

AN ANALYTICAL STUDY OF MICRO FINANCE IN PUNJAB – SHG BANK LINKAGE PROGRAMME

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Abstract

Reserve Bank of India (2011) defines Micro Credit as an economic development tool whose objective is to assist the poor to work their way out of poverty. Micro Finance is a type of small-scale financial service that provides credit and deposits to unemployed or low-income individuals or groups that would not have access to financial services otherwise. Dr. Muhammad Yunus of Bangladesh initiated the Micro Finance movement in 1970 with his attempt to assist 42 underprivileged individuals who were caught in debt with money lenders. With growing global awareness, NABARD took the initiative in 1987 to establish SHG BL Models in collaboration with many high-performing NGOs. A SHG is a group of ten to twenty persons with similar living conditions who come together voluntarily and agree to save a small sum on a regular basis that can be utilised in an emergency. Since the turn of the twentieth century, the SHG Bank Linkage Program has grown exponentially and has evolved into India's primary microfinance programme. As of 31.03.2018, there are 8.7 million SHGs registered with NABARD, up from 500 in 1992. Savings per SHG under the SGSY system decreased. From 2012-13 to 2017-18, the average loan disbursed per SHG under the SGSY plan declined.

Paper Identification



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Introduction

Robinson (2001, P. 9) defines Micro Finance as small-scale financial service for both credits and deposits, that are provided to unemployed or low income individuals or groups who would otherwise have no other means of gaining financial service. Ultimately the goal of micro finance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance. Reserve Bank of India (2011) defines Micro Credit as an economic development tool whose objective is to assist the poor to work their way out of poverty.

Evolution in India

The program of borrowing and lending had always been in tradition. People at small scale used to collect

money from a group of members and lend it to the needful amongst them at minimal interest rates. This internal lending system was registered under the Cooperative Act in 1904. Slowly and steadily years later the banks outreached the rural areas to help them by granting loans and providing services for enhancing the internal lending program. The movement of Micro Finance started with the idea of Dr. Muhammad Yunus of Bangladesh in 1970 with his initiative to help 42 poor people who were trapped under the debt of money lenders. In 1976, he opened Bangladesh Grameen Bank with a lending of \$27 to these poor people. This bank was set up with a motive of "Theory of Survival". During 1980 this idea for lending the poor spread across borders to different nations and was recognized internationally. The term coined for such small lending was Micro credit. Soon this term was set as Micro Finance which is a wider term for providing basic financial services to the poors. With the increasing worldwide awareness, in 1987, NABARD took the initiative to set up SHG BL Models by joining hand with some well performing NGOs. These models were being set up due to the poor functioning of the institutes in financing the informal sectors, rural areas and poors without the access to the banks. These Models were then recognized by RBI in 1991 & it ordered the banks mainly scheduled banks to cooperate and actively participate to help the SHGs. In 1992, NABARD launched the SHG Bank Linkage Programme to strengthen the formal system. This program initially covered 500 SHGs. SIDBI joined hands and created Foundation for Micro credit (SFMC) for financing especially women. In April 1996, financing the SHGs was termed as a mainstream operation for the banks by RBI. After the announcement in Union Budget of 1998-99 to connect 2 lakh SHG in a time span of 5 years to the credit linkage program, NABARD formed SGSY, a government program to eradicate poverty with the help of SHGs for providing credit mainly to people below

poverty line along with the rural poor. In 2000, a Micro Finance Development Fund was formed to provide incentives to the SHG Bank Linkage Programme movement worth Rs. 100 Crore. Further in 2006, guidelines for branchless banking in rural areas were given by RBI to reach various parts of the country. Since then NABARD is helping SHGs to reach higher level of livelihood for increasing their income levels and also better credit facilities through Micro Enterprise Development Programme. In 2008, NABARD set up a subsidiary NABFINS for Agriculture and microfinance to meet the cost of development and cost of technology and provided Rs 500 Crore for the same. In 2011, Ministry of Rural Development, Govt. of India launched NRLM through SHGs to cover 7 Crore rural households in supporting them for their livelihoods. SHG-2 was launched in 2012 as a renewed SHG Bank Linkage Programme which would focus on cash credit as a new mode of granting loans and audits to monitor the working of SHGs. In 2015, a Strategic Advisory Board by NABARD was set up with some stakeholders to focus on digitalization, proper eco system and promotions for better and easy credit flow to SHGs. NABARD also created an E-shakti Project to provide transparency and accuracy in SHG records. In 2017, E-shakti pilot project covered almost 100 districts. Since the 20th century a tremendous growth is seen in SHG Bank Linkage Programme and it has become the main Micro Financing program in India. Starting from 500 SHG in 1992, there are 8.7 million SHGs registered under NABARD as on 31.03.2018.

Objectives & Role of Micro Finance in India

- It works as a poverty reduction tool.
- It helps in generating employment.
- Helps in the economic growth of the country by mobilizing the savings and lending them.

- Women empowerment.
- Provides training programmes to educate people.

Models of SHGs

There are 3 Models given by NABARD for hassle free financing to the SHGs. However, Model 2 is the most popular among SHGs.

Formation of SHGs

A SHG is a group of 10-20 people belonging to homogenous living conditions that voluntarily come together and are willing to save on regular basis a small sum which can be used amongst them at the time of emergency. A person on behalf of its group members collect money, lend the money, maintain books, conducts the meetings and educates its members about the rules and various government programmes beneficial to them.

Objectives of the study

- To discuss the evolution of micro finance and SHG's in India
- To study the Agency wise growth of SHGs in Punjab.

<p>Model 1: SHG formed and financed by banks</p>	<p>Here banks take the initiative to form a SHG, open its saving account & provide them loan.</p>
<p>Model 2: SHG formed by NGOs , Directly financed by banks</p>	<p>The NGOs and other agencies work in creating a SHG, training the members etc. The bank but provides loan directly to SHG.</p>
<p>Model 3: SHG financed by banks using NGOs</p>	<p>This is where NGOs perform as a link between the bank and SHGs. Where there are number of SHGs financed by bank such agencies take loan from banks and further lend it to SHGs.</p>

Research Methodology

The study is wholly based on Secondary Data. The data was collected from various Annual Reports of NABARD available on NABARD's website. The tools used to evaluate and represent the data are: Simple Average, Percentage, Simple Growth Rate and Graphs.

Data Analysis and Interpretation

- **SHGs under Swarnajayanti Gram Swarozgar Yojana (SGSY)** SGSY was launched on 1st April 1999 by the government of India to help in providing the people below poverty line various self-employment opportunities. Under this scheme the government and investment banks put in combined efforts to provide subsidies and credits respectively to such poors. This scheme was renamed to National Rural Livelihood Mission in 2011.

Savings made by SHG under SGSY schemes

Years	Commercial Banks	RRBs	Cooperative Banks	Total
2013	10098.61	6781.46	10627.70	9788.27
2014	12094.42	5270.55	12659.86	10643.74
2015	9632.00	4907.41	8539.53	8677.19
2016	19491.36	4726.71	8220.74	14548.70
2017	8297.51	8293.26	10348.01	8514.39
2018	6683.05	8131.25	10505.79	7214.91

Over a period of 6 years it can be seen that SHG with Cooperative Banks started to save higher amounts than SHG with RRBs and Commercial Banks.

Loan disbursed per SHG under SGSY scheme

Years	Commercial Banks	RRBs	Cooperative Banks	Total
2013	191622.22	104034.48	128703.70	158952.89
2014	89398.19	54720.50	66875.00	74620.51
2015	127622.75	53321.98	150625.00	70627.30
2016	164595.96	82232.14	107357.14	101175.95
2017	56827.41	35780.09	87375.00	42937.21
2018	80738.06	42039.30	160000.00	65155.58

In a period of 6 years we can see that Commercial Banks and RRBs recorded their maximum amount of loan disbursed in the year 2013.

WOMEN SHGs**Amount of savings per woman SHG**

Years	Commercial Banks	RRBs	Cooperative Banks	Total
2013	8770.65	6918.32	5986.86	8034.83
2014	10853.80	25045.26	9718.15	11914.12
2015	8149.97	6990.83	6262.12	7293.60
2016	19584.24	8006.47	8119.97	13115.41
2017	23454.21	8049.27	12767.74	13313.81
2018	7608.32	8246.89	13165.25	8893.87

Loan amount disbursed per woman SHG

Years	Commercial Banks	RRBs	Cooperative Banks	Total
2013	128307.03	101224.17	95021.01	113241.02

2014	142066.67	89857.83	80563.18	100215.49
2015	172301.58	71024.45	88989.13	129234.85
2016	180891.78	82971.07	91143.52	143796.23
2017	171122.47	53713.64	18956.25	103499.10
2018	75180.00	49942.54	20024.96	52544.54

Findings

1. Amount of savings by SHGs under SGSY scheme decreased. However, the deposits made with RRBs and Cooperative Banks increased during the study period.
2. Savings made per SHG under SGSY scheme showed a downfall. In 2018, Cooperative Banks had highest amount of savings per SHG under SGSY scheme followed by RRBs and Commercial Banks.
3. Loan disbursed to SHGs under SGSY scheme decreased drastically in case of Cooperative banks. The total loan disbursed also decreased over the period of study.
4. Loan disbursed per SHG under SGSY scheme decreased from 2012-13 to 2017-18. The Cooperative Banks granted higher loans followed by Commercial banks and RRBS in 2018.
5. Amount of savings of saving linked women SHGs increased in RRBs and Cooperative Banks and decreased in Commercial Banks. The total amount saved by women SHGs also increased during the study of period.
6. The amount of loan disbursed to women SHGs showed a downfall. In 2018, Commercial Banks granted the higher

amount of loans followed by RRBs and Cooperative Banks.

7. Loan amount disbursed per woman SHG has decreased during the period of study.

RÉFÉRENCIAS

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