

STATUS AND BANK LINKAGE PROGRAMME OF SHGs IN RAJASTHAN: AN ANALYSIS

Dr. Lalit Kumar Nagora*

ABSTRACT

In India, microfinance has experienced enormous growth over the years and is now well-known due to the many ways it helps the countries impoverished. Two distinct models, the MFI-bank model and the SHG bank linkage model, are primarily used to deliver microfinance services. Due to the acceptance of the SHG-bank linkage model by formal financial institutions such as Commercial Banks, Regional Rural Banks, and Cooperative Banks, it has emerged as the more dominant and commonly recognized model among these two. With a focus on the SHG-Bank linkage paradigm, the current paper examines the development of microfinance in Rajasthan. By creating a model for a self-help group-bank linkage program where they give the group small loans without requiring the group to deposit any collateral security, NABARD has made significant headway. This study's goal is to assess the microfinance program's effects in the state of Rajasthan. The findings of the study demonstrated that the micro financing program has been acknowledged as one of Rajasthan state's most successful and quickly expanding programs.

Keywords: *Microfinance, MFI-Bank Model, SHG-Bank Linkage Model, NABARD.*

Introduction

Rajasthan is the largest state in India, and due to its unique environmental, social, and economic characteristics, there is a need and opportunity for a powerful microfinance movement. With two-thirds of the people depending on agriculture and related industries for a living, the primary sector dominates the largely rural economy. Rajasthan is ranked 12th out of 15 significant Indian states by the Human Development Index. The state is among the least privileged in terms of loan availability. Microfinance and Self Help Groups are practically interchangeable in Rajasthan. There are over 1.5 lakh women's self-help groups. About 50% of these groups have received promotion from the Department of Women and Child Development. Another 20–25% group has been established by different government departments as part of development programs like SGSY, Watershed Development, etc. NGOs have promoted remaining 25-30% groups. The Self Help Movement started more as 'social mobilisation' of women for their better place in family and society rather than 'microfinance movement' in Rajasthan. Many voluntary organisations had been working with poor organising them in 'village development committees'. But participation of women in these VDCs was sub optimal. So they started a separate group of women 'Mahila Smooh/ or Mahila Mandals' as sub set of larger village institution purely with a purpose of having increased participation of women in development.

Basically there are two MFIs in Rajasthan who have started operations in the last year are SKS Microfinance and BASIX. SKS, Microfinance pvt. Ltd. started its operations in July 2006. It operates

* Assistant Professor, Department of Economics, S.P.C. Government College, Ajmer, Rajasthan, India.

through six branches in four districts of Jaipur, Sikar, Bundi and Ajmer. It has a presence in almost 140 village of Rajasthan. The Microfinance operations of BASIX are in six districts of Dausa, Karauli, Sawai Madhopur, Alwar, Bharatpur and Dholpur. The present study emphasises on the status and bank linkage programme of SHGs in Rajasthan.

Current Situation of Microfinance and Important Issues

Self Help Groups and microfinance are nearly interchangeable in Rajasthan. In the state, there is only one MFI model. There are over 1.5 lakh women's self-help groups. About 50% of these groups have received promotion from the Department of Women and Child Development. Another 20–25% group has been established by different government departments as part of development programs like SGSY, Watershed Development, etc. NGOs promoted the final 25–30% of organizations. The Self Help Movement started more as 'social mobilisation' of women for their better place in family and society rather than 'microfinance movement' in Rajasthan. Many voluntary organisations had been working with poor organising them in 'village development committees'. But participation of women in these VDCs was sub optimal. So they started a separate group of women 'Mahila Smooh/ or Mahila Mandals' as sub set of larger village institution purely with a purpose of having increased participation of women in development.

The majority of development practitioners and policy officials acknowledged that improving the economic position of women requires more than just encouraging their involvement through MM/MS. The idea was that women's status in the family and society would improve if they had access to income and money. Numerous non-profit organizations and the government (jointly or independently) began to organize women together to engage in IG Activities. Most of these activities, such as stitching, dari, galicha, candle-making, chalk-making, agarbatti, achar, badi, papad, and handicrafts, took place off the land. But there was a mixed bag of results due to a number of factors, including a lack of effective marketing networks. There is little discernible influence, with the exception of a few success stories at the very micro level. 'Double Fault' is most likely the cause of this situation. Initially encouraging the impoverished to start their own businesses so that everyone can benefit.

Need of Financial Services

The impoverished occasionally have surpluses, and it has been widely established that they require assistance to protect their savings. A family from a disadvantaged background can receive compensation for their labor or sell their meager possessions, crops, etc. They would use the tiny temporary surplus left over from such transactions over the course of the following few days or months. They could have to spend money on less important stuff or even things like drinking if they do not have access to a secure place to store that. It has been observed that they store their money in cash and do not earn interest because they do not have access to banks or SHGs.

Voluntary Organisations

There are approximately 5–10 non-profit organizations working to create SHGs in each district, either independently or in partnership with the government. The majority of the nonprofit organizations have fostered 50–100 SHGs. However, a few organizations have a sizable number of groups (between 300 and 800 SHGs). Examples include the Lupin Foundation in Bharatpur, PEDO in Dungarpur, PRADAN in Dausa and Dholpur, IBTADA in Alwar, ASSEFA in Baran and Banswara, URMUL in Bikaner, Sewa Mandir in Udaipur, Navyuvak Mandal and Boruka Charitable Trust in Churu, among others.

Concept and Features of Micro Finance

According to International Labour Organization (ILO), "Micro finance is an economic development approach that involves providing financial services through institutions to low income clients"

In India, Micro finance has been defined by "The National Microfinance Taskforce, 1999" as "provision of thrift ,credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards".

Microfinance features are as follows:

- It is a tool for empowerment of the poorest.
- Delivery is normally through Self Help Groups (SHGs).
- It is essentially for promoting self-employment.

- It is an instrument for social transformation, particularly for women, and not just a financial system.

Since microfinance is intended for the poorest people, lending technology must resemble informal lenders rather than lending from the formal sector.

Channels of Micro Finance in India

In India microfinance operates through two channels:

- SHG – Bank Linkage Programme (SBLP).
- Micro Finance Institutions (MFIs).

SHG – Bank Linkage Programme

The NABARD started this route of bank-led microfinance in 1992. The SHG concept encourages its participants—typically women in villages—to establish groups of 10 to 15 people. Periodically, the group's members donate their savings, and small loans are made to the members using these funds. The SHGs are self-sufficient, and if they reach a certain level of stability, they may function independently with some assistance from NGOs and institutions like NABARD and SIDBI.

Micro Finance Institutions

Micro finance institutions are organizations that focus primarily on providing microloans. Many organizations of various sizes and legal structures provide microfinance services. These organizations use the Joint Liability Group (JLG) lending idea. JLG is a loose association of five to ten people who get together to borrow money from banks, either individually or collectively, in exchange for mutual guarantees.

Objectives

- To ascertain Rajasthan's SHG situation.
- To assess the microfinance program's development in Rajasthan.
- To investigate how microfinance helps people save more money and extend credit to the most vulnerable groups in society.

Research Methodology

This is a descriptive research paper based on secondary data. Data have been found out from different websites, books, research paper and journals collected. Simple calculation, graph and tables are used by researcher to explain the facts and finding the results.

Bank Linkage Programme of SHGs

In Rajasthan: An Analysis

The state of Rajasthan is divided into 33 districts for administrative purposes. The largest state in India, Rajasthan's unique environmental, social, and economic characteristics define the need and potential for a powerful microfinance movement. 2/3 of the population depends on agriculture and related industries for a living, making the primary sector the dominant sector in this primarily rural economy. Rajasthan is ranked 12th out of 15 main Indian states in the Human Development Index. The state is one among the least favoured states in terms of RFI credit availability. Self Help Groups and microfinance are practically synonymous in Rajasthan. In the state, there is only one MF model. Women make up the bulk of SHG members.

Table 1: Relative Position of Microfinance in Rajasthan as on March 31, 2022

(Amount in Rs. lakhs)

Particulars	No. of SHGs	Savings	Outstanding Bank Loans Against SHGs
India	1,18,93,053	47,24,048.10	1,51,05,129.61
Rajasthan	4,69,471	70,638.99	1,07,620.94
Share of Rajasthan	3.95 %	1.50 %	0.71 %

Source: Status of microfinance in India 2021-22.

The table clearly shows that Rajasthan's share of microfinance is less than two percent overall in terms of savings and outstanding loans, and even less than four percent when it comes to the number of SHGs. Table 2 compares the position of loans disbursed in Rajasthan's SHG-Bank Linkage Program.

Table 2: Relative position of loan disbursed in Rajasthan during 2021-22.

	Rajasthan				India			
	No. of SHGs	%	Banks Loans Disbursed to SHGs (in Lakhs)	%	No. of SHGs	%	Banks Loans Disbursed to SHGs (in Lakhs)	%
Commercial Banks	41532	83.55	67492.19	88.24	2079254	61.18	6122577.33	61.39
Regional Rural Banks	7333	14.75	7881.33	10.30	1105178	32.52	3259124.41	32.68
Co-operative Banks	847	1.70	1117.28	1.60	213835	6.29	591220.76	5.93
Total	49712	100	76490.80	100	3398267	100	9972922.50	100

Source:- Status of microfinance in India 2021-22.

In Rajasthan, Commercial Banks are playing a major role in total SHG formation. Out of the total groups in Rajasthan, 83.55% of the SHGs are with Co-operative banks and cover 88.24% of credit disbursed in the state. Regional Rural Banks have a more important role in the state in credit disbursement with 14.75 % of the total groups and credit disbursement of 10.30%. Co-operative Banks disburse 1.60% of the credit as against the national average of 5.93% credit disbursement.

Table 3: Comparative Statement of saving of SHGs with Banks in India and Rajasthan

Year	SHGs in India		SHGs in Rajasthan	
	No. of SHGs	Saving Amount (in Lakh)	No. of SHGs	Saving Amount (in Lakh)
2017-18	8744437	1959211.52	330912	31942.49
2018-19	10014243 (14.52 %)	2332448.15 (19.1%)	384733 (16.26%)	42533.85 (33.15%)
2019-20	10243323 (2.28%)	2615204.89 (12.12%)	392640 (2.06%)	37773.01 (-11.19)
2020-21	11893053 (16.10%)	4724048.10 (80.63%)	469471 (19.56%)	70638.99 (87.01%)
2021-22	11223400 (-5.63%)	3747761.37 (-20.66)	414529 (-11.70%)	42548.0 (-39.76%)
2017-18 to 2021-22 (in %)	28.35%	91.28%	25.27%	33.20%

Source:- Status of microfinance in India 2020-21, 2021-22.

Though over the years, number of SHG and their savings has been growing considerably in Rajasthan, but the year 2021-22 found a decline in savings as well as in linkage of SHG with the bank. The savings amount dropped by 39.76% and number of SHG by 11.70 %. However, this is in contrast in comparison with all India ratios which has shown a steady increase, but the year 2021-22 found a decline in savings as well as in linkage of SHG with the bank. The savings amount dropped by 20.66% and number of SHG by 5.63 %. From the year 2017-18 to 2021-22, the number of SHGs and Saving Amount in India increased to 28.35% and 91.28%. In the same period in Rajasthan, the number of SHGs and Saving Amount increased to 25.27% and 33.20%.

Table 4: Comparative Statement of loan amount outstanding against in India and Rajasthan

Year	India			Rajasthan		
	Loan Amount outstanding against SHGs (in Lakhs)	Amount of Gross NPA against SHGs (in Lakhs)	NPA as % percentage to loan out Standing	Loan Amount outstanding against SHGs (in Lakhs)	Amount of Gross NPA against SHGs (in Lakhs)	NPA as % percentage to loan out Standing
2017-18	7559845.12	462805.51	6.21%	49689.03	11414.53	22.97%
2018-19	8709815.43	452401.05	5.19%	58544.26	9987.06	17.06%
2019-20	10807507.24	532170.42	4.92%	72106.34	11393.00	15.80%
2020-21	10325831.80	488921.34	4.73%	81232.55	8503.65	10.47%
2021-22	15105129.61	574371.42	3.80%	107620.94	8401.51	7.81%

Source:- Status of microfinance in India 2021-22.

In Rajasthan, NPA is more than the national average of 3.80% (2021-22). However, while the NPA against loan to SHGs in 2017-18 was 22.97%, and now it has reduced to 17.06 in 2018-19, 15.380% in 2019-20, 10.47% in 2020-21 and 7.81% in 2021-22 % which is a good indication of good governance.

Suggestions & Conclusion

The micro finance initiative in Rajasthan has been acknowledged as one of the most effective and fast expanding programs. The two main models used to provide microfinance services are the MFI-bank model and the SHG-bank linkage model. Due to the adoption of SHG-bank linkage model by formal financial institutions such as Commercial Banks, Regional Rural Banks, and Cooperative Banks, it has become the more prominent and commonly accepted model out of these two models. The SBLP has taken economic risks by expanding access to formal banking services for rural poor and needy people, notably women. The SHG-Bank Linkage Program is extremely appropriate in the Rajasthan context due to the extensive rural bank branch network. The amount of SHG savings, bank credit given to SHGs, and bank NPAs all rise yearly in Rajasthan. This demonstrate how SHG access to banks as a source of loan services as well as a means of saving is encouraged by microfinance in Rajasthan.

Another significant finding from the analysis is that there is a diminishing tendency in savings-related SHGs in the years **2021–2022**, as opposed to an increasing trend. This is not a promising sign. Women need to be educated, says the administration. Even at the tehsil level, vocational training options must be made mandatory. Women must be the focus of motivational seminars for famous women. The best course of action is for women to unite as a unifying force and launch grassroots self-empowerment initiatives.

References

1. Abedin, M.Z. (2002): "Micro Financing Efforts of Grameen Bank in Bangladesh", Deep and Deep, Publications, New Delhi :PP 467-471
2. Basu, Priya and Srivastava, P. (2005) "Scaling up microfinance for India's rural poor" June 2005, World Bank policy research paper 36-46
3. Devaraja, T.S., 2011. "Microfinance in India - A Tool for Poverty Reduction".
4. Gautam Patikar and Komal Singha (2010). "Scenario of Micro Finance in India: An Overview", 'Southern Economist', Vol. 48, No. 17, pp. 5-8
5. Khandker, Shahidur R. (2005). "Microfinance and Poverty: Evidence Using Panel Data from Bangladesh". World Bank Economic Review, 19 (2): 263–286
6. Morduch, J. (2002). Analysis of the Effects of Micro Finance on Poverty Reduction. NYU Wagner Working paper, No 1014.
7. Munian, A (2009): "Micro Finance and Poverty Reduction" Analytical Issues", Economic & Political Weekly, May.2009, PP 43-46.
8. Das S. (2003), "Self-help groups of micro-credit synergic integration", Kurukshetra, 51(10), PP. 26.
9. Rupa J.S., Majumdar M. & Ramanujam V. (2012), "Self Help Group (SHG)-Bank Linkage Model- A Viable Tool for Financial Inclusion", Journal of Economics and Sustainable Development, 3(10), PP.134-141
10. S. Sadyojathappa (2012), "Microfinance-Self Help Group Bank linkage programme (SBLP) in India", International Journal of Social Sciences & Interdisciplinary Research, 1(6), PP.90-96.

Reports & Website

11. NABARD (2023). Annual Report, 2022-23, National Bank for Agriculture and Rural Development, Mumbai.
12. NABARD (2022), "Status of microfinance in India 2021-2022" Retrieved April 20, 2022, Annual Report of National Bank for Agriculture and Rural Development.
13. Rajasthan development report (2006), planning commission of India, government of India, New Delhi.
14. <http://www.microfinance.com>
15. <http://www.nabard.org>
16. <http://www.indiamicrofinance.com>

