) revealed that the priority of the rural poor, among different types of financial services, was consumption credit, savings, production credit and insurance. Not only consumption constituted two-thirds of credit usage, but even within consumption credit, almost three fourths of the demand was for short periods for meeting emergent needs such as illness and household expenses during the lean season. While almost 75% of the production credit (which accounted for about one-third of the total credit availed of by the rural masses) was met by the formal sector, mainly banks and cooperatives, almost entire demand for consumption credit was met by the informal sources at high to exploitative interest rates that varied from 30 % to 90 % per annum. Due to the inability of the poor borrowers to offer any security for their small consumption loans, they were unable to take short term consumption loans from the formal banking system. Consequently, a large number of the rural poor continued to remain outside the fold of the formal banking system. The magnitude of the dependence of the rural poor on informal sources of credit can be verified from the findings of the All India Debt and Investment Survey, 1992, which showed that the share of the non-institutional agencies (informal sector) in the outstanding cash dues of the rural households continued to be quite high at 36% even though the dependence of the rural households on such informal sources had reduced marginally from 38.8% to 36% over the previous decade (1981-1991). Micro-credit programs, as successfully demonstrated in other developing countries, have significant potentials in India to [i]lift people out of poverty[ii] benefit women in particular & empower them[iii] contribute to the social & human development process & [iv] provide access to capital for people living in poverty through micro-finance instruments such as credit, savings & related business services. This, therefore, confirms that under micro-credit program, provision of thrift, credit and other financial services and products of very small amounts to the poor more particularly in rural & semi urban areas in India is almost a *sine qua non* to enable them to raise their income levels and improve living standards.

***Action-Research by National Bank***

In late eighties it was observed that with the help & guidance of Some resourceful NGOs, an informal segment comprising small, indigenous Self-Help Groups (SHGs) had already started inculcating habit of thrift among their members mobilising savings from them at regular intervals and lending these financial resources among them on a micro scale. The amounts involved were small, the processes followed were simple, and the operations seemed to be successfully and effectively meeting at least the immediate

needs of the poor. Some NGOs have, also, played an active role in fostering the growth of SHGs in furtherance of their basic objectives.

As the concept of the promotion, formation & nurturing informal SHGs and thereafter linking them with bank credit in India was totally new to commercial/cooperative & Regional Rural Banks which were expected to lend to SHGs in a systematic & planned way, the National Bank had taken initiative to fund a MYRADA-sponsored action research project on *Savings and Credit Management of Self-Help Groups* for assessing its efficacy to help the target groups. Thereafter, in collaboration with some of the other member institutions of Asia Pacific Rural and Agricultural Credit Association (APRACA), the National Bank undertook a survey of 43 NGOs spread over 11 States in India to study the functioning of SHGs and possibilities of collaboration between banks and SHGs in mobilising rural savings and improving the credit delivery system to the poor. Further, 10 other initiatives in the NGO and formal banking sector which specifically aimed at improving the access of the poor to banking were studied and analysed in detail under a research program funded by the Government of Germany (BMZ). Encouraged by the results of these studies on SHGs and other initiatives, National Bank launched in 1991-92 a Pilot Project on Linking SHGs with Banks. Steady progress of the pilot project led to the mainstreaming of the SHG-Bank Linkage Program in 1996 as a normal lending activity of the banks with widespread acceptance.

### ***United Nations Decade***

The General Assembly of the United Nations vide its resolution 52/194 of 18<sup>th</sup> December 1997, recognizing the role of micro-credit in the eradication of poverty, resolved that the international community should observe the period 1997-2006 as the first United Nations Decade for the Eradication of Poverty & proclaimed the year 2005 as the International Year of Micro-credit. The observance of this would be expected to be a special occasion for giving impetus to micro-credit throughout the world. All agencies involved in the eradication of poverty should, therefore, consider taking additional steps, including strengthening of existing & emerging micro-credit institutions & their capacities, so that credit & related services for self-employment & income-generating activities may be made available to an increasing number of people living in poverty, and to develop further, where appropriate, other micro-finance instruments. They should highlight & give enhanced recognition to the role of micro-credit in the eradication of poverty, its contribution to social development & its positive impact on the lives of people living in poverty.

The Micro-credit Summit held in Washington in 1997 brought together 137 countries on a common platform to launch a vigorous campaign so as to enable 100 million of the world's poorest families' [especially the women] easy access to credit for self-employment along with other financial and business services by the year 2005. In the wake of this, the Government of India, National Bank, Reserve Bank of India, banks, financial institutions and the voluntary agencies in India took a number of initiatives to evolve policy frame-work & operationalise the concept of the Micro-finance in order to enhance the flow of credit and other financial services to the poor & create intended impact on their lives. National Bank envisioned linking of one million SHGs with banks upto 31<sup>st</sup> March'07.

### ***Dynamics of Self-Help-Groups***

The Self-Help-Group has an average size of about 15 members from a homogenous class. They come together for discussing their common problems & seeking solution. They are encouraged to inculcate among themselves habit of voluntary thrift & save on a regular basis. They use this

pooled financial resources for providing to members small loans bearing nearly market interest rate. This process is almost like a financial intermediation, focusing unique features viz, spelling out priority needs for credit; terms & conditions of saving & lending and maintaining accounts in a simple way. In the process, it gradually inculcates the financial discipline among members of SHGs. In a group they learn to manage financial resources of a size that is much beyond the capacity of an individual. Members of SHGs begin to realize that financial resources are very scarce, limited & costly. Once the SHGs demonstrate this mature understanding banks consider to lend them in certain proportion/multiples of their accumulated savings. While banks provide loans to SHGs at their normal interest rate but without any collateral, the SHGs through consensus decide their terms & conditions of lending including interest rate. Since the accumulated savings of the members of SHGs form integral part of aggregate loans extended to members, peer pressure ensures timely repayment of loans from members.

### ***Year-wise Performance***

The Micro-credit program which made a modest beginning in the year 1992-93 is now implemented in 31 States & Union Territories covering 572 districts of the country. As on 31<sup>st</sup> March'05, as many as 1,618,456 SHGs were linked with 41,082 branches of 573 banks [27 public sector, & 20 private sector Commercial banks, 196 RRBs & 330 Cooperatives] & provided credit amounting to Rs. 68,984.60 million. The progress during the period from 1992-98 to 2004-05 was very remarkable/encouraging as could be observed from the following Table No.1.

**Table No. 1.**

**Year-wise number of SHGs & credit disbursed from inception to 2004-05, [Rs. Million]**

	1992-98	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
No. of SHGs	32,995	81,780 [147.8%]	149,050 [82.2%]	197,653 [32.6%]	255,882 [29.5%]	361,731 [41.4%]	539,365 [49.1%]
Bank Loan	571 [17,305]	1,359 [16,618]	2,879 [19,316]	4,530 22,919[]	6,905 26,985[]	11,577 [32,004]	17,266 [32,011]
Cumulative No. of SHGs	32,995	114,775 [247.8%]	263,825 [129.8%]	461,478 [74.9%]	717,360 [55.4%]	1,079,091 [50.4%]	1,618,456 [50.0%]
Cumulative Bank Loan	571 [17,305]	1,930 [16,815]	4,809 [18,228]	10,263 [22,239]	20,487 [28,559]	39,042 [36,180]	68,984.6 [ 42,623]
Repeat Loan	NA	NA	NA	924	3,318	6,978	12,676
Repeat SHGs	NA	NA	NA	41,413	102,391	171,669	258,092
Cumulative Refinance disbursed	NA	NA	4,007	7,965	14,188	21,242	30.920

*Figures in brackets under the row 'No. of SHGs' indicate percentage increase over the previous year*

*Figures under the row "Bank Loan" indicate loan amount per SHG*

Data presented in Table No.1 indicated that the pace of formation of SHGs & subsequently linking them with banks for providing credit was indeed substantially accelerated from the year 1999-00 onwards as was evident from the following facts

1. Number of SHGs sharply rose to 81,780 [147.8%] during the year 1999-00 over the total number of 32,995 SHGs formed during the past six years' period of 1992-98. The trend continued year after year reflecting increase in the number by 49.1 per cent during the year 2004-05 over the previous year. The cumulative total number of SHGs during the 13 years from 1992-93 to 2004-05 were as high as 1,618,456 as on 31<sup>st</sup> March'05 covering around 24.27 million poor persons. It may be appreciated that while National Bank had set target of one million SHGs to be financed by banks by the year- end of 10<sup>th</sup> Five Year Plan[2006-07], this was achieved by 2003-04--three years ahead of the target date.
2. The year 2004-05 witnessed a perceptible increase of SHGs financed by banks in 10 States & regions where performance was poor during previous years. More importantly, the linking of new SHGs with banks during the year 2004-05 in States of Orissa, West Bengal, Rajasthan, Madhya Pradesh & Bihar was as equal to or even more than the cumulative number of SHGs

financed by banks up to 31<sup>st</sup> March'04. Six States viz, Andhra Pradesh, Tamil Nadu, Karnataka, Uttar Pradesh, Maharashtra & Kerala continued to maintain the high growth record of linking SHGs with banks during the year 2004-05. As on 31<sup>st</sup> March'05, of the cumulative number of credit linked 1,618,456 SHGs in the country, Andhra Pradesh [492,927], Tamil Nadu [220,698], & Kanataka [163,198] accounted for 30.4 per cent, 13.6 per cent & 10 per cent respectively.

3. Amount of credit disbursed in the country also showed significant rise to Rs.1,359 million during the year 1999-00 as against Rs. 571 million during the previous six years' period. The trend in the disbursement also continued to rise from year to year thereafter. During the year 2004-05 credit amounting to Rs. 17,266 million [including repeat loans of Rs. 12,676 million disbursed to 258,092 SHGs] was provided to as many as 539,365 SHGs. The cumulative disbursements were as high as Rs. 68,984.6 million as on 31<sup>st</sup> March'05.
1. The cumulative number of SHGs refinanced by National Bank were as high as 824,888 & cumulative refinance provided to banks was of the order of Rs.30,920 million reflecting percentage increase by 35 & 45.6 as on 31<sup>st</sup> March'05 as compared to 611,043 SHGs & Rs. 2,1242 million as at the end of March'04 respectively. Refinance availed by banks during the year was of the order of Rs. 9,678 million [56% of bank credit] & the cumulative amount of refinance was as high as 44.8 per cent of total credit disbursed by banks. This facilitated banks considerably to link more & more SHGs with bank credit.
4. Amount of credit per SHG progressively increased from year to year reflecting Rs. 16,618 in the year 1999-00 to Rs. 32,012 in the year 2004-05. Average amount of credit per SHG as on 31<sup>st</sup> March'05 on the basis of cumulative disbursements was as high as Rs. 42,623 as compared to Rs. 17,305 as on 31<sup>st</sup> March'98.
5. These were small loans, with an average size loan of Rs. 2,841 per person, without any collateral security. This was a reflection of banks' commitment & involvement to assist around 24.27 million persons who were previously out of banking fold.

### ***Innovative Approach***

Appreciating the in-built constraints in specific geographical areas of the country & immediate need to form, promote & nurture large number of SHGs on one hand & facilitate banking system to link as many SHGs as possible on the other, a novel & innovative approach was adopted under which following three types of Models were designed.

**Model-1** : SHGs formed & financed by banks. Banks themselves take up initiatives to form & nurture the groups, open savings accounts and provide them loans.

**Model-2**: SHGs formed by formal agencies other than banks,[ NGOs & others ]but directly financed by banks. NGOs & formal agencies in the field of Micro-finance act as facilitators. They facilitate organizing, forming & nurturing of groups and train them in thrift & credit management. Banks directly give loans to groups.

**Model-3**: SHGs are financed by banks using NGOs & other agencies as financial intermediaries. NGOs assume additional role of financial intermediation. In areas where the formal banking system faces constraints the NGOs are encouraged to approach suitable bank for bulk loan assistance. This bulk loan in turn is used by the NGOs for on-lending to SHGs. In areas where a very large number of SHGs have been financed by bank branches , intermediation agencies like federations of SHGs are coming up as links between bank's branch & member-SHGs. These federations are financed by banks, which, in turn finance their member-SHGs

**Table No.2**

**Model-wise Number of SHGs linked with Banks & credit disbursed as on 31<sup>st</sup> March'05 [Rs. Million]**

No	Region	Model-1 SHGs	Model-1 Loan	Model-2 SHGs	Model-2 Loan	Model-3 SHGs	Model-3 Loan	Total SHGs	Total Loan
1	Northern	9,623 [11.2%]	241.61 [10.1%]	76,383 [88.8%]	2,152.54 [89.9%]	12 [0.01%]	1.03 [0.04%]	86,018 [100%]	2,395.18 [100%]
2	North-Eastern	26,674	893.34	5,198	102.54	2,366	23.73	34,238	1,019.61

		[77.9%]	[87.6%]	[15.2%]	[10.1%]	[6.9%]	[2.3%]	[100%]	[100%]
3	Eastern	112,861 [42.5%]	1827.59 [35.3%]	120,174 [45.2%]	2,829.59 [54.6%]	32,593 [12.3%]	525.88 [10.1%]	265,628 [100%]	5,183.06 [100%]
4	Central	46,106 [23.4%]	1,186.85 [23.7%]	146,159 [74.0%]	3,733.93 [74.5%]	5,100 [2.6%]	93.78 [1.8%]	197,365 [100%]	5,014.56 [100%]
5	Western	33,928 [35.3%]	1,055.39 [35.8%]	56,364 [58.6%]	1,656.06 [56.1%]	5,794 [6.1%]	239.32 [8.1%]	96,266 [100%]	2,950.77 [100%]
6	Southern	114,179 [12.2%]	4921.42 [9.4%]	753,971 [80.3%]	44,818.88 [85.5%]	70,791 [7.5%]	2681.12 [5.1%]	938,941 [100%]	52,421.42 [100%]
7	Total	343,371	10,126.20	1,158,249	55,293.54	116,836	3,564.86	1,618,456	68,984.60
8	%	21	15	72	80	07	05	100	100

Model-wise data presented in Table No.2 revealed that

1. While share of SHGs formed & financed [343,371] by banks [Model-1] was 21% in the total, its share in providing credit [ Rs. 10,126.20 m] was 15%.
2. Model –2 financing 1,158.249 SHGs which had been formed, promoted & nurtured by NGOs had the highest share of 72 % in the number of SHGs & 80 % in providing credit of Rs. 55,293.54 million.
3. Model-3 had a least share of seven per cent in terms of number of SHGs [116,836] & five per cent in terms of providing credit of Rs.3,564.86 million.
4. Share of Model-1 was the highest in North-East region [77.9%] followed by Eastern region [42.5%] & Western region [35.3%] linking 173,463 SHGs where as their share in providing credit of Rs.3,776.32 million was 87.6%, 35.3% & 35.8% respectively.
5. Share of Model-2 was the highest in Northern region [88.8%] followed by Southern region [80.3%] & Central region [74.0%] linking 976,513 SHGs whereas their share in providing credit of Rs.50,705.35 million was 89.9%, 85.5% & 74.5% respectively.
6. Share of Model-3 was the highest in Eastern region [12.3%] followed by Southern region [7.5%], North-Eastern region [6.9%] & Western region [6.1%] linking 111,544 SHGs whereas their share in providing credit of Rs.3,469.45 million was 10.1%, 5.15, 2.3% & 8.1% respectively.

***Impressive Performance***  
***[2000-01 to 2004-05]***

The program got tremendous boost from the year 2000-01 [Table No.3] as the Union Government initiated special measures in its Annual Budget every year, particularly specifying targets for credit linking SHGs with banks ,as well as National Bank's novel & innovative approaches which can facilitate formation, promotion, nurturing, training & credit linking with banks from time to time, besides strengthening its organizational structure & its effectiveness.

**Table No.3**  
**Performance during the period from 2000-01 to 2004-05 [Rs million]**

No.	Items	2000-01	2001-02	2002-03	2000-04	2004-05	Total
1	No. of SHGs financed by banks during the year	149,050	197,653	255,882	361,731	539,365	1,503,681
2	No. of SHGs cumulative	263,825	461,478	717,360	1,079,091	1,618,456	
3	No. of SHGs repeat loan	NA	41,413	102,391	171,669	258,092	573,565
4	% of women groups	90	90	90	90	90	
5	No. of participating banks	314	444	505	560	573	
	Commercial banks	43	44	48	48	47	
	RRBs	177	191	192	196	196	
	Cooperative banks	94	209	265	316	330	
6	No. of States /UTs covered	27	30	30	31	31	
7	No. of districts covered	412	488	502	563	572	

8	No. of partners	1,030	2,155	2,800	3,024	4,323	
9	Bank loan cumulative	4,809	10,263	20,487	30,942	68,985	
10	Bank loan during the year	2,879	4,530	6,905	11,577	17,266	43,157
11	Repeat loan during the year	NA	924	3,318	6,978	12,676	23,896
12	Refinance cumulative	4,007	7,965	14,188	21,242	30,920	
13	No. of persons assisted [million]	4.5	7.8	11.6	16.7	24.3	
14	Average bank loan Rs/SHG [new] Rs /SHG[repeat]	18,227 NA	22,918 22,311	26,985 32,405	32,000 40,648	32,012 49,114	
15	Average loan Rs/member [new] Rs./member [repeat]	1,072 NA	1,432 2,541	1,687 2,025	2,286 2,903	2,287 3,508	
16	Model-wise linkage cumulative						
	SHGs formed & financed by banks	13%	16%	20%	20%	21%	
	SHGs formed by formal agencies & NGOs but directly financed by banks	76%	75%	72%	72%	72%	
	SHGs financed by banks through NGOs	11%	9%	8%	8%	7%	
	No. of bank branches financing					41,082	
	No. of NGOs & other agencies					4,323	

Performance under the micro-credit program during last five years from 2000-01 to 2004-05 has substantially improved in all respects as is evident from the following statistics.

1. Geographical coverage under the micro-credit program increased from 412 districts in 27 States & Union Territories to 572 districts in 31 States & Union Territories..
2. Number of agencies participating in the program increased from 1,030 to 4,323 & number of banks financing SHGs increased from 314 to 573.
3. Number of new SHGs linked with banks increased from 149,050 with bank loan of Rs. 2,879 million to 539,365 with bank loan of Rs. 17266 million.
4. Number of SHGs provided repeat loans shot up from 41,413 [Rs.924 m]in 2001-02 to 258,092[Rs. 12676 m] in 2004-05.
5. Average loan per SHG was Rs. 18,227 which increased to Rs.32,012 whereas loan per member shot up from Rs. 1,072 to Rs. 2,287 during the period.
6. Repeat loan amount per SHG & per member showed significant rise from Rs. 22,311 & Rs.2,541 to Rs. 49,114 & Rs. 3,508 respectively.
7. Percentage share of banks forming SHGs & financing [Model-1]in the total increased from 13 to 21 whereas percentage of SHGs financed by banks through NGOs [Model-3] declined from 11 to 7 during the period. Similarly, percentage of SHGs formed by NGOs & other formal agencies but financed directly by banks[Model-2] also declined from 76 to 72 during the period.
8. Cumulative number of SHGs linked increased from 263,825 with bank loan of Rs. 4,809 million to 161,8456 with bank loan of Rs. 68,984.60 million .
9. During the period cumulative amount of refinance increased from Rs. 4,007 million to Rs. 30,920 million accounting for 83.3% & 44.8% of bank credit respectively.
10. Direct revolving support provided by NB to NGOs & Micro-Finance Institutions upto 31<sup>st</sup> March'05 was of the order of Rs. 178 million

Micro Finance Development Fund [MFDF]which was set up in National Bank with a start up contribution of Rs. 400 million each from National Bank RBI & Rs. 200 million from 11 commercial banks identified by RBI, became fully operational on 7<sup>th</sup> March'03. The fund is being

utilized for scaling up various Micro-finance initiatives with special focus on capacity building under the SHG-Bank Linkage program.

During the year 2004-05 the GOI decided to redesignate the existing MFDF as Micro Finance Development & Equity Fund [MFDEF]. It is also decided to enhance the fund size to Rs. 2,000 million. The additional amount of Rs. 1,000 million would be provided by RBI, National Bank & commercial banks. Advisory Board comprising representatives of RBI, NB, commercial banks & professionals with domain knowledge has been set up to guide the affairs of the Fund.

#### **Backward Regions & States**

In order to balance the uneven growth of micro-finance program, North eastern region & 13 States were identified as priority States where the SHG-Bank Linkage program has been progressing slowly & there were many pockets where incidence of poverty is high. Special efforts put in & programs launched have proved to increase the number of SHGs from 142,270 as on 31<sup>st</sup> March'02 to 670,765 as on 31<sup>st</sup> March'05 indicating percentage rise by 371 over that of March'02. Significant increase in the number of SHGs linked with banks was observed particularly in backward States of Assam, Bihar & Orissa from 0.22% to 1.93%; 0.86% to 1.73% & 4.45 % to 7.61% of the total SHGs in the country as on 31<sup>st</sup> March'02 to as on 31<sup>st</sup> March'05 respectively.[Table No.4] .

**Table No.4**  
**State-wise cumulative progress of SHGs linked with Banks as on 31<sup>st</sup> March '02 to '05**

State	31 <sup>st</sup> Mar'02	31 <sup>st</sup> Mar'03	31 <sup>st</sup> Mar'04	31 <sup>st</sup> Mar'05
NER including Assam	1,490 [0.32]	4,069 [0.56]	12,278 [1.14]	34,238 [2.11]
Assam	1,024 [0.22]	3,477 [0.48]	10,706 [0.99]	31234 [1.93]
Bihar	3,957 [0.86]	8,161 [1.14]	16,246 [1.51]	28015 [1.73]
Chattisgarh	3,763 [0.81]	6,763 [0.94]	9,796 [0.91]	18569 [1.15]
Gujarat	9,496 [2.06]	13,875 [1.93]	15,974 [1.48]	24712 [1.53]
Himachal Pradesh	5,069 [1.10]	8,875 [1.24]	13,228 [1.22]	17798 [1.10]
Jharkhand	4,198 [0.91]	7,765 [1.08]	12,647 [1.17]	21531 [1.33]
Maharashtra	19,619 [4.25]	28,065 [3.91]	38,535 [3.57]	71146 [4.39]
Madhya Pradesh	7,981 [1.73]	15,271 [2.13]	27,095 [2.51]	45105 [2.79]
Orissa	20,553 [4.45]	42,272 [5.89]	77,588 [7.19]	123256 [7.61]
Rajasthan	12,564 [2.72]	22,742 [3.17]	33,846 [3.14]	60006 [3.70]
Uttar Pradesh	33,114 [7.17]	53,696 [7.48]	79,210 [7.34]	119648 [7.39]
Uttaranchal	3,323 [0.72]	5,853 [0.81]	10,908 [1.01]	14043 [0.86]
West Bengal	17,143 [3.71]	32,647 [4.55]	51,685 [4.79]	92698 [5.72]
Sub-Total	142,270 [30.83]	250,054 [34.86]	399,036 [36.98]	670,765 [41.44]
Other States	319,208 [69.17%]	467,306 [65.14%]	680,055 [63.02%]	947,691 [58.56%]
All India- Total	461,478 [100]	717,360 [100]	1,079,091 [100]	1618456 [100]

**Figures in brackets indicate percentage share to All India total**

During the seven years period from 1998-99 to 2004-05, there was progressive increase in the formation of SHGs in comparatively two backward regions of North-Eastern States & KBK [Kalahandi-Bolangir-Koraput districts of Orissa State] and eight States of Orissa, Bihar, Jharkhand, Uttar Pradesh, Uttaranchal, Rajasthan, Madhya Pradesh & Chhatisgarh.

Data further revealed that the cumulative number of SHGs was as high as 464,411 as on 31<sup>st</sup> March'05 as compared to 7,378 as on 31<sup>st</sup> March'1999 & 100,812 as on 31<sup>st</sup> March'02 indicating rise by 6,194 per cent & 360 per cent respectively. The share of SHGs formed in these backward regions & States ranged between 19.9 per cent & 22.4 per cent during the four years' period from 1998-99 to 2002-02 which rose to 25.9 per cent & 28.8 per cent in the subsequent two years. While positive growth in linking SHGs with banks was facilitated through formulating State/region-specific strategies & concentrating on promotional efforts by National Bank in consultation with all concerned partnering agencies, district-specific factors inhibiting the growth/expansion of linking SHGs with banks were identified more importantly in States of Bihar, Uttar Pradesh, Rajasthan, Assam, Madhya Pradesh, & Orissa by conducting Goal Oriented Project Planning studies. This enabled National Bank to widen its network of partnership beyond NGO-



sector for forming & nurturing SHGs in these States. New partners were RRBs, farmers' clubs, Government organizations/departments for this purpose.

**North-Eastern region** :In the North-Eastern region 34,238 SHGs were provided bank credit of Rs. 1,019.61 million as on 31<sup>st</sup> March'05.

1. Grant assistance of Rs. 0.844 million was, also, sanctioned to 10 NGOs during the year 2004-05, taking the cumulative sanctioned amount to Rs. 4.724 million to 35 NGOs for promotion & linkage of 2.834 SHGs in the region. As against this, the grant amount released was Rs. 2.232 million which facilitated promotion of 2,242 SHGs & credit linked 826 SHGs.
2. In order to ensure that needy & deserving SHGs were not deprived of credit facilities due to poor banking infrastructure in the region Revolving Fund Assistance [RFA] of Rs. 65.89 million was sanctioned to six NGOs for lending to groups & individuals. Amount of Rs. 21.5 million has so far been released to six NGOs.
3. Further, as on 31<sup>st</sup> March'05 four RRBs & one DCCB in the region were sanctioned grant support of Rs. 10.785 million & Rs. 0.011 million to function as Self-Help-Promotional Institutions [SHPIs] to facilitate them to promote & credit link 800 SHGs & 10 SHGs respectively. Out of the sanctioned grant, Rs.0.140 million & Rs. 0.004 million were released to RRBs & DCCB which helped them promote 1,040 SHGs & 11 SHGs respectively RRBs credit linked 589 SHGs

**Kalahandi-Bolangir-Koraput [KBK]region:** The region in Orissa continued to receive thrust in micro-credit from the National Bank.

1. As on 31<sup>st</sup> March'05, 37 NGOs were sanctioned promotional grant assistance of Rs. 5.377 million for promotion & linkage of 3,459 SHGs in the region. Out of the sanctioned grant, Rs. 3.023 million were released which helped promotion of 2,648 SHGs & credit link 1,193 SHGs
2. Besides, under the scheme of associating Individual Rural Volunteers [IRVs]for promotion & linkage of SHGs, the RRB was sanctioned a grant assistance of Rs. 0.39 million for promotion of 300 SHGs through 30 IRVs over a period of two years in Kalahandi, Naupara, Kandhamal, & Boudh districts of Orissa State.

#### ***Agency-wise & Region-wise Performance***

As on 31<sup>st</sup> March'05, 1,618,456 SHGs established in 572 ditriects of 31 States & Union Territories were linked with 41,082 branches of 573 banks [27 public sector,&20 private sector Commercial banks, 196 RRBs & 330 Cooperatives] & provided credit amounting to Rs. 68,984.60 million. Commercial banks had as high as 52.1% & 60.3% share in the total number of SHGs & bank credit respectively followed by RRBs with a share of 34.8% & 30.4% respectively whereas Co-operatives had as low as 13.1% & 9.3% share respectively. Between commercial banks, public sector banks had a lion share of 96% & 91.7% in linking SHGs & providing bank credit respectively. Performance among three categories of banks showed considerable variance as undder.

1. Number of SHGs per Bank were 2,824 with bank credit of Rs.120.39 million & number of SHGs per branch were 39.4 with bank credit of Rs. 1.679 million.
2. Number of SHGs per commercial bank were 17,946 with bank credit of Rs.884.9 million. Amount of credit per SHG & member was Rs.49.308 & Rs.3,287 respectively.
3. Number of SHGs per RRB were 2,876 with bank credit of Rs.107.12 million. Amount of credit per SHG & member was Rs.37,236 & Rs.2,482 respectively.
4. Number of SHGs per cooperative bank were 603 with bank credit of Rs.18.286 million. Amount of credit per SHG & member was Rs.30.307 & Rs.2,020 respectively.
5. Share of Southern region was the highest in linking SHGs by commercial banks [66.3%], RRBs [49%] & DCCBs [48.8%] as well as in providing credit at 80.4%, 69.6% & 68.1% respectively.
6. South based public sector banks viz, Andhra bank, Canara bank, Corporation bank, Indian bank, Indian Overseas bank, Syndicate bank, Vijaya bank, State bank of Hyderabad, State

bank of Mysore & State bank of Travancore had contributed to 45.05% & 50.5% in linking SHGs [365,028] & providing credit of Rs. 19,263.65 million in the total.

7. Very high degree of inequalities among six regions of the country was observed with regard to geographical coverage of SHGs & credit disbursement. While the Southern region had the lion share of 58.01% in linking credit & 75.99% in credit disbursement, North-Eastern region had the minimum share of 2.11% & 1.48% followed by Northern region at 5.31% & 3.47% respectively & Western region at 5.95% & 4.28% respectively.
8. Of the total number of SHGs, only 258,092 SHGs were provided repeat loans of Rs. 12,676.39 million accounting for 15.9% & 18.4% respectively. In this case too very high degree of regional imbalance was noticed. It was the Southern region sharing as high as 84.76% of number of SHGs & 90.41% of bank credit, whereas North-Eastern region had the minimum number of SHGs [125] provided with repeat loan of Rs.2.65 million Other four regions among them had a share of 15.18% in SHGs [39,206] & 9.56% [1,212.9 m] of credit.

**Table No.5**

**Region-wise & Agency-wise Number of SHGs linked & Credit disbursed As on 31-03-05 [ Rs Million]**

Region	Commercial Banks SHGs	Commercial Banks Loan	RRBs SHGs	RRBs Loan	Co-op SHGs	Co-op Loan	Total SHGs	Total Loan
Northern	36,544	1,007.61	31,701	841.95	17,773	545.62	86,018 [3,381] [5.3%]	2,395.18 [144.52] [3.5%]
North-Eastern	13,849	711.43	18,970	273.78	1,419	34.40	34,238 [125] [2.1%]	1,019.61 [2.65] [1.5%]
Eastern-	98,598	2,350.82	111,877	2,081.64	55,153	750.50	265,628 [24,557] [16.4%]	5,183.06 [477.16] [7.5%]
Central	81,463	2,207.37	101,060	2,510.05	14,842	297.14	197,365 [5,431] [12.2%]	5,014.56 [368.15] [7.3%]
Western	53,548	1,870.41	23,845	664.95	18,873	415.41	96,266 [5,837] [6.0%]	2,950.77 [223.07] [4.3%]
Southern	559,471	33,442.45	276,393	14,623.10	103,077	4,355.87	938,941 [218,761] [58.0%]	52,421.42 [11,460.84] [76.0%]
Total	843,473 [52.1%]	41,590.19 [60.3%]	563,846 [34.8%]	20,995.47 [30.4%]	211,137 [13.1%]	6,398.94 [9.3%]	1,618,456 [258,092] [100.00%]	68,984.60 [12,676.39] [100.00%]

*Figures in brackets indicate number of SHGs disbursed repeat loans & loan amount during the year 2004-05*

*Percentages figures in brackets indicate share of SHGs & credit in total respectively as on 31<sup>st</sup> March'05..*

Data presented in Table No.6 in respect of 27 individual public sector banks & six private banks showed that

1. Among 27 Public Sector Banks, five banks viz, State Bank of India had linked the highest number of SHGs [250,460] with credit of Rs 11,592.01 million, followed by Andhra Bank [101,468; Rs. 5,628.07 m], Indian Bank [65,828; Rs.4,472.89 m], Indian Oversea Bank [53,708; Rs.2,705.94 m] & State Bank of Hyderabad [45,672; Rs2,170.70 m] & Canara Bank [40,459; Rs 1,866.47 m] They accounted for 68.8% of SHGs & 74.5% of credit provided by public sector banks.
2. Among 20 Private Sector Banks ICICI Bank was the first to link highest number of 11,009 SHGs with credit amounting to Rs. 2,654.89 million followed by the Vysya Bank [6,721; Rs.276.97 m]. They accounted for 53.2% & 85.4% of SHGs & credit provided by private banks.
3. While all 196 RRBs had participated under the micro-credit program, Pandyan Gramin Bank in Tamil Nadu had linked the highest number of SHGs followed by Nagarjuna Gramin Bank & Sri Visakha Gramin Bank in Andhra Pradesh. Other banks viz, Koraput-Panchbai Gramin

Bank, Kalahandi Anchalik Gramya Bank in Orissa & Gorakhpur Kshetriya Gramin Bank in Uttar Pradesh showed appreciable performance during the year 2004-05.

- Cooperative Banks were late entrants on the scene as the amendments had to be made in the respective Co-operative Societies Act to enable cooperative banks to promote, form, nurture & link SHGs with bank credit. District Central Co-operative Banks viz, Bidar [Karnataka], Mugberia & Hoogly [ West Bengal] were pioneer to take lead under the program paving way for others. During the year 2004-05, Hooghly DCCB in West Bengal had linked the highest number of SHGs followed by Tiruchirapalli DCCB in Tamil Nadu & Hassan DCCB in Karnataka. Others having performed appreciably were Bidar DCCB & South Canara DCCB in Karnataka & Mugberia DCCB in West Bengal.

**Table No.6**  
**Commercial Bank's Linking of SHGs & Disbursement of Credit as on 31<sup>st</sup> March'05 [Rs. Million]**

Name of Bank	No. of SHGs	Loan Amount	Name of Bank	No. of SHGs	Loan Amount
State Bank of India	250,460 [30.9%]	11,592.01[30.4%] [3085]	Others[21]	252,580 [31.2%]	9,722.85[25.5%] [2566]
Andhra Bank	101,468 [12.5%]	5,628.07[14.7%] [3698]	Total[PSU]	810,175 [100%]	38,158.93[100%] [3140]
Indian Bank	65,828 [8.1%]	4,472.89[11.7%] [4530]	ICICI	11,009 [33.1%]	2,654.89[77.4%] [16077]
Indian Overseas Bank	53,708 [6.6%]	2,705.94[7.1%] [3359]	Vysya Bank	6,721 [20.2%]	276.97[8.1%] [2747]
State B of Hyderabad	45,672 [5.7%]	2,170.70[5.7%] [3168]	Others[18]	15,568 [46.7%]	499.40[14.5%] [2138]
Canara Bank	40,459 [5.0%]	1,866.47[4.9%] [3075]	Total[PVT]	33,298 [100%]	3,431.26[100%] [6870]
Sub-Total [6]	557,595 [68.8%]	28,436.08[74.5%]	Grand Total	843,473	<b>41,590.19</b> [3287]

*Percentage figures in brackets indicate share of respective bank in the total  
Figures in bracket indicate loan amount per SHG- member in Rupees*

**Grant Assistance**

National Bank has been endeavoring its best to improve the quality of SHGs through promotional grant support & capacity building of NGOs, RRBs, DCCBs, farmers' clubs & individual volunteers. Over the years these partner agencies have assumed the role of Self-Help-Promotional Institutions [SHPIs]. The local character & regional spread of RRBs bestow an added advantage on them in providing promotional & nurturing support to SHGs. National Bank has, since 1999, been encouraging RRBs for this purpose

- As on 31<sup>st</sup> March'05, total number of partner-agencies were 4,323 targeting promotion of 2,586,257 SHGs of which 1,618,456 SHGs [62.58%] were already linked with credit.
- Maximum number of 1,312,390 SHGs [81.15%] were promoted by DRDAs & Government agencies in 14 States as compared to 343,371 SHGs [26.2%] by commercial banks, RRBs & DCCBs. Of this, as high as 999,692 SHGs [76.2%] were in only three States viz, Andhra Pradesh [526,328], Madhya Pradesh[367,315] & Karnataka[106,049].
- Region-wise share of SHGs promoted by DRDAs & Government agencies was as high as 50.3 % in Southern region, followed by 35.3% in Central region and as low as 0.27% in North-Eastern region & 1.12% in Western region. Other agencies such as, Farmers' Clubs [Vikas Volunteer Vahinis] & Individual Volunteers promoted 14,019 SHGs & 911 SHGs respectively.

Table No.7

## Region-wise particulars of Grant support to NGOs during the year 2004-05 [Rs million]

Region	No. of NGOs	No. of Projects	SHGs to be Pro & linked	Grant Sanctioned	Grant Released	SHGs Promoted	SHGs Credit-linked
Northern RRBs as SHPIs Co-op as SHPPIs	125 [11] [1]	125	11,147 [36,40] [500]	16.580 [2.638] [0.500]	4.048 [0.498] [00]	8,566 [1,647] [20]	2,940 [26.4%] [677] [00]
North Eastern RRBs as SHPIs Co-op as SHPPIs	35 [4] [1]	35	2,834 [800] [10]	4.724 [0.785] [0.011]	2.232 [0.140] [0.004]	2,242 [1,040] [11]	826 [29.1%] [589] [00]
Eastern RRBs as SHPIs Co-op as SHPPIs	248 [23] [12]	248	22,990 [11,410] [8450]	33.463 [8.014] [5.555]	13.122 [0.986] [1.255]	14,853 [10,656] [2,466]	5,805 [25.2%] [6,897] [2,213]
Central RRBs as SHPIs Co-op as SHPPIs	252 [23] [14]	252	25,215 [8,620] [5650]	40.400 [6.899] [5.250]	17.106 [1.915] [0.510]	16,010 [5,269] [1,522]	6,042 [23.9%] [2,441] [478]
Western RRBs as SHPIs Co-op as SHPPIs	200 [17] [12]	200	19,109 [5,130] [5500]	31.545 [3.954] [4.600]	12.223 [1.631] [0.420]	12,429 [7,919] [4,491]	3,466 [11.0%] [3,704] [672]
Southern RRBs as SHPIs Co-op as SHPPIs	131 [14] [15]	131	28,155 [5,560] [8000]	29.140 [4.920] [7.121]	15.160 [2.678] [1.256]	21,735 [5,463] [7,265]	17,090 [60.7%] [452] [1,849]
Total RRBs as SHPIs Co-op as SHPPIs	991 [92] [55]	991	109,450 [38,935] [28,110]	155.852 [30.554] [23.037]	63.891 [10.784] [3.445]	75,835 [42,603] [15,775]	36,169 [23.2%] [24,390] [5,212]

Figures in brackets against regions indicate RRBs & Co-op as SHPIs as on 31<sup>st</sup> March '05

Figures in brackets indicate percentage of SHGs credit linked to SHGs targeted to be linked.

Data presented in Table No. 7 indicated that

1. During the year 2004-05, 991 NGOs were sanctioned grant of Rs.155.852 million under their 991 projects aimed at promoting & credit linking 109,450 SHGs. Grant amount of Rs. 63.891 million [40.99% of sanctioned amount] was released which enabled them to promote 75,835 SHGs [48.6% of targets] & credit link 36,169 SHGs [47.7% of SHGs promoted]
2. Southern region had credit linked 60.7% SHGs [ 17,090] of the targeted number of 28,155 SHGs as compared to 11.0% [3,466SHGs] of the targeted number of 19,109 SHGs in Western region
3. Central region was sanctioned as high as Rs 40.400 million as grant to promote & credit link 25,215 SHGs as against Rs. 4.724 million sanctioned to North East region to promote & credit link 2,834 SHGs.
4. During the year 92 RRBs & 55 DCCBs were identified as SHPIs. These 92 RRBs were released Rs. 10.784 million being 35.3% of the sanctioned grant of Rs.30.554 million to help them credit link 62.6% [24,390 SHGs] of the targeted number of 38,935 SHGs, fifty five DCCBs were released grant of Rs. 3.445 million being 14.9% of the sanctioned grant of Rs.23.037 million to facilitate them to credit link 18.5% [5,212 SHGs] of the targeted number of 28,110 SHGs.

### **Training programs**

National bank initiated training programs of different kinds to suit specific categories of trainees viz, bankers, NGOs, Government officials, SHG leaders & members, elected members of Panchayati Raj Institutions,. Main objectives have been [i] to create awareness among participants/different players on the immediate need for implementing micro-credit program through forming SHGs & linking them with banks for receiving credit [ii] making them fully conversant on the details of mechanism to form, promote, nurture & link SHGs with banks [iii] transfer of requisite skills & capacity building of participants such that they are ultimately in a position to form, promote, nurture & link SHGs with banks.

Besides, exposure visits, field visits of block level bankers' committees, bankers' meets, NGOs meets were organized so as to demonstrate them " Best Practices" adopted at field level by successful players while forming, promoting, nurturing & linking SHGs with banks which should facilitate them to do the expected job satisfactorily.

As on 31<sup>st</sup> March'05, as many as 1,008,430 persons were trained through regular training programs as well as through field & exposure visits and meetings held by banks & NGOs. Out of 951.120 trained persons as many as 637,511 persons [63.22%] were SHG leaders/members which established that SHG members & leaders were the most important persons to implement this program for their own survival, growth & economic sustainability.

Bankers numbering 150094 [14.88%] were trained specifically in areas of attitudinal change, methods, system & procedure for linking SHGs with banks & becoming pro-active rather than reacting to the difficulties encountered while implementing the program.

Out of total persons trained, Eastern region & Southern region had 35.04% & 33.79% persons trained followed by Central region [12.04%] whereas Northern & North-Eastern regions had 6.05% & 7.02% share of trained persons.

**Table No.8**  
**No. of participants trained under programs of capacity building as on 31<sup>st</sup> March'05**

	NR	NER	ER	CR	WR	SR	Total
Bankers	15,318	3,168	55,327	27,674	13,087	35,520	150094 [14.88%]
NGOs	7,209	2,508	7,369	3,360	2,371	2,676	25,493 [2.52%]
Govt.officiala	14,022	3,124	7,121	2,052	1,025	4,839	32,183 [3.19%]
SHG leaders/members	19,074	57,672	258,642	48,335	35,703	218,085	637,511 [63.22%]
Exposure visits	78	78	244	321	431	707	1,859 [0.18%]
Field visits of BLBs to SHGs	2,688	597	3,509	7,902	2,881	6,014	23,591 [2.34%]
Training of elected members of PRIs	490	543	2,024	588	605	413	4,663 [0.46%]
Others	567	2,467	1,564	28,924	2,703	63,399	99,624 [9.88%]
Bankers' meets	1,033	335	1,725	1,391	1,290	5,580	11,354 [1.12%]
NGOs meets	289	191	15,654	754	890	2,728	20,506 [2.03%]
SLRCCDI	248	114	199	98	135	758	1,552 [0.15%]
Total	61,016 [6.05%]	70,797 [7.02%]	353,378 [35.04%]	121,399 [12.04%]	61,121 [6.06%]	340,719 [33.79%]	1,008,430 [100%]

#### ***Initiatives by National Bank***

National Bank & its district development managers have been actively involved & committed to ensure its successful implementation & achieve the intended objectives. Accordingly they have been, *inter alia*, taking initiatives & playing significantly promotional & developmental role right from the year 1992. Following key areas of their role had substantial impact on the enormous growth & development of SHGs & their linking with banks.

1. Initiated Action Research to test the micro-finance system under Indian conditions, study the problems & designed SHGs credit linkage program to suit country's needs.
2. Designed training programs, strategies, modules, methodologies adopted, duration, topics covered etc reviewed periodically & refining it to meet the changing needs.

3. Introduced innovative approach in designing three kinds of Models for linking SHGs with banks to suit different geographical & socio-economic needs of the MF clients.
4. Provided funds amounting to more than Rs. 121.5 million to support training programs for creating awareness, organizing exposure & field visits & capacity building programs of 1,008,430 participants [Table No.8] specifically emphasising on following.
  - Awareness-cum-refresher programs for NGOs including their Chief Executive Officers
  - Trainers' Training programs for faculty members of training institutes of commercial banks
  - Specialised training programs for bank officials focusing on linking SHGs with banks
  - Identification of accredited successful MFIs for arranging exposure visits of bank officials & NGOs to these MFIs
  - Field visits of members of Block Level Bankers' Committee to nearby SHGs for effectively linking SHGs with banks to help officials grasp the procedure of the SHGs' credit linkage program.
  - Micro-finance programs specially tailored to meet the requirements of Government officials at various training establishments
  - Awareness among elected representatives of Panchayati Raj Institutions on Micro-finance initiatives
  - Training-cum-Exposure visits of newly appointed district development managers/officers of National Bank
5. Provided cumulative amount of refinance of Rs.30,920 million at reduced interest rate to banks, to encourage them as well as supplement their financial resources.
6. Provided grant assistance of Rs. 63.891 million out of sanctioned grant of Rs.155.852 million to 991 NGOs, RRBs, DCCBs, VVVs & IRVs so as to facilitate them to promote large number of SHGs in the country side & link SHGs with banks.
7. Provided Direct Revolving Fund Assistance of Rs. 273.2 million to NGOs, MFIs, SHGs Federations

### ***Expanding the Role of Banks***

Despite the fact that overall performance under the program has been impressive, during the long period of last 13 years 41,082 branches of 573 banks in 572 districts have so far assisted only 24.27 million persons [12.57%] as against 193 million people living in abject poverty in rural India. Besides, there were following significant variances among banks & regions in linking SHGs & providing credit per SHG as well as SHG-member. This, therefore, highlighted the most urgent need for expanding the role of banks much beyond *confining to merely linking with credit* in order to improve the effectiveness of the implementation of the program & achieve the expected underlined objectives viz, [i] successfully contributing to lifting people out of poverty [ii] to benefit women in particular & empower them [iii] contributing to the social & human development process & [iv] providing access to capital through micro-finance instruments such as credit, savings & related business services.

Out of 27 Public Sector Banks, only five banks viz, State Bank of India, Andhra Bank, Indian Bank, Indian Overseas Bank & State Bank of Hyderabad had a lion share of 63.8% of SHGs & 69.6% of credit provided by public sector banks.

1. Two private banks viz, ICICI Bank & Vyasa Bank out of 20 private banks had 53.2% & 85.4% share in SHGs & credit provided.
2. Three RRBs [Pandyan Gramin Bank in Tamil Nadu, Nagarjuna Gramin Bank & Sri Visakha Gramin Bank in Andhra Pradesh] out of 196 & three [District Central Co-operative Banks viz, Bidar [Karnataka], Mugberia & Hoogly [ West Bengal] out of 350 had performed well
3. Number of SHGs per Bank were 2,824 with bank credit of Rs.120.39 million & number of SHGs per branch were 39.4 with bank credit of Rs. 1.679 million.
4. Number of SHGs per commercial bank were 17,946 with bank credit of Rs.884.9 million. Amount of credit per SHG & member was Rs.49.308 & Rs.3,287 respectively.

5. Number of SHGs per RRB were 2,876 with bank credit of Rs.107.12 million. Amount of credit per SHG & member was Rs.37,236 & Rs.2,482 respectively.
6. Number of SHGs per cooperative bank were 603 with bank credit of Rs.18.286 million. Amount of credit per SHG & member was Rs.30.307 & Rs.2,020 respectively.
7. Share of Southern region was the highest in linking SHGs by commercial banks [66.3%], RRBs [49%] & DCCBs [48.8%] as well as in providing credit at 80.4%, 69.6% & 68.1% respectively.
8. South based public sector banks viz, Andhra bank, Canara bank, Corporation bank, Indian bank, Indian Overseas bank, Syndicate bank, Vijaya bank, State bank of Hyderabad, State bank of Mysore & State bank of Travancore had contributed to 45.05% & 50.5% in linking SHGs [365,028] & providing credit of Rs. 19,263.65 million in the total.
9. While the Southern region had the lion share of 58.01% in linking credit & 75.99% in credit disbursement, North-Eastern region had the minimum share of 2.11% & 1.48% followed by Northern region at 5.31% & 3.47% respectively & Western region at 5.95% & 4.28% respectively.
10. Of the total number of SHGs, only 258,092 SHGs were provided repeat loans of Rs. 12,676.39 million accounting for 15.9% & 18.4% respectively. It was the Southern region sharing as high as 84.76% of number of SHGs & 90.41% of bank credit, whereas North-Eastern region had the minimum number of SHGs[125] provided with repeat loan of Rs.2.65 million Other four regions among them had a share of 15.18% in SHGs [39,206] & 9.56%[1,212.9 m] of credit.
  - Performance of participating banks, more importantly 47 commercial banks, 193 RRBs & 347 DCCBs immediately need to be improved significantly by drawing time bound strategy & action plans for each of the banks year-wise. Besides, 14,918 branches [26.6%] out of 56,000 rural branches [30,000 of commercial banks 14,000 of RRBs & 12,000 DCCBs] which have yet to participate in this nation-wide program should also be involved in linking SHGs with them within two years. Strategic action plans of all these banks & their branches must focus on bringing 193 million persons living *Below Poverty Line* within the banking fold in next 10 years. Regional office of the National Bank may need to review & monitor individual bank's performance at the State level on a quarterly basis.
  - It is most essential to cover all villages from the hilly, tribal, desert, drought prone & most vulnerable regions of the country in next five years under the SHGs-Credit Linkage Program as these are the most vulnerable areas where private money lenders exploit rural poor. Only three States of Andhra Pradesh, Tamil Nadu & Karnataka have a lion share of 54.2% & 72.1% of linking SHGs & providing credit. This is highly demanding in view of the recent report of the Council for Social Development & Oxford sharply focusing on following areas of serious concern.
    1. Orissa, Bihar & Assam have 47.15%, 42.60 % & 36.1% population below poverty line
    2. States of Bihar, Madhya Pradesh, Uttar Pradesh & Rajasthan have infant mortality to the extent of two-thirds of country's infant mortality rate
    3. States of Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh & Orissa are at the very bottom of country's 21 parameters of development which, inter alia, include demography, health care, education, unemployment, poverty & social deprivation.
    4. About 36.2 % population of Scheduled Castes, 43.8% of Scheduled Tribes & 21% of backward class is very poor.
  - Banking system has so far involved itself in the process of formation, nurturing & financing SHGs directly to the extent of only 21% whereas in 72 % cases NGOs have organized, formed, nurtured & trained SHGs which were then financed by banks. In other seven per cent cases not only NGOs have organized, formed, nurtured & trained SHGs but also NGOs have received bulk loans from banks & they have on-lent to SHGs. This reflects upon banks' inactive & non-committal role under the program. Thus, it is most essential that after 13

years' experience banks must be expected not to heavily depend upon NGOs in all respects, but should collaborate with them in villages of their Service Area so as to ensure that persons assisted significantly benefit & come out of poverty within three years. Banks' involvement & commitment would only be realized & felt transparent if they initiate this exercise rather than merely linking SHGs with credit. This calls for evolving action plan by banks on an annual basis under the District Credit Plan being formulated in consultation with National Bank's DDMs.

- Loan amount to existing SHGs may need to be increased progressively by providing repeat loans through mutual dialogue by banks with SHGs & their members taking into account member's family expenses, income, cash-flow & capacity to repay. Micro-credit program through provision of financial services is expected to reduce vulnerability & increase earnings & savings which should enable them to transform from "*every-day survival*" to "*planning for the future*".
- As a large number of SHGs which were promoted, credit linked & nurtured in 1992 & onwards have completed several years it is time to provide to them repeatedly repeat credits for economic activities that can release the potential of the productive capacity of assets of members of SHGs and thereby increase their income & reflect directly on their improvement of standard of living. Thus, same SHG can be provided first, second, third, fourth etc trenches of credit from year to year or within the same year. Economic activities viz, watershed development, animal husbandry including backyard poultry, organic farming, mushroom farming, bee-keeping, rural/cottage industries under the purview of Khadi & Village Industries Commission, Coir/Handicrafts/Handloom/Silk Board and under service & business sector can be considered. The National Bank has also been promoting economic activities under rural non-farm sector through provision of financial & non-financial support. Banks can popularize these activities among SHGs by drawing the time bound strategy & action plan. Input & marketing agencies should be involved to provide backward & forward linkages in respect of economic activities proposed to be pursued by SHGs through bank credit.
- Efforts may need to be put in to see that members of SHGs are also provided housing facilities under the Government's specific program on a top priority basis & if they have houses which need renovation/repairs the same should be carried out under Government's program and /or through bank credit.
- It is more than 13 years since this Micro-finance program has been under implementation. Hence there is need to expand the scope of providing financial services that can at least include micro-insurance & remittances instead limiting to only savings & credit. Not only new & novel savings & loan products need to be designed by banks in consultation with SHGs & their members but also micro-insurance process & products should be designed taking into consideration ground realities & field studies according to different geographical & agro-ecological regions. Involvement of existing Life & Non-life Insurance companies [national & multi-national] is absolutely essential in this area to protect the lives & assets of members of SHGs. While designing the insurance products for SHGs experience gained so far in respect of crop & livestock insurance may need to be profitably utilized at least in terms of settlement of claims & claim settlement procedure.
- The National Bank & its District Development Managers have indeed, since its inception from the year 1992, taken tremendous initiatives in conceptualising, operationalising, & providing all the required financial & non-financial support including training to ensure that SHGs are linked with banks for receiving credit & other financial services. It is high time now that banks more importantly commercial banks & RRBs must commit & involve themselves in deepening & widening the program. For this purpose, these banks must now effectively play the role which National Bank has been playing. These banks in view of their



existence in the geographical area & having familiarity with local population should be expected to expand their role much beyond mere providing credit to SHGs. Each of the branches of these banks can formulate result oriented action plan & strategy to promote as many SHGs as are required in each of their Service Area Villages. Within three years hence all families *Below Poverty Line* may be brought within the purview of this program.

- As there are around 112,000 Primary Agricultural Credit Societies at village level their long experience & familiarity with local population may need to be capitalised. National Bank may institute feasibility studies focusing, *inter alia*, their weaknesses viz, organizational, financial, managerial etc which can be converted into strength & evolve location-specific methodology for involving PACS in Micro-credit program.
- Government agencies & District Rural Development Agencies in 14 States have formed as many as 1,312,390 SHGs [81.2%] of which 76.2% were in States of Andhra Pradesh, Madhya Pradesh & Karnataka. Southern region accounted for 50.3 % of total SHGs formed by these agencies. As witnessed in States of Madhya Pradesh, SHGs formed by the Government departments had conceptual deficiencies & were heavily looking for Government assistance rather than bank credit under the streamlined procedure for SHGs. It may be appreciated, “ Let this Micro-credit program not follow the foot steps of earlier Integrated Rural Development Program” which was academically well conceived but failed during the implementation process.
- The forum of Block & District Level Consultative Committee under the Lead Bank Scheme should discuss this program on a quarterly basis village-wise at BLBC and block-wise at DLCC meetings. Sharp focus of discussion should be on the sharing of experiences with regard to new savings & loan products and financial services introduced, new/novel approaches adopted by SHGs & repeat loans provided that can reflect on the improvement of member’s income, manage eventual risk,, problems on the repayment of interest & loan, need for capacity building of members of SHGs and institution building of SHGs to ensure sustainable growth & development of SHGs.
- While banks are free to decide their lending rates to SHGs, banks lending rate varies from eight to 12 per cent per annum and SHGs subsequently lend to their members at around 24 to 30 per cent rate of interest per annum with weekly repayment schedules. Besides, as the National Bank is providing 100 per cent refinance at reduced interest rate banks are very keen to avail refinance as is evident from the fact that as on 31<sup>st</sup> March’05 banks disbursed credit amounting to Rs. 68,664.6 million out of which National Bank provided refinance of Rs. 30,924.3 million[45%] as compared to the refinance of Rs. 21,242.4 million against the credit disbursement of Rs. 39,042.1 [54.4%]million as on 31<sup>st</sup> March’04. It may be appreciated that interest rate to members of SHGs is extremely high, even if it may be comparatively less than the prevailing market rate. It is worth considering necessary that banks should avail refinance from National Bank as well as charge less interest rate to SHGs which should subsequently motivate SHGs to charge less interest rate to members. This would ultimately help members to make little comfortable living. Banks are mandated to lend at four per cent per annum under the Differential Rate of Interest scheme which has been in force since 1972 & achieve the target of half per cent of the total outstanding net bank credit as on the previous year. None of the banks has been able to fulfill the targets. Besides. Banks have a mandate to fulfill the targets of lending to women borrowers too. It is a sad commentary that helping the weak and the poor should be driven entirely by the profit motive of commercial banks as is evident in the evolution of micro-finance and is a depressing contrast to the numerous individuals and organisations engaged in selfless charity. Poverty in developing counties cannot be eradicated through profits under micro-finance program which started as cult & is now well on its way to becoming a growth sector like IT and many other industries & market segments. It would, therefore, be prudent if RBI in consultation with National Bank & Banks redesign this DRI scheme to meet the credit needs of the clients of

the Micro-credit program. Let the benefit of reduction in the interest rate help primarily members of SHGs as well as it should help SHGs create risk stabilization fund & build reserves at their level.

- It is also necessary to provide SHGs & their members need-based intensive & result-oriented training to enable them to acquire needed skills. There is need to institute a Training Program on the lines of Training Rural Youth for Self-Employment [TRYSEM] duly modified/refined and redesigned to suit to members of SHGs in different locations.
- Promotion, credit-linking & nurturing of SHGs may need to be integrated with social infrastructure viz, provision of health, sanitation, drinking water, education etc which have proved to create significantly direct & positive impact on the human life, more so of women & children.
- Panchayati Raj Institutions at all levels [village, block, district & State] must necessarily be involved under this program. While their main role should be to create enabling environment for the timely promotion, nurturing, credit-linkage & achieve sustainable growth, each one's role, functions & responsibilities must be clearly & well defined so as to make them accountable as well as to ensure that members of SHGs benefit & integrate with the mainstream development of the country. A comprehensive Training Program for two days may need to be planned for them by National Institute of Rural Development in consultation with National Bank.
- Union Government & State Governments must provide adequate financial resources for this program to create required physical & social infrastructure and enabling environment that can promote, nurture, credit-link SHGs with banks & sustain growth & development of SHGs to pursue economic activities for increasing income of the members & reflect on their improved standard of living.
- Funds available under Micro-finance Foundation created at the level of National Bank & SIDBI should be utilized to create bare minimum but most essential infrastructure that can sustain the growth & development of SHGs particularly in hilly, tribal, desert & drought prone areas in the country. If necessary Rural Infrastructure Development Fund created at National Bank's level as well as funds available with each Member of Parliament under the Local Area Development Scheme can also be utilized for this purpose.
- Preference & priority to SHGs must be given under the National Rural Employment Guarantee Scheme . Likewise they should also be covered on a priority basis under the Rajiv Gandhi Grameen Vidyutikaran Yojana to electrify their houses.
- District-wise Federations & State-wise Confederations of SHGs may need to be promoted to play significant role in the area of literacy, vaccination, sending children to school & abstaining from child labor, social reforms, voluntary adoption of small family norms, minimizing unproductive expenditure on social & religious ceremonies and the like. These federations should be umbrella organizations to coordinate activities of SHGs with other horizontal & vertical departments of the Government, NGOs, Banks & PRIs so as to facilitate resolution of ground level problems inhibiting the sustainable growth & development of SHGs & ultimately integrate the members of SHGs with the mainstream of national development.
- CAPART should recognize the significant importance of SHGs at village level under Micro-finance program & ensure that SHGs are primarily involved in the activities which CAPART is funding in specified geographical areas.
- Every year monitoring-cum-concurrent evaluation as well as ex-post impact evaluation studies must be carried out on a regional basis by reputed institutions viz, National Institute of Bank Management, National Institute of Rural Development, Indian Institute of Management, Administrative Staff College of India, College of Agricultural Banking and the like in order to verify & confirm whether members of SHGs have derived the expected

benefits under the program or simply the program is progressing in a routine manner. These knowledge-based institutes can provide new directions to the policy makers & implementers.

- Students of Agricultural Universities as well as of accredited Colleges in the respective districts/States should be involved in taking up their project work & preparing detailed case studies on this subject which should throw adequate light on the current status of the implementation of Micro-finance program in the country & need for providing new directions. Specifically case studies, *inter alia*, should shed light on the sources of repayment of credit by individual members of SHGs and impact of interest rate & frequency /time interval for the repayment of credit secured by members from SHGs, cost of lending at the level of bank, NGO & SHG, reduction/mitigation of risks in lending.
- National Bank in consultation with RBI & State Governments may consider necessary to organize on an annual basis a Seminar or Workshop in each State for a day to understand the existing & emerging problems inhibiting the sustainable growth & development of SHGs; issues that need policy decisions & directions.
- The DDMs of National Bank may need to indicate constraints inhibiting the sustainable growth & development of SHGs, project feasibility of new SHGs & scope for providing repeat loans to existing SHGs trench-wise in their annual Potential Linked- Credit Plans.
- While branches of commercial banks & RRBs can very well be designated as Micro-Finance Institutions as these banks are already regulated & supervised by the RBI & National Bank, these branches must necessarily play very significant role under the guidance of National Bank to integrate SHGs with the mainstream development of the country. For this purpose, Development Action Plans can be formulated & MOU may need be executed.
- Regulatory & Supervisory mechanism may be necessary to enable accredited NGOs & SHPIs to play the role of the Micro-Finance Institutions in order to increase the outreach of MF clients
- Management Information System should be evolved keeping the need for data base of SHGs at the level of each financing bank. Appropriate software/IT solution may be necessary for this purpose as the program has been under implementation since the year 1992.

### **Conclusion**

It may be disheartening that during the last 13 years 573 banks through their 41,082 branches have touched only 24.27 million [12.6%] out of 193 million ***below poverty line*** people in rural India under the micro-credit program. It would be most essential to deepen & widen the coverage of the program in all villages more importantly in hilly, tribal, desert, drought prone & backward areas of all States having significant population of Scheduled Castes & Tribes by all 56,000 rural branches & 112,000 Primary Agricultural Credit Societies in the next five years. In this process while banks in close collaboration with accredited NGOs would promote, form, nurture, train & link SHGs with credit [and provide repeat credit for economic activities in several tranches to SHGs] , the State Governments & Panchayati Raj Institutions may necessarily have to create enabling environment & establish physical & social infrastructure for the sustainable growth & development of SHGs. It should also be appreciated, “ ***Let this Micro-credit program not turn out to be another Integrated Rural Development Program***” which was very well academically conceived but failed during the implementation process.