

## **SHGs Bank-Linkage Programme - a Study of Loans outstanding of Banks against SHGs**

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### **I. INTRODUCTION**

Financial Institutions in the country continued to play a leading role in the microfinance programme for nearly two decades. They have joined hands proactively with informal delivery channels to give microfinance sector the necessary momentum.

There are two dominate models in microfinance sector. They are:

- 1. SHG - Bank Linkage Programme (SBLP):** This programme involves the SHGs financed directly by the banks viz., Commercial Banks (Public Sector and Private Sector), Regional Rural Banks and Co-operative Banks.
- 2. MFI - Bank Linkage Programme (MBLP):** This programme covers financing of Microfinance Institutions (MFIs) by banking agencies viz., Commercial Banks, Regional Rural Banks and Co-operative Banks for on-lending to SHGs and other small borrowers.

#### **Objectives of the Study:**

- To study the highlights of SHGs Bank-Linkage programme in India.
- To examine the loans outstanding of banks against SHGs.
- To assess the agency-wise loans outstanding of banks against SHGs.

### **II. METHODOLOGY**

For the purpose of data analysis, the data pertaining to outstanding loans of banks against the SHGs for the period of 5 years from 2006-07 to 2010-11 covered. The banks have been categorized into three agencies, viz., Commercial Banks, Regional Rural Banks, and Co-operative Banks. The data relating to savings of SHG are collected from the Annual Reports of NABARD, Annual Reports of RBI, and Report on Status of Microfinance in India published by the NABARD for various years. The data has been tabulated and analyzed by exercising various statistical techniques like mean, correlation, percentages, growth, and analysis of variance (ANOVA).

#### **SHG – Bank Linkage Programme:**

The SHG - Bank Linkage Programme was launched by NABARD in 1992, with the policy support of the Reserve Bank of India (RBI), the Central Bank of the country. The programme has been designed and nurtured by NABARD for over 15 years. The pilot phase was followed by the setting up of a Working Group on NGOs and SHGs by the RBI in 1994 which came out with wide ranging recommendations on SHG - Bank Linkage as a potential innovation in the area of banking with the poor. The programme was mainstreamed with Commercial and Cooperative banks in 1996. The main objective of the programme has been financial inclusion by extending outreach to poor households in rural areas, making available credit services at their door step with easy and self engaged access to formal financial services on a sustainable basis and in a cost effective manner.

#### **Promotional Support – SHG-Bank Linkage:**

##### **1. Financing of Joint Liability Groups:**

Joint liability Groups (JLGs) are informal groups of 4-10 members (which can go up to 20 if needed) who are engaged in similar economic activities like crop production and who are willing to jointly undertake to repay the loans taken by the Groups from the Banks. Unlike in the case of SHGs, JLGs are interned basically a credit groups for tenet farmers who do not have proper title of their farmland, and as such, regular savings by the group is purely voluntary and such loans could be individual loans or group loans . Financing of JLGs was introduced as a pilot project in 2004-05 by NABARD in eight states with the support of 13 RRBs. Apart from

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extending refinance support of cent per cent of such finances to Banks. NABARD also extends financial support for awareness creation and capacity building of all stakeholders of this programme. NABARD also extends grant support for formation and nurturing of JLGs to banks and other JLG promoting agencies. An amount of Rs.24.74 crore was sanctioned as grant for promotion of Rs.1.25 lakh JLG across the country till 31 March 2011. During the year, banks disbursed a loan of Rs.659.70 crore to 85,766 JLGs taking the cumulative loan disbursed to v. 1,145.29 crore for 1, 41,045 JLG.

**2. Microfinance Development and Equity Fund (MFDEF):**

Microfinance Development and Equity Fund (MFDEF) has been created in NABARD with an initial corpus of Rs.100 crore (since enhanced to Rs.400 crore) facilitate and support the orderly growth of the microfinance sector in the country. The fund is being utilised to support various promotional activities like grant assistance to self help promoting agencies (SHPIs), funding of training and capacity building of microfinance clients and stakeholders of the SHG-Bank linkage programme, support to MFIs, for supporting introduction of Management information system (MIS) for the sector and for helping research, studies and publications concerning microfinance related issues .As amount of Rs.47.48 crore was disbursed from MEDEF during the year- Rs.29.95 crore as grant towards various promotional activities and Rs.17.45 crore as capital Support and Revolving Fund Assistance to MFIs.

**3. Support for Training and capacity building of microfinance clients:**

NABARD continued to organize / sponsor training programmes and exposure Visits for the benefit of officials of Banks .NGOs, SHGs and government agencies to enhance their effectiveness in the field of microfinance. Training supplements and materials were supplied to banks and other agencies. Best practices and innovations of partner agencies were widely circulated among government agencies, banks and NGOs. During the year 2009-10, fund support of Rs.9.93 crore was provided for capacity building, exposure visits and awareness-building as against Rs.6.10 crore during 2008-09. The cumulative fund support for the purpose as on 31 March 2010 stood at Rs.45.02 crore. During 2009-10, 6,804 training capacity building programmes were conducted covering 2,53,868 participants. The progress under training and capacity building during the year 2009-10 is given in table -1.

**Table-1  
Training and capacity building programmes -2010-11**

<b>Programme particulars</b>	<b>Participants trained during the year</b>	<b>Participants trained since inception</b>
<b>Training on SHG- programme for Bank offers</b>	<b>31,324</b>	<b>2,93,183</b>
<b>Training of trainers on SHG-Bank Linkage programme</b>	<b>2,037</b>	<b>4,796</b>
<b>Awareness cum refresher programme for NGOs</b>	<b>4,939</b>	<b>97,436</b>
<b>Exposure cum training programme on Microfinance initiatives for SHG Leaders / Members</b>	<b>94,560</b>	<b>16,38,403</b>
<b>Training and exposure programme for Govt. officers on SHG- Bank Linkage Programme</b>	<b>597</b>	<b>62,486</b>
<b>Exposure visits for Bank officers/ NGOs in microfinance initiatives</b>	<b>164</b>	<b>8,831</b>
<b>Field visit of Block Level Bankers Committee members to nearby SHGs</b>	<b>4,581</b>	<b>60,473</b>
<b>Exposure programme on Microfinance initiatives for members of Panchayat Raj institutions</b>	<b>2,161</b>	<b>14,766</b>
<b>Training for Micro Enterprises Development</b>	<b>60,160</b>	<b>1,31,678</b>
<b>Training for Micro Enterprises promotion Agencies</b>	<b>0</b>	<b>1,534</b>
<b>Bankers Meets on microfinance</b>	<b>768</b>	<b>21,622</b>
<b>NGO Meets on microfinance initiatives</b>	<b>1,094</b>	<b>27,650</b>
<b>Other meets</b>	<b>2,611</b>	<b>29,807</b>
<b>Other trainings</b>	<b>802</b>	<b>2,81,846</b>
<b>Grand Total</b>	<b>205798</b>	<b>26,60,818</b>

**4. Micro Enterprise Development Programme for skill Development:**

The Micro Enterprise Development Programme (MEDP) was launched by NABARD in March 2006 with the basic objective to enhance the capacities of the members of matured SHGs to take up micro enterprises through appropriate skill up gradation / development in the existing or new live hood activities both in farm and non-farm sectors by way of enriching knowledge of participants on enterprise management, business dynamics and markets. It is tailor-made and focused on skill building training programme. The duration of training programme ranged between 3 and 13 days, depending upon the objective and nature of training. The training budget has been revised to Rs.39,000 per programme for imparting to 30 participants up to 13 days. In 2009-10, a total of 1,530 MEDPs, both under Farm and Non-farm activities, were conducted across the country covering 38313 members of the matured SHGs. Cumulatively, total 2,837 MEDPs have been conducted so far covering 93,777 participants. The dominant activities in agriculture and allied sector conversion under MEDPs were animal husbandry, bee-keeping, mushroom cultivation, vermin compost/ organic manure, horticulture, floriculture, etc Where as predominantly non-farm activities taken up under MEDPs were readymade garments, Agarbatti making, embroidery, bamboo-craft, beauty parlours.

### **5. Grant Support to Partner Agencies for Promotion and Nurture of SHGs:**

Ever since the SHG-Banks Linkage Programme was launched by NABARD, the self help promoting Agencies Such as NGOs, Banks (RRBs, DCCBs), Farmers' Clubs and individual Rural Volunteers (IRV) are being extended grant support to organize and nature SHGs of the poor. In fact, the phenomenal growth of SHG-Bank Linkage Programme in the country is the result of the painstaking efforts put in by these agencies in forming and nurturing SHGs especially in areas where the concept never existed. The financial support extended by NABARD to various SHPIs during the year is indicated in Table-2.

**Table-2**  
**Grant Support to Partner Agencies (Rs. in lakh)**

Agency	Cumulative Sanction		Cumulative Achievement (31.3.2011)	
	Amount	SHGs Nos.	Amount	SHGs Nos.
<b>NGOs</b>	<b>12,626.84</b>	<b>4,14,338</b>	<b>4,471.37</b>	<b>2,68,791</b>
<b>RRBs</b>	<b>445.44</b>	<b>49,335</b>	<b>193.05</b>	<b>55,548</b>
<b>Co-operative Banks</b>	<b>739.31</b>	<b>66,955</b>	<b>287.22</b>	<b>47,203</b>
<b>IRVs</b>	<b>728.38</b>	<b>42,923</b>	<b>80.97</b>	<b>12,208</b>
<b>Farmers Clubs</b>	<b>82.43</b>	<b>7,628</b>	<b>73.68</b>	<b>17,321</b>
<b>Total</b>	<b>14,622.40</b>	<b>5,81,179</b>	<b>5106.29</b>	<b>40,1071</b>

### **6. Pilot Project on SHG-Post office Linkage Programme:**

Releasing the potential of post offices to extend the outreach of the microfinance initiatives, NABARD launched a pilot project initially in five districts of Tamil Nadu and later extended to Meghalaya, by extending Revolving Fund Assistance (RFA) to post officers in the pilot area, for on lending to the SHGs. The SHGs which are linked to post officers will also have access to keep their regular savings in the post officers. This is particularly useful in areas where the branch net work of RFI is low as in the case of North Eastern States. A total of 2,819 SHGs have opened zero interested savings accounts with local post officers, of which 1,219 groups have been credit linked. Loans amounting to Rs.3.36 crore have been disbursed to these Groups as on 31 March, 2011. During the year additional RFA of Rs.200lakh was sanctioned to India post in Tamil Nadu and Rs.5 lakh in East Khasi Hills in Maghalaya (for 50 SHGs). India posts could very well earn its name in history of post officers as the trend setter for providing microfinance services for the masses.

### **III. Loans outstanding of Banks against SHGs**

It is proposed to analyze the amount of loans outstanding with banks in aggregate vis-à-vis loans outstanding with banks under three agencies, viz., Commercial banks, Regional Rural banks, and Co-operative Banks during the study period 2006-07 to 2010-11 under review.

The data pertaining to bank loans outstanding against SHGs during the period from 2006-07 to 2010-11 has been presented in table-3.

**Table-3**  
**Bank Loans outstanding against SHGs during the years 2006-07 to 2010-11**  
(No. in Lakhs / Amount in crore)

Year	No. of SHGs		Amount Outstanding	
	No. in Lakhs	Growth Rates (%)	Amount Rs. in crore	Growth Rates (%)
2006-07	28.95	-	12,366.49	-
2007-08	36.26	25.3	16,999.90	37.5
2008-09	42.24	16.5	22,679.85	33.4
2009-10	48.51	14.8	28,038.28	23.6
2010-11	47.86	-1.3	31,221.16	11.4
Mean	40.76		22,261.14	

Source: Status of Microfinance in India 2006-07 to 2010-11

It can be observed that the total amount of loan outstanding against 28.95 lakh SHGs as on 31<sup>st</sup> March 2007 amounted to Rs.12, 366.49croer. The same has been increased to Rs.31, 221.16crore against 47.86lakh SHGs as on 31<sup>st</sup> March, 2011.

The data analysis in table-3 disclose that as on 31 March 2010, total numbers of 48.51lakh SHGs were having outstanding bank loans of Rs.28, 038.28crore as against 42.24lakh SHGs with bank loans of Rs.22, 679.85crore as on 31 March 2009, representing a growth of 14.8 per cent in number of SHGs and 23.6 per cent in bank loans outstanding against SHGs. However, the loan outstanding against SHGs has been recorded at Rs.31, 221.16crores against 47.86lakhs SHGs during the year 2010-11 representing a decline by 1.3 in number of SHGs and 11.4 per cent increase in terms of bank loans outstanding against SHGs.

**Agency-wise distribution of bank Loans outstanding against SHGs:**

The data pertaining to agency-wise distribution of bank Loans outstanding against SHGs during the period from 2006-07 to 2010-11 has been presented in table-4.

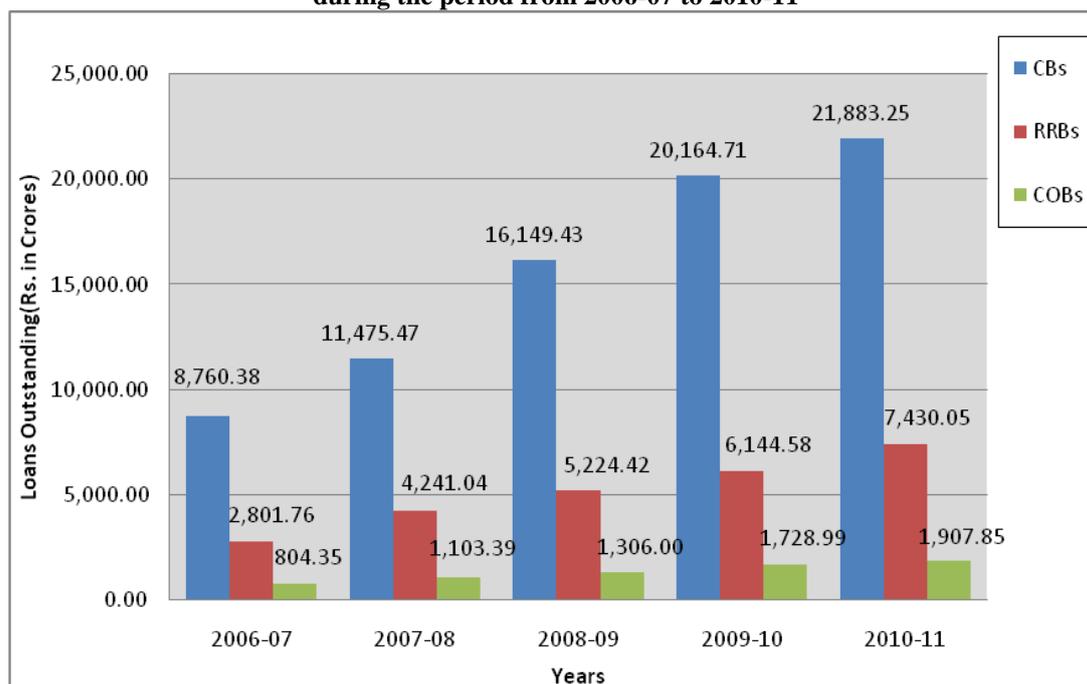
**Table-4**  
**Bank Loans outstanding against SHGs Agency - wise Position during the years 2006-07 to 2010-11**

(No. in Lakhs / Amount in crore)

Agency	Position as on 31 <sup>st</sup> March 2011	Total Bank Loans Outstanding against SHGs				Per SHG Bank loans O/S (Rupees)	Out of Total : Bank loans disbursed to SHGs under SGSY	
		No.of SHGs	Percent	Amount	Percent		No.of SHGs	Amount
Commercial Banks (Public & Private Sector)	2006-07	18.93	65.4	8,760.38	70.8	46,277	4.68	2,255.31
	2007-08	23.79	65.6	11,475.47	67.5	48,240	6.38	3,225.92
	2008-09	28.31	67.0	16,149.43	71.2	57,037	6.45	3,961.53
	2009-10	32.37	66.7	20,164.71	71.9	62,289	7.98	4,072.03
	2010-11	30.53	63.8	21,883.25	70.1	71,578	7.61	4,096.33
	2007-08 Growth (%)	25.7	0.3	31.0	-4.7	4.2	36.3	43.0
	2008-09 Growth (%)	19.0	2.1	40.7	5.5	18.2	1.1	22.8
	2009-10 Growth (%)	14.3	-0.4	24.9	1.0	9.2	23.7	2.7
	2010-11 Growth (%)	-5.7	-4.3	8.5	-2.5	14.9	-4.6	0.6
Regional Rural Banks	2006-07	7.29	25.2	2,801.76	22.7	38,419	1.72	807.76
	2007-08	8.76	24.2	4,241.04	26.0	50,485	2.23	1,332.33
	2008-09	9.77	23.1	5,224.42	23.0	53,428	2.58	1,508.10
	2009-10	11.03	22.8	6,144.58	21.9	55,658	3.68	1,725.94
	2010-11	12.81	26.8	7,430.05	23.8	58,002	4.25	2,325.43
	2007-08 Growth (%)	20.2	-4.0	51.4	14.5	31.4	29.7	64.9
	2008-09 Growth (%)	11.5	-4.5	23.2	-11.5	5.8	15.7	13.2
	2009-10 Growth (%)	14.3	-1.3	17.6	-4.7	4.2	42.6	14.4
	2010-11 Growth (%)	16.1	17.5	20.9	8.8	4.2	15.5	34.7
Cooperative Banks	2006-07	2.72	9.4	804.35	6.5	29,546	0.47	209.96
	2007-08	3.71	10.2	1,103.39	6.5	29,711	0.56	258.62
	2008-09	4.15	9.8	1,306.00	5.8	31,460	0.72	392.09
	2009-10	5.10	10.5	1,728.99	6.2	33,894	0.78	453.11
	2010-11	4.51	9.4	1,907.85	6.1	42,303	0.98	597.61
	2007-08 Growth (%)	36.4	8.5	37.2	0	0.6	19.1	23.2
	2008-09 Growth (%)	11.9	-3.9	18.4	-10.8	5.9	28.6	51.6
	2009-10 Growth (%)	22.9	7.1	32.4	6.9	7.7	8.3	15.6
	2010-11 Growth (%)	-11.6	-10.5	10.3	-1.6	24.8	25.6	31.9
TOTAL	2006-07	28.95	100.0	12,366.49	100.0	42,724	6.87	3,273.03
	2007-08	36.26	100.0	16,999.90	100.0	46,884	9.17	4,816.87
	2008-09	42.24	100.0	22,679.85	100.0	53,689	9.77	5,861.72
	2009-10	48.51	100.0	28,038.28	100.0	57,795	12.45	6,251.07
	2010-11	47.86	100.0	31,221.16	100.0	65,234	12.85	7,829.38
	2007-08 Growth (%)	25.3	100.0	37.5	100.0	9.7	33.5	47.2
	2008-09 Growth (%)	16.5	100.0	33.4	100.0	14.5	6.5	21.7
	2009-10 Growth (%)	14.8	100.0	23.6	100.0	7.6	27.5	6.6
	2010-11 Growth (%)	-1.3	100.0	11.3	100.0	12.9	3.2	25.2

Source: Status of Microfinance in India 2006-07 to 2010-11

**Figure-1**  
**Agency - wise distribution of Bank Loans outstanding against SHG's**  
**during the period from 2006-07 to 2010-11**



**Source: Performed by compiling the data in table – 4**

The analysis of data in table-4 depicts that among the three agencies of banks, Cooperative banks had the least average of Rs.42, 303 per SHG. Commercial banks had an average of Rs.71, 578 per SHG. However, RRBs accounted for Rs.58, 002 during the year 2010-11. The average bank loan outstanding per SHG from Rs.53, 689 as on 31 March 2009 to 57,795 as on 31<sup>st</sup> March 2010. It varied between Rs.62, 289 per SHG in case of CBs and 33,894 per SHG in case of cooperative banks as on 3 March 2010. The data collected randomly from a few SHG suggest that about 80 per cent members have loans outstanding against them at SHG level which also include their own savings being used for internal lending. In certain states, there exists the practice of dividing the bank loan equally among all the members of the groups the group (especially in groups promoted by government department) as these loans are subsidized and hence all members would like to avail the subsidy benefit.

As far as agency-wise distribution of the loans outstanding during the period 2009-10 is concerned, the Commercial Banks accounted for loan outstanding amounted to 32.37lakh SHGs (66.7 per cent) with Rs.20,164.71crore (71.9 per cent) followed by RRBs having loans outstanding of 11.03lakh SHGs (22.8 per cent) with loan outstanding amount of Rs.6,144.58crore (21.9 per cent) and Cooperative Banks with loan outstanding against 2.10lakh SHGs (10.5 per cent) with outstanding loan amount of Rs.1,728.99crore (6.2 per cent). Further, it is observed that the aggregate share of loan outstanding under SGSY was 12.45lakh SHGs with loan of Rs.6, 521.07crore

However, the data analysis during the year 2010-11 disclose that the loan outstanding of Commercial banks against SHGs accounted for 30.53lakh (63.8 per cent) SHGs with a loan outstanding amount of Rs.21, 883.25 crore (70.1 per cent) followed by RRBs with loan outstanding against 12.81lakh (26.8 per cent) SHGs amounting to Rs.7, 430.05crores (23.8 per cent); and Cooperative Banks having loan outstanding against 4.51lakh (9.4 per cent) amounted to Rs.1, 907.85 (6.1 per cent).

The share of SHGs under SSGY was 12.45lakh SHGs (25.7%) with out standing bank loans of Rs.6, 251.07crore (22.3%) as against 9.77lakh SHGs (23.1%) with out standing bank loans of Rs.5, 861.72crore (25.8%) as on 31 March 2009. However, the same has been shoot up to Rs.7, 82938crore during the year 2010-11. It can be observed based on the above analysis that the Commercial Banks aggregately have the maximum share of loan outstanding against SHGs to the extent of 70.28 per cent on an average. However, the RRBs accounted for a proportionate of 23.25 per cent and followed by Cooperative Banks which accounted for 6.17 per cent during the study period under review. This indicates a majority share amount of loans outstanding has been with Commercial Banks against SHGs. This has been tested by performing ANOVA.

**Loans outstanding of banks against SHGs - ANOVA:**

The amount of bank loans outstanding against SHGs of various banking agencies, viz., CBs, RRBs and Co-operative Banks have been compared and analyzed using one way ANOVA and are tested by the following hypotheses.

**Ho:** There is no significant difference among the three agencies (CBs, RRBs, Co-op) as far as the amounts of bank loans outstanding against SHGs are concerned.

The results of ANOVA-single factor are shown in table-5

**Table-5**  
**ANOVA: Single Factor**

<b>ANOVA:SUMMARY</b>				
<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
<b>CB</b>	<b>5</b>	<b>78433.24</b>	<b>15686.65</b>	<b>31093073</b>
<b>RRB</b>	<b>5</b>	<b>25841.85</b>	<b>5168.37</b>	<b>3133027</b>
<b>COB</b>	<b>5</b>	<b>6850.58</b>	<b>1370.116</b>	<b>203323.3</b>

<b>ANOVA</b>						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
<b>Between Groups</b>	<b>5.5E+08</b>	<b>2</b>	<b>2.75E+08</b>	<b>23.96381</b>	<b>6.45E-05</b>	<b>3.885294</b>
<b>Within Groups</b>	<b>1.38E+08</b>	<b>12</b>	<b>11476474</b>			
<b>Total</b>	<b>6.88E+08</b>	<b>14</b>				

**IV. INFERENCE**

Since the calculated “F” value of 23.96381 is greater than the table value (Fcrit) at 5 per cent level of significance, the hypothesis shall be rejected. As such, it can be inferred that there is significant differences among the three banks as far as amount of loans outstanding against SHGs are concerned. Hence, it can be concluded that the amount of loan outstanding is more with Commercial Banks as compared to Regional Rural Banks and Co-operative Banks.

**V. CONCLUSION**

Amount of loan outstanding against 28.95 lakh SHGs as on 31<sup>st</sup> March 2007, amounted to Rs.12,366.49 crore. The same has been increased to Rs.31, 221.16 crore against 47.86 lakh SHGs as on 31<sup>st</sup> March, 2011. However, aggregately 40.76 Lakh SHGs have been found with an amount of Loan Outstanding accounted for Rs.22,261.14 crores during the study period 2006-07 to 2010-11.

However, the data analysis during the year 2010-11 disclose that the loan outstanding of Commercial banks against SHGs accounted for 30.53 lakh (63.8 per cent) SHGs with a loan outstanding amount of Rs.21,883.25 crore (70.1 per cent) followed by RRBs with loan outstanding against 12.81 lakh (26.8 per cent) SHGs amounting to Rs.7,430.05 crores (23.8 per cent); and Co-operative Banks having loan outstanding against 4.51 lakh (9.4 per cent) amounted to Rs.1,907.85 (6.1 per cent). It can be observed based on the above analysis that the Commercial Banks aggregately have the majority share of loan outstanding against SHGs to the extent of 70.28 per cent on an average. However, the Regional Rural Banks accounted for a proportionate of 23.25 per cent and followed by Co-operative Banks which accounted for 6.17 per cent during the study period under review.

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