



FINANCIAL INCLUSION IN INDIA – A STUDY ON BANK FINANCING TO SELF HELP GROUPS IN WARANGAL DISTRICT, TELANGANA STATE

Sarika Samisetty* Dr G Vidyasagar Rao**

*Ph.D Research Scholar, *Department of Business Management, Osmania University, Hyderabad, Assistant Professor, Dept. of Management, Kakatiya Institute of Technology & Science, Warangal.*

***Vice Principal & Assistant Professor, Department of Business Management, Osmania University, Hyderabad.*

Abstract

The Self Help Groups have provided a historical achievement in the development of Indian women in terms of transforming the livelihood and empowerment. The SHG bank linkage is considered as one of the boosting agents which have helped crores of women to avail the financial services which have helped them in the financial inclusion. In this connection, the present paper highlights on the overview of SHG and development of SHGs in India, the bank linkage programs being operational and the role of NABARD and RBI towards the bank linkage to SHGs. Further, the paper also discusses on the status of bank linkage of SHGs in Telangana with special focus on Warangal District. The paper is based on the secondary data sources extracted from RBI, NABARD, state government reports on Self Help Groups.

Key words: Bank Credit, NABARD, RBI, SHG-Bank Linkage.

1. Introduction to SHGs in India

Self-Help Group refers to self-governed, peer controlled, informal group of people with same socio-economic background and having a desire to collectively perform common purposes. Here poor people voluntarily come together to save whatever amount they can save conveniently out of their earnings, to mutually agree to contribute to a common fund and to lend to the members for meeting their productive and emergent needs.

SHGs have been able to mobilize small savings either on weekly or monthly basis from persons who were not expected to have any savings. They have been able to effectively recycle the resources generated among the members for meeting the emergent credit needs of members of the group. SHG is a group formed by the community women, which has specific number of members like 15 or 20. In such a group the poorest women would come together for emergency, disaster, social reasons, economic support to each other have ease of conversation, social interaction and economic interaction.

A SHG is an informal association to enhance the member's financial security as primary focus and other common interest of members such as area development, awareness, motivation, leadership, training and associating in other social inter-mediation programmes for the benefit of the entire community.

- a. Self-Help Groups (SHGs) are informal associations of people who choose to come together to find ways to improve their living conditions.
- b. It can be defined as self-governed, peer controlled information group of people with similar socio-economic background and having a desire to collectively perform common purpose.
- c. Villages face numerous problems related to poverty, illiteracy, lack of skills, lack of formal credit etc. These problems cannot be tackled at an individual level and need collective efforts.
- d. Thus SHG can become a vehicle of change for the poor and marginalized. SHG rely on the notion of "Self Help" to encourage self-employment and poverty alleviation.

2. Functions of Self Help Groups

- a. It looks to build the functional capacity of the poor and the marginalized in the field of employment and income generating activities.
- b. It resolves conflicts through collective leadership and mutual discussion.
- c. It provides collateral free loan with terms decided by the group at the market driven rates.



- d. Such groups work as a collective guarantee system for members who propose to borrow from organised sources. The poor collect their savings and save it in banks. In return they receive easy access to loans with a small rate of interest to start their micro unit enterprise.
- e. Consequently, Self-Help Groups have emerged as the most effective mechanism for delivery of microfinance services to the poor.

3. Benefits of SHGs

1. **Social integrity** – SHGs encourages collective efforts for combating practices like dowry, alcoholism etc.
2. **Gender Equity** – SHGs empowers women and inculcates leadership skill among them. Empowered women participate more actively in gram sabha and elections.
3. There is evidence in this country as well as elsewhere that formation of Self-Help Groups has a multiplier effect in improving women's status in society as well as in the family leading to improvement in their socio-economic condition and also enhances their self-esteem.
4. **Pressure Groups** – their participation in governance process enables them to highlight issues such as dowry, alcoholism, the menace of open defecation, primary health care etc and impact policy decision.
5. **Voice to marginalized section** – Most of the beneficiaries of government schemes have been from weaker and marginalized communities and hence their participation through SHGs ensures social justice.
6. **Financial Inclusion** – Priority Sector Lending norms and assurance of returns incentivize banks to lend to SHGs. The SHG-Bank linkage programme pioneered by NABARD has made access to credit easier and reduced the dependence on traditional money lenders and other non-institutional sources.
7. **Improving efficiency of government schemes** and reducing corruption through social audits.
8. Alternate source of employment – it eases dependency on agriculture by providing support in setting up micro-enterprises e.g. personalised business ventures like tailoring, grocery, and tool repair shops.
9. **Changes In Consumption Pattern** – It has enabled the participating households to spend more on education, food and health than non-client households.
10. **Impact on Housing & Health** – The financial inclusion attained through SHGs has led to reduced child mortality, improved maternal health and the ability of the poor to combat disease through better nutrition, housing and health – especially among women and children.
11. **Banking literacy** – It encourages and motivates its members to save and act as a conduit for formal banking services to reach them.

4. Opportunities for SHGs in India

- a. SHGs often appear to be instrumental in rural poverty alleviation.
- b. Economic empowerment through SHGs, provides women the confidence for participation in decision making affairs at the household-level as well as at the community-level.
- c. Un-utilised and underutilised resources of the community can be mobilised effectively under different SHG-initiatives.
- d. Leaders and members of successful SHGs bear the potentiality to act as resource persons for different community developmental initiatives.
- e. Active involvement in different SHG-initiatives helps members to grow leadership-skills. Evidences also show that often women SHG leaders are chosen as potential candidates for Panchayat Pradhans or representatives to Panchayati Raj Institution (PRI).

5. Weaknesses of SHGs

1. Members of a group do not come necessarily from the poorest families.
2. Though there has been social empowerment of the poor, the economic gain to bring about a qualitative change in their life has not been satisfactory.



3. Many of the activities undertaken by the SHGs are still based on primitive skills related mostly to primary sector enterprises. With poor value addition per worker and prevalence of subsistence level wages, such activities often do not lead to any substantial increase in the income of group members.
4. There is a lack of qualified resource personnel in the rural areas who could help in skill upgradation or acquisition of new skills by group members. Further, institutional mechanisms for capacity building and skill training have been lacking.
5. Poor accounting practices and incidents of misappropriation of funds.
6. Lack of resources and means to market their goods.
7. SHGs are heavily dependent on their promoter NGOs and government agencies. The withdrawal of support often leads to their collapse.
8. Challenges
9. Lack of knowledge and proper orientation among SHG-members to take up suitable and profitable livelihood options.
10. Patriarchal mindset – primitive thinking and social obligations discourages women from participating in SHGs thus limiting their economic avenues.
11. Lack of rural banking facilities – There are about 1.2 lakh bank branches and over 6 lakh villages. Moreover, many public sector banks and micro-finance institutions are unwilling to provide financial services to the poor as the cost of servicing remains high.
12. Sustainability and the quality of operations of the SHGs have been a matter of considerable debate.
13. No Security – The SHGs work on mutual trust and confidence of the members. The deposits of the SHGs are not secured or safe
14. Only a minority of the Self-Help Groups are able to raise themselves from a level of micro-finance to that of micro-entrepreneurship.

5. Self Help Group – Bank Linkage Programme (SHG-BLP)

Based on the observations of various research studies and an action research project carried out by NABARD, the model of 'SHG-BLP' has evolved as a cost-effective mechanism for providing financial services to the unreached and underserved poor households. What started as a pilot to link around 500 SHGs of poor to the formal financial institutions during the year 1992-93 has now become the largest microfinance programme in the world, in terms of the client base and outreach? The SHGs which follow 'Panchsutras' viz. conduct of regular group meetings, regular savings within the group, internal lending based on the demand of members, timely repayment of loan and maintenance of proper books of accounts are considered to be of good quality and over years have proved themselves to be good customers of Banks.

The NGO sector has played a prominent role of working as a Self Help Group Promoting Institution (SHPI) by organizing, nurturing and enabling credit linkage of SHGs with banks. NABARD later coopted many others as SHPIs including the rural financial institutions (RRBs, DCCBs, PACS), Farmers' Clubs (FCs), SHG Federations, Individual Rural Volunteers (IRVs) etc. These stakeholders were encouraged to take up promotion of SHGs by way of promotional grant assistance from NABARD. This savings led microfinance model has now become the largest coordinated financial inclusion programme in the world covering almost 100 million households in the country. With more than 84% of the groups being exclusively women groups, the programme has provided the much needed push to empowerment of women in the country. Other than championing the movement and providing promotional support, NABARD has enabled an entire ecosystem of support through policy advocacy at Bank and Government level, organising and sponsoring a large number of training & capacity building programmes, seminars & workshops for the benefit of all the stakeholders viz. the bankers, the Government agencies, the NGO partners and more importantly the SHG members themselves. Banks are also provided 100% refinance support by NABARD for financing of SHGs.

Product level changes like allowing voluntary savings in the group, sanction of cash credit/ overdraft system of lending to SHGs, allowing formation of JLGs within SHGs, improving risk mitigation systems, building second tier institutions of SHGs, etc. were brought subsequently to address operational issues emerging from time to



time. Further, to enable SHG Members to take up livelihood activities, NABARD has been supporting Micro Enterprise Development Programmes (MEDPs) and Livelihood and Enterprise Development Programmes (LEDPs) for SHGs.

NABARD is implementing and supporting implementation of various Schemes announced by Govt. of India viz. Promotion of Women SHGs (WSHG) in backward and Left Wing Extremism affected districts of Ministry of Finance, National Rural Livelihoods Mission (NRLM) of Ministry of Rural Development.

SHG-Bank linkage programme was started with the objective of extending the outreach of banking to the poor, who mainly comprise the marginal farmers, landless labourers, artisans and craftsmen and others engaged in small businesses such as hawking and vending. In this context, it would be pertinent to see whether the programme has adequately made inroads into the regions where concentration of poverty is higher. During 2004-05, the all-India poverty ratio stood at about 27.6 per cent. While the Northern (15.7 per cent), North- Eastern (19.2 per cent), Southern (19.8 per cent) and Western region (25.8 per cent) had lower than the all-India poverty ratio, Central (35 per cent), and Eastern Region (36.2 per cent) had higher poverty ratios than at the all-India level.

6. SHG Bank Linkage in Telangana State

Table-1 presents the number of SHGs that are been in operational in all the states situated in India. Especially, in Telangana state as per the records of 32 districts (since the latest district details are yet to be incorporated in database), a total of 542 blocks were been in operational. A total of 426705 SHG groups are functioning in the state and the SHG members in the state are 4442215 and the bank linkage provided to 63049 SHGs. With reference to Warangal district, from Warangal rural, a total of 14215 SHGS are functioning and the member size is 1, 74,429. The bank credit is provided 2558 SHGs. In Warangal urban district, a total of 6554 SHGs are functioning and 63521 SHG members are active in the SHGs and a total of 762 SHGs were been sanctioned bank credit facility.

Table-1,SHG bank linkage in Telangana State

Districts	Self Help Groups	SHG Members	SHGs provided with Bank Credit
ADILABAD	9456	105129	1425
BHADRADRI	18121	164867	3709
HYDERABAD	0	0	0
JAGTIAL	14805	162769	1535
JANGAON	11382	140311	1801
JAYASHANKAR	15809	153991	2517
JOGULAMBA	3880	42950	737
KAMAREDDY	17937	181670	2352
KARIMNAGAR	14929	159791	2237
KHAMMAM	25077	240001	6093
KOMARAM BHEEM	7303	82205	747
MAHABUBABAD	15499	167807	2971
MAHABUBNAGAR	18493	204782	1713
MANCHERIAL	11277	123499	1518
MEDAK	13798	126923	1964
MEDCHAL	7775	72868	1067
NAGARKURNOOL	6380	76929	1558
NALGONDA	28777	292696	3480



NIRMAL	11097	125861	1082
NIZAMABAD	23884	242102	2917
PEDDAPALLI	12759	119143	1621
RAJANNA	9164	102748	1186
RANGAREDDY	21425	230028	3427
SANGAREDDY	17764	181007	2590
SIDDIPET	14765	142113	2943
SURYAPET	18201	181599	2057
VIKARABAD	14850	145571	1447
WANAPARTHY	6501	81603	1076
WARANGAL (R)	14215	174429	2558
WARANGAL (U)	6554	63521	762
YADADRI	14828	153302	1959
Total	426705	4442215	63049

Source: MEMPA reports, Government of Telangana

7. Conclusions

Despite the SHGs have emerged over 20 years back, the momentum in terms of growth of SHGs were been not received that much. Still many women are lacking the support of SHGs and financial inclusion. The financial inclusion through the support of SHGs can make them to avail financial services from banks through bank linkage. The SHG bank linkage can generate tremendous support to them in terms of getting financial assistance, building confidence and courage to support to family's financial needs. This can be possible through the support of Government. The Government should play the role of a facilitator and promoter, create a supportive environment for the growth and development of the SHG movement especially in rural areas. There is a need for expanding SHG Movement to Credit Deficient Areas of the Country - such as Madhya Pradesh, Rajasthan, States of the North-East. The Rapid expansion of financial infrastructure (including that of NABARD) and by adopting extensive IT enabled communication and capacity building measures in the state of Telangana can lead to better results.

References

1. Report on Rural Development and Self Help Groups issued by Department of Panchayat Raj and rural Development, Government of Telangana.
2. A Hand Book on SHG Bank Linkage, report issued by Deen Dayala Upadyay Antyodaya Yojana – National Rural Livelihood Mission, Ministry of rural Development, Government of India.
3. Report on SHGs by Mission for Elimination of Poerty in Muncipal Areas (MEPMA), Department of Municipal Administration & Urban Development, Government of Telangana.
4. Deepa Nair, "Women Empowerment through SHGs", report extracted from <http://www.mchrddi.gov.in/ASO/week-5/Women%20Empowerment%20Through%20SHGs.pdf>.
5. <https://www.yourarticlelibrary.com/india-2/self-help-group/self-help-group-shg-of-india-meaning-need-and-objectives/66718>.
6. <https://www.nabard.org/contentsearch.aspx?AID=225&Key=shg+bank+linkage+programme>.