

SHGS ROLE IN UP LIFTING MICRO FINANCE SECTOR IN INDIA

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ABSTRACT

As backbone of Indian economy is Agriculture micro finance has been the need of the market and growth of the economy. The Paper discuss the role of SHGS in micro finance sector is observed to be successful in supporting financially the lives of the poor its reach is still very limited. The present study tries to analyze the status of the Micro finance in India special reference to SHGs. With a view to study the growth of Linked SHGs in different state of India. The study covers the period of 2003 to 2005 with a view of forecasting the opportunities which could be avail by the SHGS to boost the micro finance sector in the India.

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INTRODUCTION

In India, Self Help Groups are being a unique approach as a financial intermediation. This is to assist the poor people through financially. The approach is a combination of low-cost financial services with a process of self management and development for the SHG members. SHGs are formed and supported usually by NGOs or by Government agencies. The approach is linked not only to banks but also in to wider development programmes .SHGs is seen to confer many benefits, both economic and social. SHGs enable member to grow their savings and to access the credit, which banks are increasingly willing to lend. SHGs is also a community platforms from which member can become active in village affairs, stand for local election or take action to address social or community issues .

RURAL ECONOMY

The Rural Economy in India is wholly agriculture based and it is of tremendous significance because it has vital supply and demand with the other Indian industries. Agriculture is the backbone of the Indian economy, as it constitutes the main stay of rural India which residents more than 70% of total Indian population. The fertility of the soil has augmented the success of agriculture in India. Further, Rural Economy in India has been contributed towards the overall economic and social growth of India. India has been predominantly an agriculture-based country and it was the only source of livelihood in ancient time. During prehistoric time when there was no currency system, trading was done through barter system i.e. the excess of agricultural produce was exchanged against other items.

Today, there is subsequent productivity growth is predicted to a large extent upon the development of rural population. Currently agriculture accounts for almost 19% of Indian gross domestic products (GDP). The Indian rural section is engaged with agriculture directly or indirectly. Still Indian has to develop the technology used to improve the production level and quality in the agriculture sector to increase its ratio in the GDP. Government has to plan certain policies and get it implemented for the development of rural economy and as overall growth of the Indian economy.

REVIEW OF LITERATURE

The Review of literature covers the previous study on the Microfinance and SHGs in India and in Global.

The current state of and future prospects for the Asian microfinance industry. It also outlines the reasons why the Indonesian microfinance institution Bank Rakyat became so successful on a large-scale. The successes and challenges that China, India, and Bangladesh face in building large-scale microfinance institutions are also discussed. (Marguerite S. Robin, March 2005). The role of micro finance in the empowerment of people and the realisation of financial inclusion in India. While there are reservations about the efficacy of MFIs in handling public money, their growth and achievements demand attention and appreciation. Today the MFIs want the government to empower them for mobilising savings. With increasing demand for rural finance, and the inadequacies of formal sources, the MFIs have immense opportunities in the new avatar of micro credit in India. However, in the light of recent experiences, and the need for qualitative growth, we suggest that MFIs should be managed with better scrutiny in terms of finance and technology as well as social responsibility. This is of utmost importance in order to upgrade MFIs from thrift and credit institutions to capacity-building and livelihood-sustaining associations of people. (Nil Jayasheela , P.T. Dinesha Jr, V, Basil Hans , 2008). Microfinance is gathering momentum to become a significant force in India. The self help group (SHG) model with bank lending to groups of (often) poor women without collateral has become an accepted part of rural finance. The paper discusses the state of SHG-based microfinance in India and the opportunity untapped because of the huge existing demand-supply gap. With traditionally loss-making rural banks shifting their portfolio away from the rural poor in the post-reform period, SHG-based microfinance, nurtured and aided by NGOs, have become an important alternative to traditional lending in terms of reaching the poor without incurring a fortune in operating and monitoring costs. The government and NABARD have recognized this and have emphasized the SHG approach and working along with NGOs in its initiatives. In spite of the impressive figures, the supply side of microfinance in India is still presently grossly inadequate to fill the gap between demand and supply but it holds the promise to act as a great opportunity for the financial sector and the economy as a whole. (Jhankrity Mittal , Mitul Trivedi , Ranjana Mandal , Sumit Somani ,Tamsa Nandini Sabat, 2007) . The context for this paper derives from the current overriding emphasis on microfinance in rural finance discourse and its celebration as the new 'magic wand' in the fight against poverty. The paper discusses the factors and theoretical

position associated with evolution of microfinance and its global acclaim based on it being a Win-Win proposition for both Micro Finance Institutions (MFIs) and Clients. The paper brings out the missing link of impact assessment in the Indian context, which is a precondition for poverty reduction on account of the influence of new paradigm of Institutional viability under commercial microfinance. The paper argues for mainstreaming impact assessment in evaluation of programmes for realizing the full potential of microfinance in achievement of Millennium Development Goals (MDGs). This paper also draws on the doctoral field research conducted by the author in 2005 to assess socio economic impact of Self Help Group (SHG)-Bank Linkage programme¹ of microfinance in India. (Alok Misra, 2006).

OBJECTIVES

1. To study growth of linked SHG's in different states of India.
2. To study Number of SHG's and their financing
3. To study the region wise analysis of SHGs.
4. To evaluate the agency –Wise financing.

To fulfill the above cited objectives to get in to the accomplished the below tables are analysis and studied to check the growth figures of the linked SHGs in India.

Table No. 1
Growth of linked SHGs in India.

State	2003	2004	2005	2006	2007
Assam	3,477	10,706	31,234	56,449	81,454
Bihar	8,161	16,246	28,015	46,221	72339
Chhatisgarh	6,763	9,796	18,569	31,291	41,703
Gujarat	13,875	15,974	24,712	34,160	43,572
Himachal Pradesh	8,875	13,228	17,798	22,920	27,799
Jharkand	7,765	12,647	21,531	30,819	37,317

Maharashtra	28,065	38,535	71,146	131,470	225856
Madhya Pradesh	15,271	27,095	45,105	57,125	70912
Orissa	42,272	77,588	123,256	180,896	234,451
Rajasthan	22,742	33,846	60,006	98,171	137,837
Uttar Pradesh	53,696	79,210	119648	161,911	198,587
Uttranchal	5,853	10,908	14,043	17,588	21,527
West Bengal	32,647	51,685	92,698	136,251	181,563
Total	249,462	397,464	667,761	1005,272	1374,917
Percentage	100	159	168	150	136

Source: secondary

Table No. 1 shows the statement of Growth of linked SHGs in India. After analyzing the 5 years trends from 2003 to 2007 it was observed that in the year 2003 to 2005 there was a growth in the overall figure of linked SHGs in India i.e. 159 per cent and 168 per cent respectively. But from the year 2006 to 2007 it shows decline stage in the growth of linked SHGs. On an average the 13 states are covered in study and it is found that Maharashtra and Bihar has been at the highest contribution for growth of linked SHGs and Himachal Pradesh, Jharkand and Uttranchal recorded at minimum growth.

Table No. 2
No. of SHG and their Financing

Particulars	2001	2002	2003	2004	2005	2006	2007
No. of new SHGs provided with banks loans (cumulative)	263,825	461,478	717,360	1079,091	1618,456	2238,565	2924,973
Per cent	100	174	155	150	149	138	130

No. of New SHGs financial during year	149650	197653	255882	361737	539365	620109	686408
Per cent	100	132	129	141	149	114	110
No. of SHGs receiving repeat loans	21630	41413	102391	171669	258092	344502	457410
Per cent	100	191	247	168	150	133	133
Bank loan Disbursed cumulative (Rs Crore)	481	1026	2049	3904	6896	11398	18840
Per cent	100	213	199	190	176	165	158
Average Loan Sizes New	19379	22919	27005	32013	32019	37574	44343
Per cent	100	118	117	118	100	117	118

Source: secondary

The above table shows the statement of number of SHGs and their financing year wise. It is revealed that considering the year 2001 as a base the growth rate has been calculated and found the cumulative bank loan provided to SHGs in the year 2002 was highest i.e. the cumulative bank loan provided during the year was 461,478 in numbers .i.e. 174 per cent to the year 2001 . Where as the in the year 2007 it was recorded at the least per cent 130. The impact of the highest figures in the year 2002 as shown in the year 2003 for the number of SHGS receiving repeat loans by 247 per cent In the year 2006 and 2007 it decline by 133 percent respectively.

Bank loan disbursed during the 7 years was volatile as in the year 2002 it was marked by 213 per cent and 158 per cent which is lowest percent in the year 2007. The overall average loans size was recorded in between 118 to 117 per cent.

Hence, it can be concluded that during the year 2002 and 2003 it shows a growth in the number of the SHGs in India. But it decline continuously from 2004 to 2007.

Table no. 3
Region –wise analysis

Region	2004	2005	2006	2007
Northern	52396	86018	133097	182018
	0.04	0.05	0.05	0.06
North Eastern	12278	34238	62517	91754
	0.01	0.02	0.02	0.03
Eastern	158237	265628	394351	525881
	0.14	0.16	0.17	0.17
Central	127009	197305	267915	332729
	0.05	0.05	0.07	0.09
Western southern	54815	96266	166254	270447
	0.05	0.05	0.07	0.09
Southern	674356	939941	1214431	1522144
	0.62	0.58	0.54	0.52
All India	1079091	1618456	2238565	2924973
	100	100	100	100

Source: secondary

Despite relatively rapid growth in the priority states, the programme continues to remain heavily skewed in favour of the South. In the above table no. 3 Region wise analysis of the SHGs growth in India in the year 2004 Southern region shows the highest figures and North eastern region with minimum per cent i.e. 1 per cent. Continuously the Southern region in the year 2005 to 2007 by 58 per cent, 54 per cent and 52 per cent in the overall comparison. Steadily growth in contribution of SHGs at North Eastern region was seen but with the minimum contribution of the all India figures.

Table No. 4
Agency – wise financing

Particulars	2005-06			2006-07		
	SHGs	loan	Loan in Per cent	SHGs	loan	Loan in Per cent
CBs	344567	28284	63	4060707	44101	66
RRBs	176178	12226	27	170783	17089	26
Co-operative	99364	4481	10	108878	5242	8
Total	620109	44991	100	686368	66432	100

Source: secondary

Table 4 shows the respective share of commercial banks, RRBs and cooperatives in financing SHGs. The share of commercial banks has gone up in 2006-07, both in respect of number of loans and amounts disbursed, at the expense mostly of the of RRBs in respect of share of number of loans and of the cooperatives in respect of share of loans disbursed. In 2005-06 twenty-seven public sector banks accounted for 93 percent of commercial bank financing and Despite relatively rapid growth in the priority states, the programme continues to remains heavily skewed in favour of the South. The above analysis is shown in the below charts.

Chart No. 1

Coorporate banks financing

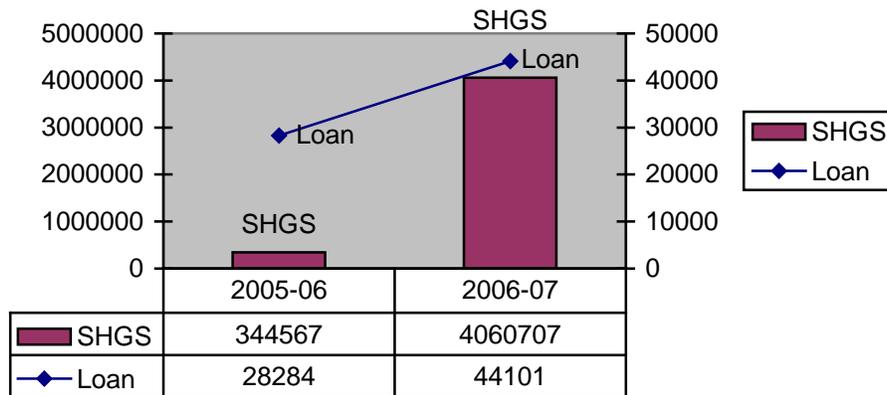


Chart No. 2

RRBs Financing

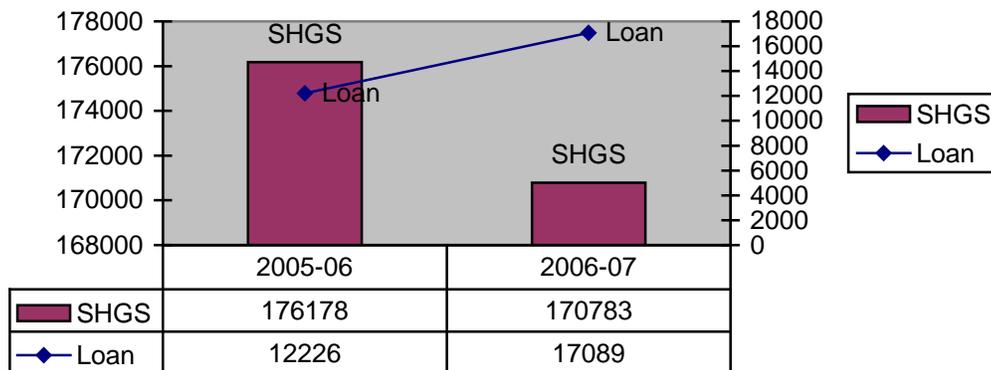
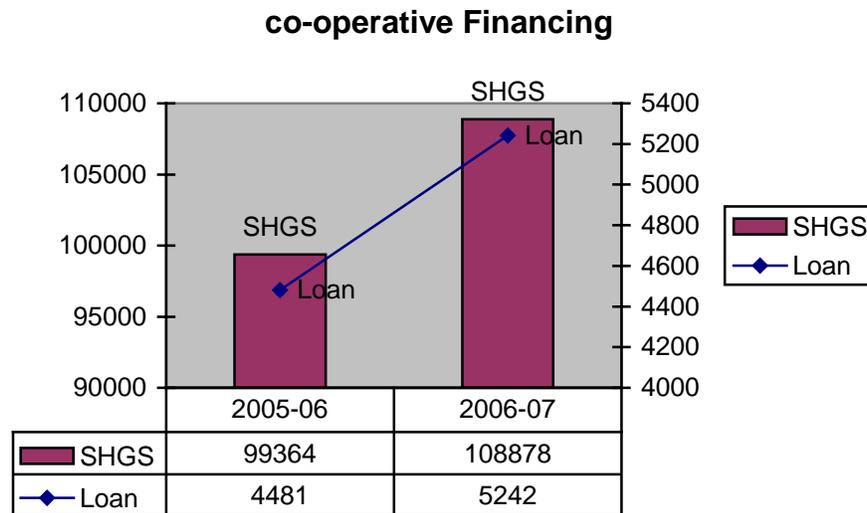


Chart No. 3



Findings of the study.

1. In the year 2003 to 2005 there was a growth in the overall figure of linked SHGs in India i.e. 159 per cent and 168 per cent respectively.
2. In the year 2006 to 2007 it shows decline stage in the growth of linked SHGs.
3. The statement of number of SHGs and their financing year wise. It can be concluded that during the year 2002 and 2003 it shows a growth in the number of the SHGs in India. But it decline continuously from 2004 to 2007.
4. Region wise analysis Continuously the Southern region in the year 2005 to 2007 by 58 per cent, 54 per cent and 52 per cent in the overall comparison. Steadily growth in contribution of SHGs at North Eastern region was seen but with the minimum Contribution of the all India figures.
5. Agency –wise share SHGs. Financed shows that commercial banks contribution was No. 344567 (56 per cent) amounting to Rs. 28284 during the year 2005-06 while it shows increasing trend i.e. 59 per cent and 66 per cent respectively. Co-operative financing agency were at the least figures by number 99364 (16 per cent) amounting Rs. 4481 i.e. 16 per cent and 8 per cent respectively

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