

Status of SHG-Bank Linkage Programme in India-A Study

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ABSTRACT

The present paper examines the formation of SHGs, working nature of SHGs, SHGs-Bank linkage Programmes, growth of savings amount of SHGs and growth of SHG members in institution wise and region wise through out the India, by using secondary data only the data collected from Status of microfinance in India 2007-08 to 2021-22, NABARD. In India SHG-Bank linkage program is very popular it is to provide finance to the vast rural poor. In this program, the informal SHGs are credit-linked with the formal financial institutions. The SHG-Bank linkage program has emerged as a dominant and effective program for borrowers and loans outstanding in India. The impact of micro-finance programmes through SHGs have been effective in making positive social change. The SHGs have acquired a prominent status in maximizing social and financial returns. At the grass-root level, the program is being implemented by the commercial banks, co-operative banks and the regional rural banks with government agencies. Today SHGs play a major role in poverty alleviation in rural India. SHGs have changed the life of many individuals or groups for the better. Our findings imply greater favourable growth on SHGs savings amount and number of SHGs with bank linkage, institution wise and region wise during the period.

Keywords: SHG-Bank linkage, Poverty alleviation, SHGs Savings

INTRODUCTION

Finance is one of the most crucial inputs for economic activity, growth and development. Debt assumes a major significance if accumulated resources are neither available, nor sufficient for investment. Financial institutions do not evince interest in investing their resources in rural and backward areas for the benefit of poorer people, as these are commercial organizations, basically interested in profitability and sustainability. Also rural areas lack infrastructure, entrepreneurship, opportunities and people are victims of exploitation and ignorance, the transaction cost of investment by the financial institutions and credit risk are high, and return on capital by the borrowing investors is not attractive. The Financial Institutions do not interest to investing in rural areas in this regard.

Lack of access to finance for vulnerable and weaker sections of the society has been recognized as a serious threat to economic progress especially in developing countries especially in India and therefore access to finance, especially by the poor and vulnerable groups is a prerequisite for poverty reduction employment and economic growth. Moreover, All India Rural Credit Survey conducted by RBI in 1951, 1961 and 1971 documents the share of commercial banks were 0.8%, 0.4% and 2.2% respectively. Therefore, a number of steps were taken by the competent authorities

to scope the problem but all in vain. In this backdrop, researchers, academicians and policy makers investigated that access to credit is paramount rather than cheap availability of credit. NABARD took an action research project in consultation with Mysore Resettlement and Development Agency (MYRADA) -an NGO in Karnataka which forced NABARD to launch SHG-Bank Linkage Programme on the lines of Grameen Bank in Bangladesh in 1992. But the success of the programme remain confined to southern states especially Telangana and Andhra Pradesh. The present paper tried to made status of SHG-Bank Linkage Programme in India growth of savings of SHGs, Bank Loan Disbursed to SHGs in region-wise from 2011-12 to 2021-22 and suggest necessary remedial measures to overcome regional imbalances.

Formation of SHGs (Self Help Groups):

In order to operationalise micro finance concept the National Bank for Agriculture and Rural Development (NABARD) launched a pilot project in February 1992 to link 500 SHGs with banks across the country. To formalize the mechanism further, the RBI constituted a working Group in November 1994 to review the functioning of NGOs and make suitable recommendations for expanding their activities and deepening their role in the rural sector. Accepting the recommendations, of the working Group in April 1996, the RBI advised the banks that lending to the SHGs should be considered as an additional segment under priority sector advances and integrated with the mainstream credit operation.

The SHGs are small, informal and homogeneous groups of not more than 20 members each. There groups are expected to foster true democratic culture where all the members participate activity by taking part in the debate and decision making process which is possible only in small groups. These groups are expected to be homogeneous so that the members do not have conflicting interests and all the members can participate freely without any fear and adverse consequence. These groups have been recommended to be informal to keep them away from bureaucracy and corruption, unnecessary administrative expenditure and profile constraints. The repayment rate trends to be lower in large groups and the propensity to default is high among heterogeneous groups. These are the features, which distinguish small, homogeneous and informal SHGs from large heterogeneous and formal cooperatives although both are found on the same principles of cooperation.

Working Nature of SHGs:

The SHGs after being formed start collecting a fixed amount of thrift from each member regularly (usually monthly). For about six months, it only collects thrift; no loan is given to any member. In the initial period, the working fund generated out of small thrift is negligible and it tests the patience and tries to instill mutual trust among the members. During this period the groups are expected to open a savings account with a financial institution which would like to extend credit. After accumulating a reasonable fund, the group starts lending its members. Because of large claimants and small resource base the groups to identify the neediest person with regard to endowment level and the purpose of the loan. A free and fair discussion removes the element of subjectivity from the decision-making process, makes the borrower understand the value of the Credit and the importance of repayment and accountability to the group. The repayment of the loan together with interest and regular thrift enlarges the working fund and increase the scope of lending.

Notwithstanding this, the working fund generated by the group may not be adequate to meet all types of credit needs of all the members. The group then approaches the financial institution where it had opened the savings account. If the bank is satisfied with the group in terms of : (a) genuineness of demand for credit, (b) credit handling capacity of the members, (c) repayment behaviour within the group, and (d) the accounting system and maintenance of the records, it extends a term loan of smaller amount to the group. The group in turn continues to take decision as in the past, the only difference being it has now a higher amount by resource. In addition, the group is jointly liable to the bank for repayment. The group's responsibility in monitoring the members therefore increases.

History of SHGs Bank Linkage Program in India

In India after nationalization of commercial banks in 1969, a multi-agency Rural credit delivery structure comprising of commercial banks, Regional Rural Banks (RRBs) and co-operative banks, with a large network of more than 1,53,000 retail credit outlets has been established. Apart from massive expansion of branch network in rural areas, mandatory directed credit to priority sectors at subsidized rates of interest has been also undertaken. These measures resulted in impressive gains in rural outreach and volume of credit. As a result between 1969 and 1991, the average population per bank branch has decreased from 64,000 to 14,000 and share of institutional agencies in rural credit has increased from 7.3% in 1951 to 66% in 1991.

However, these impressive progresses made by the Indian banking sector in achieving its social goals were not without a cost. The problem at the start of 1990s were two-fold i.e. institutional structure was neither profitable in rural lending nor serving the needs of the poorest. In short, it had created a structure 'quantitatively impressive but qualitatively weak' (Mishra, Alok, 2006). Reaching the poorest, whose credit requirements were very small, frequent and unpredictable, was found to be difficult. Further, the emphasis was on providing credit rather than financial products and services including savings, insurance, etc. to poor to meet their simple requirements (Krishnamurthy and Makarand Ratnaparkhi, 2002). Therefore, need was felt for alternative policies, systems and procedures, savings and loans products, other complementary services and new delivery mechanisms, which would fulfill the requirements of the poorest specially women. As a result, National Bank for Agricultural and Rural Development (NABARD) launched a pilot phase of SHG-Bank linkage programme in 1992.

The programme is designed to integrate informal savings and credit groups with the mainstream banking system. Under the programme, NABARD refinances bank loans to SHGs, that is, it provides financing to banks at a below-market interest rate, though banks continue to carry the risk for their loans. SHGs are mostly informal groups which are formed with the assistance of self-help promotion institutions (SHPIs) which include NGOs, government agencies, banks, co-operatives and microfinance institutions. In addition to helping with group formation SHPIs provide training, monitoring and other support services. SHGs collect periodic savings and make loans to their members. Savings are usually compulsory with the amount and frequency of savings collections decided by the groups. Initial loans are small ranging from Rs.100-200 and used for consumption or to repay existing debt. Overtime SHGs mobilize more savings, retain earnings and often borrow external funds enabling larger loans for consumption and business purposes. In addition to financial services some SHGs also provide health care facilities and social empowerment activities etc. Most SHGs have 10-20 members with similar socioeconomic background and from the same locality. These SHGs came to be recognized as bank clients under the pilot phase. Subsequently, bank credit is also made available to the group to augment its resources for lending to its members. It should be noted that NABARD sees the promotion and bank linkage of SHGs not as a credit programme but as part of an overall arrangement for providing financial services to the poor in a sustainable manner and also an empowerment process for the members of these SHGs.

LITERATURE REVIEW

Ackerly (1995) conducted a survey of loans to women borrowers in the Grameen Bank, save the Children Fund and BRAC registered a loss of direct control over loan use and also observed that increased control over loan transactions is likely a shift of cutting back on support services, such business management, skills training and education and information provision in order to cover costs.

Ahmad (1999) examined through a case study on Thrift Groups in Assam, highlighted that women are coming to the administration directly for their just rights and to address their grievances boldly. It proved that Self Help Groups are successful in North East India even in the midst of insurgency.

Ajay Kumar Panda et.al (1996) attempted to examine conceptual analysis of SHGs and their implications as a development alternative. The paper depicts how, in spite of several structural weakness and bottlenecks, the SHG movement has taken a definite step towards sustainable development by pooling locally available resources.

Anita Dighe (1993) studied in her on “Women, Literacy and Empowerment – An analysis of the Nellore Experience in Andhra Pradesh”, has identified the following categories of empowerment : empowerment of marginalized groups, process orient nature empowerment, holistic nature of empowerment , empowerment for dealing with strategic rather than practical gender interests, cognitive, psychological and economic components of empowerment. She also states that the empowerment for democratization and empowerment for understanding the native character of literacy influences the specific nature of empowerment, empowerment for sustainability.

(Andersen and Nina, 1998) There are several advantages of the group lending setup. For one, rather than a bank, borrowers themselves undertake the task of credit evaluation; this creates a peer screening effect and reduces the transaction costs as community members have much better information than banks.

(Andersen and Nina, 1998). Two, there is the peer monitoring effect that induces group members to use their loans in productive ways; Three, the desire to preserve valuable social ties induces borrowers to spend extra effort if necessary to secure timely payments. Moreover, a very important feature of group lending is the collateral effect. Bank’s losses incurred due to unsuccessful projects are generally reduced a successful entrepreneurs within each group cover part of their losses.

The linkage of SHGs with banks has cut down the transaction costs for both banks and their rural clients. SHG-Bank linkage programme has come a long way since 1992 passing through stages of pilot (1992-95), mainstreaming (1995-98) and expansion phase (1998 onwards) and emerged as the biggest microfinance programme in terms of outreach linking of 79.60 lakh SHGs linked with banks as on March 2012. This has enabled estimated 9.7 crores poor households in the country to gain access to microfinance facilities from the formal banking system. An important feature of this programme is its popularity among women - over 90% of SHGs comprised of only women members (NABARD, 2012).

(Hema Bansal, 2002). Groups then, meet often and use the pooled thrift to impart small loans to members for meeting their small emergent needs. This saves them from usurious debt traps and thus begins their empowerment through group dynamics, decision-making, and funds management. Gradually the pooled thrift grows and soon they are ready to receive external funds in multiples of their group savings. Bank loans enable the group members to undertake income-generating activities.

V.M. Rao (2002) maintain that a review of the genesis and development of SHG’s in India reveals that the existing formal financial institutions have failed to provide finances to landless, marginalized and disadvantaged groups. The origin of SHG's could be treated to mutual aid in Indian village community. SHG’s encourage savings and promote income generating activities through small loans. The experience available in the country and elsewhere suggests that SHG's are sustainable to have replicability, stimulate savings, and in the process help borrower to come out of vicious circle of poverty. Rakesh Malhotra (2000) in his study of 174 women beneficiaries, in Rae Bareilly of the state of Uttar Pradesh, drawn and covered randomly from four formal agencies of credit i.e. CB's, RRB's, Primary Agricultural Credit Societies PACS, and Agricultural Rural Development Banks ARDB's revealed that less than half a per cent of female population against 3.5 per cent of male population in the study area were clients of the banks. Furthermore, only 7.64 per cent of the total number of cases financed and only 6.96 percent

of the total quantum of credit extended by RFI's have gone to women. It was observed that 83 per cent of loan cases availed by women; male members were primarily responsible for the end use of credit.

Rastogi (2014) conducted relative study between ASA and Bandhan microfinance institution of Bangladesh and India likewise and exposed that micro financing developed the economy by eliminating poverty. At one end of the thought, it is prevalent that microfinance is helpful and valuable means for poverty lessening (e.g. Hossain, 1988; Khandker, 1998; Barnes, 2001; McKernan, 2002; Dunn, 2002; Snodgrass & Sebstad, 2002; Littlefield, Murdugh & Hashemi, 2003; Bernasek, 2003; Alam & Miyagi, 2004; Goldberg, 2005; Khandker, 2005; Sachs, 2005; Haseen, 2006; Miller & Martinez, 2006; Rabbani et al., 2006; Stephens & Tazi, 2006; Mahjabeen, 2008; Banerjee et al., 2009; Imai et al., 2010; Imai & Azam, 2012).

N. Muthu(2021) conducted a study on Progress of SHG-Bank linkage Programme in India SHGs have changed the life of many individuals or groups for the better. This is considered not only a tool for poverty alleviation but also has proved to be relevant in offering women the possibility to gradually break away from the exploitation and isolation in India. The SHG-Bank linkage program has provided a more favorable environment for enhancing India's potential for greater equitable growth with empowerment while considering the positive signs in their performance.

Objectives of the study

1. To study the concept, history and need of SHGs
2. To analyse the Progress of SHG-Bank Linkage in India.

METHODOLOGY

This study is conceptual in nature and completely relies on the secondary data only which mainly focused on concept, need, history and progress of SHG-Bank Linkage in India the data collected from NABARD Status of Microfinance in India, various articles, journals, Reports and official websites which provided as a supporting evidence for this study.

Growth of Savings of SHGs with Banks

SHG is a small voluntary association of poor people, preferably from the same socio-economic background. They come together to solve their common problems through self-help and mutual help. The SHGs promote small savings among their members. The savings are kept with a bank. This common fund is in the name of the SHGs. Usually, the number of members in one SHG does not exceed 20. The SHGs comprise very poor people who do not have access to formal financial institutions. They act as the forum for the members to provide space and support to each other. It also enables the members to learn and cooperate and work in a group.

SHGs provide a savings mechanism, which suits the needs of the members. It also provides a cost-effective delivery mechanism for a small credit to its members. Members of SHGs save equal amounts as decided in their groups. Once the link-minded members come together, they open an account in their bank or post office in the group's name. The group authorizes any of the members, elected as group leaders to operate the group account. Thrift is a good entry point and a binding force for poor women. They view their future in their savings, the savings which meet their immediate needs, and also provide security for their old age. The meager savings of an individual may not be sufficient to meet the needs but all the savings of the group's members put together can be of great help to one or two members of the group. In any best SHG, the credit operations also start at the end of the first month itself where the members pool together their savings and sanction loans to needy members. Every group will have its own set of rules and regulations like the amount of savings by members, interest rate on savings, which loans are to be prioritized, interest on loans and penal interest on defaulted amount.

Table 1: Growth of Savings of SHGs with Banks

Year	Cumulative Number of SHGs	Cumulative amount of savings (Rs. in Crores)	savings per SHG
2007-08	50,09,794	3,785	7,556
2008-09	61,21,147	5,546	9,060
2009-10	69,53,250	6,199	8,915
2010-11	74,61,946	7,016	9,402
2011-12	79,60,349	6,551	8,230
2012-13	73,17,551	8,217	11,228
2013-14	74,29,500	9,897	13,320
2014-15	76,97,469	11,060	14,369
2015-16	79,03,002	13,691	17,323
2016-17	85,76,875	16,114	18,787
2017-18	87,44,437	19,592	22,406
2018-19	1,00,14,243	23,324	23,291
2019-20	1,02,43,323	26,152	25,531
2020-21	1,12,23,323	37,477	33,392
2021-22	1,18,93,000	47,240	39,721

Source: Status of Micro Finance in India, 2007-08 to 2021-22, NABARD

The table-1 shows the growth of savings of SHGs with the banking sector during the period between 2007-08 and 2021-22. The cumulative amount of savings of SHGs has increased to Rs. 47,240 crores with the 118.89 lakh SHGs saving-linked with banks in 2021-2022 from Rs.3785 crores with the savings bank accounts of 50.10 lakh SHGs. in 2007-2008. However, the average amount of savings per SHG has risen to Rs.39,721 as of March 2022 from Rs.7,556 as of March 2008.

Table 2: Growth of Savings of SHGs (Agency-wise Position) (Rs. in crores)

Year	Agency			
	Commercial Banks	Regional Rural Banks	Co-operative Banks	Total
2007-08	2,078 (28,10,750)	1,166 (13,86,838)	541 (8,12,206)	3,785 (50,09,794)
2008-09	2,773 (35,49,509)	1,990 (16,28,588)	783 (9,43,050)	5,546 (61,21,147)
2009-10	3,674 (40,52,915)	1,299 (18,20,870)	1,226 (10,79,465)	6,199 (69,53,250)
2010-11	4,230 (43,23,473)	1,351 (11,55,076)	1,435 (19,83,397)	7,016 (74,61,946)
2011-12	4,153 (46,18,086)	1,300 (21,27,368)	1,098 (12,14,895)	6,551 (79,60,349)
2012-13	5,533 (40,76,986)	1,527 (20,38,008)	1,157 (12,02,557)	8,217 (73,17,551)
2013-14	6,631 (40,22,810)	1,960 (21,11,760)	1,306 (12,94,930)	9,897 (74,29,500)
2014-15	6,631 (41,35,821)	2,346 (21,61,315)	2,083 (14,00,333)	11,060 (76,97,469)

2015-16	9,034 (41,40,111)	2,484 (22,56,811)	2,173 (15,06,080)	13,691 (79,03,002)
2016-17	10,170 (44,44,428)	3,632 (25,86,318)	2,312 (15,46,129)	16,114 (85,76,875)
2017-18	11,664 (46,33,712)	5,807 (28,07,744)	2,121 (13,02,981)	19,592 (87,44,437)
2018-19	13,240 (54,76,914)	7,692 (30,78,473)	2,392 (14,58,856)	23,324 (1,00,14,243)
2019-20	15,662 (54,73,833)	7,811 (32,61,879)	2,679 (15,07,611)	26,152 (1,02,43,323)
2020-21	22,596(61,28,387)	9,511(35,96,731)	5,369(14,98,282)	37, 477(1,12,23,400)
2021-22	30,726(68,87,508)	13,791(35,83,219)	2,723(14,22,326)	47,240(1,18,93,053)

Source: Status of microfinance in India 2007-08 to 2021-22, NABARD

Note: Figure in parenthesis indicates the cumulative numbers of SHG

Agency-wise Growth of Savings:

The savings of SHGs with the banking sector during the year between 2007-08 and 2021-22 are shown in the table-2. The cumulative amount of savings of SHGs with the banking sector increased to Rs.47,240 crores with the saving bank accounts of 118.93 lakh SHGs in 2021-22 from Rs.3,785 crores with the saving bank accounts of 50.10 lakh SHGs in 2007-08. Commercial banks (both public and private sector commercial banks) lead in savings and saving accounts.

As of March 2008, the cumulative amount of savings of SHGs with the commercial banks is Rs.2,078 crores with saving accounts of 28.11 lakh SHGs, followed by Regional rural banks having the savings of Rs.1,166 crores with saving accounts 13.87 lakh SHGs and Co-operative banks having the savings of Rs. 541 crores with saving bank accounts of 8.12 lakh SHGs. As of March 2022, the savings of SHGs with commercial banks has stood Rs.30,726 crores with savings accounts of 68.87 lakh SHGs, followed by Regional rural banks having savings of Rs. 13,791 crores with savings accounts of 35.83 lakh SHGs

The contribution of commercial banks in total savings bank accounts of SHGs rose to 57.91 percent in 2021-22 from 56.11 percent in 2007-08, and the amount of savings of SHGs with commercial banks rose to 65.04 percent of the total savings in 2021-22 from 54.90 percent in 2007-08. This implies that the total savings bank accounts of SHGs and savings per SHGs with the commercial banks has increased during the study period. The saving accounts with Regional rural banks in the total saving bank accounts with the banking sector have increased from 27.68 percent in 2007-08 to 30.13 percent in 2021-22. In contrast, the share of total savings of SHGs has marginally reduced during this study period (from 30.81% to 29.19%). The contribution of co-operative banks in the total savings bank accounts marginally declined from 14.29 to 5.76 percent and the amount of savings also marginally declined from 16.21 to 11.96 percent during above the period.

Region-Wise Growth of Savings

Region-wise position of savings of SHGs with banking sector during the period between 2007-08 and 2021-22 is shown in the table-3. The results show that the SHGs-Bank linkage program is more popular in the southern region (Andhra Pradesh, Karnataka, Kerala, Tamilnadu, Puducherry) as compared to the rest of the country. The cumulative amount of savings of SHGs in the southern region has raised to Rs.24,060 crores with 42.44 lakh SHGs savings linked in 2021-22 from Rs. Two thousand ninety-nine crores with 24.07 lakh SHGs savings linked in 2007-08. At the lowest end of the scale, the savings of SHGs in the North-Eastern region has increased from Rs.86 crores to Rs.1,064 crores during the study period.

As of March 2008, the Southern region accounts for 55.46 percent of the total savings and 48.04 percent of the total number of SHGs savings linked with banks. As of March 2022 the percentage of total savings 50.93 and total number of SHGs percentage is 35.68 this percentage is gradually decreased and followed by the Eastern region with 21.31 percent of the total savings and 21.44 percent of the total number of SHGs savings linked with banks in 2008, but in 2022 the percent of total savings 28.76 and the percentage of total number of SHGs is 27.28 this percentage growth is gradually increased. At the lowest level, the North-Eastern region accounts for only 2.27 percent of the total savings and 4.05 percent of the total number of SHGs savings linked with banks in 2008. As of march 2022 percentage of total savings is 2.25 and percentage of total SHGs linked with banks is 5.72.

Table 3: Growth of Savings of SHGs (Region-wise Position) (Rs. in Crores)

Year	Region						Total
	Northern	North-Eastern	Eastern	Central	Western	Southern	
2007-08	128 (2,08,166)	86 (2,03,045)	806 (10,74,043)	335 (6,44,896)	331 4,72,734	2,099 (24,06,910)	3,785 (50,09,794)
2008-09	227 (3,10,998)	102 (2,40,093)	1,597 (12,33,635)	387 (7,12,915)	664 (7,96,262)	2,569 (28,27,244)	5,546 (61,21,147)
2009-10	342 (3,51,801)	122 (2,92,188)	1,120 (13,74,242)	514 (7,65,965)	927 (9,45,620)	3,174 (32,23,434)	6,199 (69,53,250)
2010-11	329 (3,72,772)	131 (3,24,739)	1408 (15,27,618)	603 (7,86,436)	829 (9,60,921)	3716 (34,89,460)	7016 (74,61,946)
2011-12	253 (4,09,326)	153 (3,66,718)	947 (16,25,714)	613 (8,12,767)	872 (10,62,087)	3,713 (36,83,737)	6,551 (79,60,349)
2012-13	291 3,72,837	130 3,23,896	1,393 14,71,099	624 7,02,198	696 9,06,016	5,083 35,41,505	8,217 73,17,551
2013-14	283 (3,65,208)	129 (3,16,299)	1,526 (14,68,786)	790 (6,85,929)	930 (8,96,954)	6,239 (36,96,324)	9,897 (74,29,500)
2014-15	240 (3,60,858)	130 (3,33,981)	2,154 (15,24,614)	824 (8,17,251)	1,091 (9,41,144)	6,621 (37,19,621)	11,060 (76,97,469)
2015-16	450 (3,93,475)	190 (4,29,823)	2,484 (17,00,106)	841 (8,15,653)	1,057 (10,18,049)	8,669 (35,45,896)	13,691 (79,03,002)
2016-17	497 (4,57,199)	229 (4,52,887)	3,365 (19,53,076)	839 (8,48,514)	1,387 (11,40,601)	9,797 (37,24,598)	16,114 (85,76,875)
2017-18	493 (4,78,883)	322 (4,85,591)	4,418 (21,30,997)	954 (9,02,222)	1,247 (10,97,448)	12,158 (36,49,296)	19,592 (87,44,437)
2018-19	625 (5,48,624)	404 (5,23,469)	6,011 (26,54,358)	1,332 (10,62,759)	2,053 (13,88,615)	12,899 (38,36,418)	23,324 (1,00,14,243)
2019-20	596 (5,77,122)	481 (5,56,899)	6,643 (28,11,130)	1,712 (11,35,083)	2,019 (14,73,853)	14,701 (36,89,236)	26,152 (1,02,43,323)
2020-21	1743 (6,09,808)	831 (6,33,714)	7,749 (31,22,424)	2,119 (13,45,575)	3,740 (15,50,176)	21,295 (39,61,703)	37,477 (1,12,23,400)
2021-22	1,996 (6,80,143)	1,064 (6,80,845)	13,586 (32,43,980)	3,257 (13,55,564)	3,277 (16,88,451)	24,060 (42,44,070)	47,240 (1,18,93,053)

Source: Status of microfinance in India 2007-08 to 2019-20, NABARD

Note: Figure in parenthesis indicates the cumulative numbers of SHG

CONCLUSION

SHG-Bank linkage program is developed in India to provide finance to the vast rural poor. In this program, the informal SHGs are credit-linked with the formal financial institutions. The SHG-Bank linkage program has emerged as a dominant and effective program for borrowers and loans outstanding in India. In India too, micro-finance is making head way in its efforts for reducing poverty and empowering rural poor in particular, through which it makes it inroads to the socio-economic inclusion and financial inclusion. The impact of micro-finance programmes through SHGs have been effective in making positive social change. The SHGs have acquired a prominent status in maximizing social and financial returns.

The SHG-bank linkage program in India is rapidly expanding its outreach under the pioneering initiative of NABARD, the monitoring and supervision of RBI, and the promotional policies of the government of India. At the grass-root level, the program is being implemented by the commercial banks, co-operative banks and the regional rural banks with government agencies. Today SHGs play a major role in poverty alleviation in rural India. SHGs have changed the life of many individuals or groups for the better. This is considered not only a tool for poverty alleviation but also has proved to be relevant in offering women the possibility to gradually break away from the exploitation and isolation in India. The SHG-Bank linkage program has provided a more favorable environment for enhancing India's potential for greater equitable growth with empowerment while considering the positive signs in their performance. Finally in this paper concludes very positive impact on SHGs savings amount and number of SHGs with bank linkage.

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