SHG Bank Linkage Programme Growth in India with Reference to Madhya Pradesh

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Abstract

The paper highlights the trends and patterns of the self-help groups in Madhya Pradesh state. In Madhya Pradesh both governmental and non-governmental organizations work for the microfinance programme, and different departments and agencies have been implementing SHGs under various programs and schemes. This study is useful to know the trend of savings of SHGs in Madhya Pradesh. The study is descriptive and analytical in nature and data have been collected from secondary data source (NABARD). The trend analysis is performed on the procured data. The result shows that the SHGs associated over study period with banks and its savings are increasing

Keywords; *SHGs, Savings, NABARD, MYRADA, Microfinance, Trend Analysis, Banks*

I. INTRODUCTION

In India, the NABARD (National Bank for Agriculture and Rural Development) formally initiated a microfinance system in 1992, with the goal of expanding conventional banking services to the unexplored rural population of poor by creating an alternative system for supplying credit. In 1992-93, NABARD launched a 'pilot project', connecting SHGs (Self-Help Groups) with banks. By March end in 1993, 225 SHGs had been connected and by the 1994 March end the number reached 620. Encouraged by the pilot project's success, RBI (Reserve Bank of India) decided in 1996 to include bank linkage as the dominant activities of the banks under priority sector financing. NABARD is the main agency in India to support the 'Bank Linkage Program' of the SHGs. In supporting this program it plays a strategic role through formal banks in India. Hundred percent refinancing is provided to banks by NABARD at an interest rate of 6.5 percent annually. In addition to extending financial support for the

healthy growth of the SHGs linkage program in India, it has played the role of propagator and enabler by ensuring favourable policy structure, training and skills development.

Microfinance applies to loans, deposits, insurance, transfer services and other financial products directed at consumers of low income levels. Microfinance is provided in India mainly through SHGs (Self-Help Groups), Microfinance Institutions (MFIs), and other methodologies. The web of many banking institutions, such as public and private sector commercial banks, cooperative banks, regional rural banks (RRBs), and MFIs, is used to provide microfinance services to the poor. The microfinance system seeks to provide easy access to capital for the vulnerable and provide them with resources to scale the economic ladder. Microfinance, by its name, refers to the entire journey of financial and non-financial services covering the upgrading of skills, the growth of entrepreneurship given to the poor and vulnerable in

order to enable them to overcome poverty. The NABARD (National Bank for Agriculture and Rural Development) defines microfinance as: "provision to the poor of very small amounts of thrift, credit and other financial services and products in rural, semi-urban and urban areas to enable them to increase their income level and get better standards of living", (NABARD, 2016-17). SHG is a registered or unregistered volunteer association of 10-20 poor people, from the same socioeconomic background, primarily involved in saving and credit activities. It can be a group of all female members, all male members, or even a mixed group. SHG is also popularly called as DWACRA groups following the programme, i.e. the advancement of women and children in rural areas. Over 90% of these, however, are women's group members. On group level, loans, savings, loan-repayments are taken care of. Both groups are connected to a financial institution or a micro-finance institution to raise additional funds and to deposit their savings.

Self Help Groups (SHGs)

The SHG (Self-Help Group) of the India movement has evolved as the biggest and most influential community-based network of organisations (CBOs) in the world. Mostly it's a women's movement. As experts have pointed out, this technology is ground-breaking in its own right. India's own invention, which is the SHG bank linkage program (SBLP), has proven to be one of the most successful programs for alleviating poverty and empowering women. The SBLP had a modest starting point in 1992-93 with 255 credit-linked groups and Rs. 29 lakh loan amount. Since that time the system has grown tremendously. In the meantime, SHGs emerged as a countrywide mass movement and the world's largest community-based microfinance platform. According to NABARD's microfinance report 79.6 lakh SHGs have bank savings accounts with a total membership of 9.7 crores by March 2012, with aggregate bank balance of Rs. 6,551 crores. Over 43.54 lakh SHGs have Rs. 36,340

outstanding loan accounts. While the SBLP has experienced rapid growth over the past decade, regional inequalities remain in the SHG movement's growth, with minimal development in eastern and western regions.

In the mid-1990s, SHGs became known across the world. Many Organizations, most government agencies, sponsors and lenders saw an opportunity in SHGs organize women from rural areas to work for their own social and economic growth. By the late 1990's, SHGs were not just savings and credit groups, but were seen as groups of common interest. SHGs started to sprout up in many villages, with the introduction of several SHGs in the same villages. The significant milestones in the SHG movement's development can be divided into six major phases: i) NGOs advocate women's SHGs as an alternative to traditional financial services to target unattained segments of society; ii) NABARD gets involved in partnering with NGOs, especially MYRADA, to pilot the well-known SHG-bank linkage model; iii) State governments, particularly in rural areas, take a proactive role in large-scale promotion of SHGs through revolving loan funds and other support; iv) SHG-bank linkage achieves the scale of more than one million bank-linked SHGs; v) SHG federations arise to support the SHG campaign and provide value-added services; vi) SHGs and SHG federations are widely recognized as implementing agents for various major entities, such as financial institutions, the corporate sector and government (APMAS, 2007).

II. REVIEW OF LITERATURE

Several research firms, donor agencies; implementation agencies have undertaken multiple studies, evaluations, impact assessments and evaluations across the country on SHGs and their federations. Whereas a comprehensive review of all the research done so far cannot be presented. Below is a brief description of certain large-scale surveys which have been carried out and reported in the recent past.

There's a saying 'for the rainy day save a penny'. This means saving for the future now while you're preparing for tough times. Due to lack of work, ill health and old age, the word 'bad times' means being unable to work/earn. Savings are required not only in difficult times, but also in planned events such as marriage, childbirth, pilgrimage, children's education, and in emergencies such as death, illness, accident and occasions like these. Therefore, the investment required to acquire the properties. It also builds individual self-confidence and credit worthiness. Savings between the SHGs and their federations are mandatory. Through their SHGs the leaders save and the SHGs save in Village Organizations (VO). As members, SHGs, federations, and banks use different kinds of financial and non-financial services.

From the recent past, participants at various review meetings, conferences, seminars have raised questions about savings position as i) there is no significant increase in long term savings even in old SHGs, ii) total savings for members have been decreased, iii) large proportions of SHG-BL loans and repayment processes followed by banks restraining SHG members, iv) interest rates. Authors have conducted an analysis in its MP operational districts in this sense.

Research findings from Mehar (2007) indicate that microfinance-based SHG has a greater outreach and a positive effect on poverty reduction. Swain and Wallentin (2009) analyzed that India's microfinance SBLP has been increasingly promoted for its positive economic impact and the expectation that it will effectively help empower women. In his analysis, Mansuri (2010) emphasizes that NABARD's SHG bank connection is considered the best solution to reaching the vulnerable. Santosh et al. (2016) investigated that microfinance in India operates across two main channels, viz., a) SHG – Bank Linkage Programme (SHG-BLP), b) Microfinance Institutions (MFIs). In their report, Reddy and Muhammed (2017) examined the latest

Microfinance market paradigm shift and results, and evaluated the effect of Financial Technology (Fintech) on this field. Authors researched the emerging trends in Indian Microfinance and the effects of policy changes, finance technology (Fintech) and banking initiations. In their paper, Harika and Ramakrishna (2017) attempt to analyze the condition of microfinance in India in view of saving level, loan amount and outstanding amount by means of trend analysis. Compound Annual Growth Rates, Mean, Standard Deviation (SD), Coefficient of Variation (CV) and Instability Index were calculated to evaluate the microfinance position in India for the period 2010-11 to 2015-16 in terms of the indicators above. The study revealed that perhaps the SHG-BLM had evolved as a predominant model in based on the number of creditors and debts outstanding. The SHG-BLM is very appropriate for the Indian background due to the extensive rural bank branch network.

A notable feature of microfinance in India, according to Satish (2005), is that it was based on the existing banking system. This approach also overcomes the poverty-stricken issue of collateral supply, with the community serving as a collateral substitute. Microfinance must be seen as a tool or opportunity for development and not as an end in itself. To evaluate the degree to which Indian microfinance has succeeded in achieving the poverty eradication aim. Dasgupta (2005) opined on funding through the SHG (Self-Help Group), which expanded at a rate of 120 percent per annum, but global economic growth for SHG was uneven. The southern states are regarded as SHG-developed states while Bihar and Madhya Pradesh are described as SHG-backward states. Kumar (2014) analyzed SHG savings with all banks as of 31 March 2013 had increased by 25.4 percent. This ranges from 33.2 percent with Commercial Banks to 5.4 percent with Co-operative Banks. In 2012-2013, commercial banks contributed to the disbursement of loans to SHGs with 34.6 percent led by Regional

Rural Banks with an 11.9 per cent share and Co-operative Banks with a 0.5 percent share.

There was a paradigm shift in the policy development policies/programs after the 2004 state election. Investment in rural development and in agriculture has increased. The poor and vulnerable sections received incentives/subsidies. State administration is made to hold people more accountable. In recent years, the SHG bank link has gained a big boost. It was therefore thought that it would be very useful to assess the impact of the paradigm shift that took place in 2004 on the women's empowerment process in general and the members of SHG in particular. The aim of the present study was to examine the trend analysis of SHG savings related to various banks in Madhya Pradesh. To start with, such study was planned in four districts of Madhya Pradesh.

III. RESEARCH METHODOLOGY

Rationale of the Study

As we have seen through reviews that SHGs increases the economic activity and create the self confidence among the people. In the current scenario Indian government set the target for next five years that is up to 2024-2025 to do the five trillion-dollar economy. To achieve this huge target all the sectors of economy has to do very well. That's why this study is useful to know the trend of savings of SHGs in Madhya Pradesh.

IV. OBJECTIVES OF THE STUDY

1) To study the trend of savings of SHGs those are associated with commercial banks, regional rural banks and cooperative banks.

2) To analyse trend of number of SHGs those are associated with commercial banks, regional rural banks and cooperative banks.

3) To analyse trend of overall savings of SHGs in Madhya Pradesh.

4) To analyse trend of total number of SHGs in Madhya Pradesh.

V. HYPOTHESES OF THE STUDY

1) The savings of SHGs those are associated with commercial banks, regional rural banks and cooperative banks are increasing over the time.

2) The number of SHGs those are associated with commercial banks, regional rural banks and cooperative banks are increasing over the time.

3) The overall savings of SHGs of Madhya Pradesh is increasing with time.

4) The total number of SHGs in Madhya Pradesh is increasing with time.

Research Methodology

This descriptive and analytical study is employed, as it describes the functional relationship between time and savings of SHGs those are associated with various banks. The study is completely based on the secondary data source. The related data have been collected from NABARD. Following formula has been employed to measure the growth rate of savings of SHGs.

Growth Rate of Savings:

To measure the growth rate of SHGs semi-log function has been used for the study period 2008-2018. This model shows the trend of growth rates of savings of SHGs those are associated with various banks and total savings of Madhya Pradesh. The growth is calculated by using following formula.

$$\text{Log } Y_t = \alpha + \beta_1 T + U_t$$

Here Y_t is Dependent Variable (Savings).

T	=	Time Period
α & β_1	=	Regression Coefficients
U_t	=	Residual

The growth rate is calculated by the estimate of β_1 parameter. To calculate the compound growth rate following formula is used.

Compound Growth Rate = (Antilog β_1 -1) *100

Percentage   Formula:

$$\frac{is}{of} = \frac{\%}{100} \quad or \quad \frac{part}{whole} = \frac{\%}{100}$$

Average Formula:

$$Average = \frac{\sum\limits_{i=1}^{n} x_i}{n}$$

$$\sum\limits_{i=1}^{n} x_i \longrightarrow x_1 + x_2 + x_3 + x_4 + \ldots\ldots + x_n$$

$$n \longrightarrow total\ number\ of\ terms$$

Sample Size: 11 year date i.e., from 2008 to 2018.

VI. DATA ANALYSIS

The below Table-1 showing that the SHGs associated with commercial banks is increasing. In 2008 number of SHGs was 82152 increased by 57444 and stood at 139596 in the year 2018. Out of total number of SHGs 50.62 percent are associated with commercial banks in Madhya Pradesh. Therefore, it is relevant to calculate the growth rate. Table-2 shows that the growth rate is 4.36 percent which is significant. It means that the numbers of SHGs are increasing significantly over the study period.

Table-1: Number of SHGs associated with Commercial Banks

Year	No. of SHGs
2008	82152
2011	81667
2015	82874
2018	139596

Data Source: Based on NABARD report 2018.

Table-2: Linear trend equation estimate of SHGs associated with Commercial Banks

Year	Intercept (β_1)	Time (α)	R^2	Growth Rate
2008-2018	4.86 (0.06) (76.58)	0.02 (0.01) (1.98)	0.30	4.36

*Values in parenthesis are standard error and t-statistics respectively

*t-statistics is significant at 5 percent level of significance

Table-3: Saving amount of SHGs associated with Commercial Banks

Year	Amount in Rs. Lakhs
2008	5684.46
2011	5116.4
2015	7108.79
2018	17787.1

Data Source: Based on NABARD report 2018.

The above Table-3 is showing that the saving amount of SHGs associated with commercial banks is increasing. In 2008 it was Rs. 5684.46 lakhs increased by Rs. 12102.64 lakhs and stood at Rs. 17787.1 lakhs in the year 2018. Out of total savings of SHGs 59.19 percent are associated with commercial banks in Madhya Pradesh. Therefore, it is relevant to calculate the growth rate. Table-4 shows that the growth rate is 15.84 percent which is significant. It means that the growth rate of savings is increasing significantly over the study period.

Table-4: Linear trend equation estimate of saving amount of SHGs associated with Commercial Banks

Year	Intercept (β1)	Time (α)	R^2	Growth Rate
2008-2018	3.54 (0.08) (46.93)	0.06 (0.01) (5.74)	0.79	15.84

*Values in parenthesis are standard error and t-statistics respectively

*t-statistics is significant at 5 percent level of significance

Table-5: Number of SHGs associated with Regional Rural Banks

Year	No. of SHGs
2008	52718
2011	57870
2015	135030
2018	109703

Data Source: Based on NABARD report 2018.

The above Table-5 is showing that the SHGs associated with regional rural banks are increasing. In 2008 SHGs was 52718 increased by 56985 numbers and stood at 109703 in the year 2018. Out of total number of SHGs 42.27 percent are associated with regional rural banks in Madhya Pradesh. Therefore, it is relevant to calculate the growth rate. Table no. 6 shows that the growth rate is 8.5 percent which is significant. It means that time has positive impact on the growth of SHGs.

Table-6: Linear trend equation estimate of SHGs associated with Regional Rural Banks

Year	Intercept (β1)	Time (α)	R^2	Growth Rate
2008-2018	4.68 (0.04) (110.64)	0.04 (0.01) (6.68)	0.78	8.5

*Values in parenthesis are standard error and t-statistics respectively

*t-statistics is significant at 5 percent level of significance

Table-7: Saving amount of SHGs associated with Regional Rural Banks

Year	Amount in Rs. Lakhs
2008	2899.17
2011	1891.15
2015	16511.2
2018	11680.46

Data Source: Based on NABARD report 2018.

The above Table-7 is showing that the saving amount of SHGs associated with regional rural banks is increasing. In 2008 it was Rs. 2899.17 lakhs increased by Rs. 8781.29 lakhs and stood at Rs. 11680.46 lakhs in the year 2018. The saving amount of SHGs associated with regional rural banks on an average covered 33.38 percent of total savings of SHGs in Madhya Pradesh. Therefore, it is relevant to calculate the growth rate. Table no. 8 shows that the growth rate is 16.88 percent which is significant. It means that over the study period savings are increasing.

Table-8: Linear trend equation estimate of saving amounts of SHGs associated with Regional Rural Banks

Year	Intercept (β1)	Time (α)	R^2	Growth Rate
2008-2018	3.25 (0.13) (25.49)	0.07 (0.02) (6.60)	0.59	16.88

*Values in parenthesis are standard error and t-statistics respectively

*t-statistics is significant at 5 percent level of significance

Table-9: Number of SHGs associated with Cooperative Banks

Year	No. of SHGs
2008	15975
2011	14280
2015	7711
2018	6879

Data Source: Based on NABARD report 2018.

The above Table-9 is showing that the numbers of SHGs associated with cooperative banks are decreasing. In 2008 SHGs was 15975 decreased by 9096 numbers and stood at 6879 in the year 2018. Out of total number of SHGs over the study period on an average 7.11 percent are associated with cooperative banks in Madhya Pradesh. Therefore, it is relevant to calculate the growth rate. Table no. 10 shows that the growth rate is -8.46 percent which is significant. It means that the number of SHGs associated with cooperative banks is decreasing significantly.

Table-10: Linear trend equation estimate of saving amounts of SHGs associated with Cooperative Banks

Year	Intercept (β1)	Time (α)	R^2	Growth Rate
2008-2018	4.31 (0.06) (70.60)	(-0.04) (0.01) (-4.27)	0.67	(-8.46)

*Values in parenthesis are standard error and t-statistics respectively

*t-statistics is significant at 5 percent level of significance

Table-11: Saving amount of SHGs associated with Cooperative Banks

Year	Amount in Rs. Lakhs
2008	619.72
2011	4666.54
2015	281.56
2018	599.89

Data Source: Based on NABARD report 2018.

The above Table-11 is showing that the saving amount of SHGs associated with cooperative banks is decreasing. In 2008 it was Rs. 619.72 lakhs over the study period it is decreased by Rs. 19.8 lakhs and stood at Rs. 599.89 lakhs in the year 2018. The saving amount of SHGs associated with cooperative banks on an average covered 7.43 percent of total savings of SHGs in Madhya Pradesh. Therefore, it is relevant to calculate the growth rate. Table no. 12 shows that the growth rate is -3.59 percent which is not significant. It means that there is no impact of time on savings.

Table-12: Saving amount of SHGs associated with Cooperative Banks

Year	Intercept (β1)	Time (α)	R^2	Growth Rate
2008-2018	2.91 (0.22) (13.31)	(-0.02) (0.03) (-0.49)	0.03	(-3.59)

*Values in parenthesis are standard error and t-statistics respectively

*t-statistics is significant at 5 percent level of significance

Table-13: Number of total SHGs in Madhya Pradesh

Year	No. of SHGs
2008	150845
2011	153817
2015	225615
2018	256178

Data Source: Based on NABARD report 2018.

The above Table-13 is showing that the numbers of SHGs in Madhya Pradesh are increasing. In 2008 number of SHGs was 150845 increased by 105333 numbers and stood at 256178 numbers in the year 2018. Therefore, it is relevant to calculate the growth rate. Table no. 14 shows that the growth rate is 5.26 percent which is significant. It means that the number of SHGs in Madhya Pradesh is increasing significantly over the study period.

Table-14: Linear trend equation estimate of total SHGs in Madhya Pradesh

Year	Intercept (β1)	Time (α)	R^2	Growth Rate
2008-2018	5.14 (0.04) (141.78)	0.02 (0.01) (4.17)	0.66	5.26

*Values in parenthesis are standard error and t-statistics respectively

*t-statistics is significant at 5 percent level of significance

Table-15: Saving amount of SHGs in Madhya Pradesh

Year	Amount in Rs. Lakhs
2008	9203.35
2011	11674.09
2015	23901.55
2018	30067.45

Data Source: Based on NABARD report 2018.

The above Table-15 is showing that the saving amount of SHGs in Madhya Pradesh is increasing. In 2008 it was Rs. 9203.35 lakhs over the study period it is increased by Rs. 20864.1 lakhs and stood at Rs. 30067.45 lakhs in the year 2018. Therefore, it is relevant to calculate the growth rate. Table-16 shows that the growth rate is 15.15 percent which is significant. It means that savings are increasing with respect to time.

Table-16: Linear trend equation estimate of saving amounts of SHGs in Madhya Pradesh

Year	Intercept (β1)	Time (α)	R^2	Growth Rate
2008-2018	3.80 (0.05) (80.18)	0.06 (0.01) (8.77)	0.90	15.15

*Values in parenthesis are standard error and t-statistics respectively

*t-statistics is significant at 5 percent level of significance

VII. CONCLUSION

The SHGs associated with commercial banks is increasing and its growth rate is 4.36 percent. The study revealed that the saving amount of SHGs associated with commercial banks is increasing and its growth rate is 15.84 percent. The study shows that the SHGs associated with regional rural banks are increasing and its growth rate is 8.5 percent. The study shows that the saving amount of SHGs associated with regional rural banks is increasing and its growth rate is 16.88 percent which is significant. It means that over the study period SHGs associated with regional rural banks and its savings are increasing. The study shows that the numbers of SHGs associated with cooperative banks are decreasing with the growth rate -8.46 percent which is significant. It means that the number of SHGs associated with cooperative banks is decreasing over the study period. The study advocate that the saving amount of SHGs associated with cooperative banks is decreasing with the growth rate -3.59 percent which is not significant. The study revealed that the numbers of SHGs in Madhya Pradesh are increasing with growth rate 5.26 percent which is significant. It means that the number of SHGs in Madhya Pradesh is increasing significantly over the study period. The study shows that the saving amount of SHGs in Madhya Pradesh is increasing and its growth rate is 15.15 percent which is significant. It means that savings are increasing with respect to time. Overall study shows that the number of SHGs and their savings associated with commercial banks, regional rural banks, and SHGs in Madhya Pradesh are increasing except the SHGs associated with cooperative banks.

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