

Financial inclusion through SHG-BLP: A study of SKDRDP SHGs in selected districts in Hubli region

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Abstract

Financial Inclusion (FI) indicates the reach of banking services to the weaker sections; on the other hand SHG-BLP indicates linking a designated bank branch to the Self Help Group (SHG) is referred to as SHG-Bank Linkage Programme (BLP). SKDRDP has been a pioneer and has adopted this model for supporting the rural poor by engaging them in productive economic activities by microfinance assistance. This initiative has also supported the women empowerment. Many leading public and private sector banks have joined hands with SKDRDP, for their financial inclusion programs and SKDRDP is acting as institutional Business Correspondent/Facilitator. The SHGs formed at SKDRDP are supported by other philanthropic initiatives of SKDRDP for giving their members the confidence and skills to start business ventures to support and to lead a sustainable livelihood.

Keywords: Financial Inclusion/Exclusion, Business Correspondent, SKDRDP, SHG, BLP

1. Introduction

The economic strength of a country is dependent on a strong and vibrant financial system in the country. Within the financial system, Banking sector is the largest player and vital for the growth and sustenance of the economy. The banks play a dominant role in development of the economy of a nation and also of an individual. Banks have control over a large part of the supply of money in circulation. They are the main stimulants for the economic progress of a country. The adequacy of banking infrastructure determines the growth in trade and commerce, creation of jobs, generation of wealth, and eradication of poverty, encouraging entrepreneurial activity and increasing the gross domestic product.

Banking in India has not always been inclusive, which is reflected in the unequal spread of Bank branches in the country. Banks, being a commercial institution have opened their branches in metros and urban centers. This disparity in the spread of the network of the banks created a vacuum in the rural India and deprived the rural public from access to the financial services and made them dependent on the unorganized financial institutions like money lenders, shroffs,

sahukars etc. Low-income Indian households in the informal or subsistence economy often have to borrow from friends, family or moneylenders. They have little awareness and practically no access to insurance products that could compensate/insure their life/assets in unexpected circumstances such as illness, property damage or death of the primary breadwinner. These informal sources have exploited the unbanked people who were not having access to formal financial services both in rural and urban areas. Formal financial system has huge potential to provide financial services to this excluded mass population. .

Financial Inclusion meaning and scope

Financial inclusion or inclusive growth is the availability of banking services at an affordable cost to disadvantaged and low-income groups. The absence of access to financial services is financial exclusion. A group or person is considered as financially excluded if they do not have access to formal financial services such as banking facility. The ambit of the financial inclusion is summed up in the following figure.

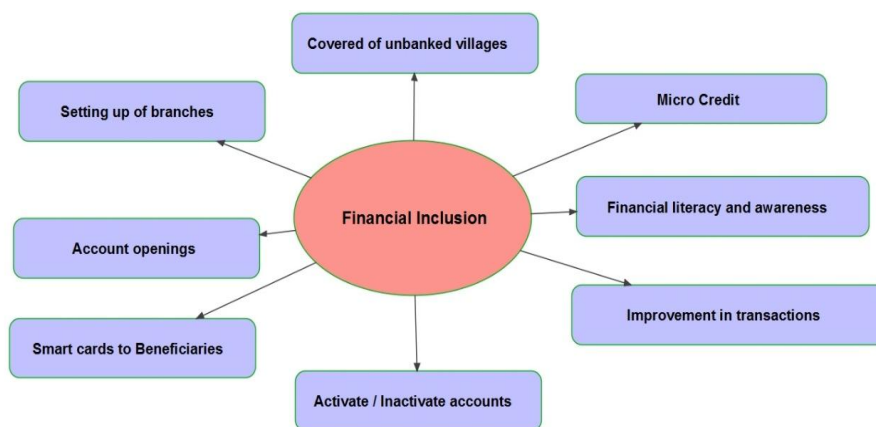


Fig 1: Ambit of Financial Inclusion

Indian experience of Financial Inclusion

The Indian Government has taken many initiatives since independence to expand the reach of the banking services to every corner of the country. Even before independence in 1904 co-operative movement sowed the seeds towards the Financial inclusion, which was milestone in Indian banking and economic history. The then prime minister Indira Gandhi took a major decision to nationalize 14 major commercial banks 19th July 1969. Later the National credit committee (NCC) came with the concept of lead bank scheme which was headed by Prof. D R Gadgil. The Narsimhan committee conceptualized

the foundation of regional rural banks (RRBs) in India. The committee felt the need of 'regionally oriented rural banks' that would address the problems and requirements of the rural people with local feel. RRBs have been established in 1975 by Government of India with the main goal of providing credit to the rural people who are not economically strong enough, especially the small and marginal farmers, artisans, agricultural labors, and even small entrepreneurs.

The journey so far in Financial Inclusion can be summed up in the following table

Table 1. Showing path towards Financial Inclusion

Year	Particulars
1955	The Imperial Bank was nationalised and renamed the State Bank of India
1963	The Agriculture Refinance Development Corporation was set up
1969	Nationalisation of 14 Scheduled Commercial Banks
1970	Lead Bank Committee (F.K.F. Nariman) was formed
1972-76	Setting up of the Rural Electrification Corporation (REC), Small Farmer Development Agency (SFDA) and Regional Rural Banks (RRBs)
1981	Nationalisation of 6 Scheduled Commercial Banks
1982	Creation of National Bank for Agriculture and Rural Development (NABARD)
1989	Service Area Approach (SAA) was initiated
1992	NABARD's Self Help Group (SHG)-Bank Linkage Policy
1996	Local Area Banks were set up
1997	Targeted Public Distribution System (TPDS) introduced
2005	Task Force on the Revival of Short Term Cooperative Credit Structure (STCCS)
2006	Policy initiative for Business Correspondents (BCs)/Business Facilitators (BFs)
2007	Committee on Financial Inclusion (C Rangarajan)
2008	Agriculture Debt Waiver and Debt Relief Scheme
2009	The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) came into existence (NREGA since 2005)
2009	Formalisation of the Unique Identification Number—Aadhaar
2013	Direct Benefit Transfer Scheme (DBT)
2014	Licensing norms announced for Payment Banks only.
2014	Banks are permitted to engage non deposit taking NBFC's as BCs
2014	Launch of Pradhan Mantri Jan Dhan Yojana
2015	Launch of

Source: Karmakar, KG. *et al* (2011). 'Towards Financial Inclusion in India,' Sage Publications, New Delhi other sources

2. Need for the Study

In India villagers are faced with problems related to poverty illiteracy, lack of skills health care etc. These are problems that cannot be tackled individually but can be better solved through group efforts. Today these groups known as Self-help groups have become the vehicle of change for the poor and marginalized. Financial exclusion is one of the reason for the sorry state of the rural poor and alleviation of poverty is the major challenge for the government. The brick and mortar format of Banks or NBFC's is not suitable in all the cases, there is a need of other intermediaries either financial or non-financial institution in nature to support the cause and SKDRDP is one such Microfinance institution that has silently transformed the livelihoods of thousands.

3. Objectives of the Study

- To study the SKDRDP's approach in Financial Inclusion through its various initiatives.
- To study about the SHG's enrolment and their performance in selected districts of Hubli region at SKDRDP

4. Methodology

The analysis of the SHG-BLP linkage in selected districts of Hubli region at SKDRDP is based on the following parameters consideration.

- Self-help groups registrations and enrolment and Smart cards received by Self-help groups
- Loan disbursement to Self-help groups and Loan outstanding

The area selected for the study was the following districts covered by the Hubli regional office. The districts considered for study along with the sponsoring bank for SHG-BLP program are as under.

1. Belgaum I (Corporation Bank)
2. Belgaum II (Union Bank of India)
3. Chitradurga (Canara Bank)
4. Davangere (Union Bank of India)
5. Dharwad (IDBI)
6. Haveri (SBI)

5. Review of literature

Niranjan and Prakash (2015) have analysed the level of financial inclusion achieved through SHG-BLP model at SKDRDP and have analysed the Financial Inclusion pre and post SHG-BLP linkage period. They have found that incremental financial inclusion to be stronger post SHG-BLP period.

Priyakumari (2015) in a study of SHGs and SKDRDP and Kudumbashree programs has observed that the women in SHGs experience an increase in their income, savings and expenditure improvement in their standard of living. The women also gained self-confidence, can speak freely in front of large group of peoples, and they got recognition in the society. SHG have also given women a greater role in household decision making.

Ghildiyal and Pokhriyal (2011) [6] in their study on Microfinance and Financial Inclusion through SHG-BLP have observed that Commercial banks inadequate penetration in rural areas has affected the growth of rural regions, a countrywide study of the SHG-BLP program reveals imbalance in the growth across various states and regions.

Sangeeta and Meenu (2011) [5], have studied the women empowerment through microfinance activity in SHGs and have found that microfinance has significantly contributed to the development of their family. But they still found a lower penetration of direct access to banking services among the SHG members.

Self-help Groups and Joint Liability Groups

Pokhriyal (2011) states that the Indian avatar of the story of microfinance is the concept of self-help groups. Success of microfinance through self-help groups in India is primarily attributed to SHG- bank linkage program initiated by NABARD in 1992 as a pilot project by linking around 500 NGOs promoted SHGs with banks

Self Help Group

A Self-Help Group is an association of generally up to 20

Concept: Commencement of livelihood support programmes	Phase one: Operate as SHPI by organising SHGs	Phase two: Start of SHG bank linkage facility through Pragati nidhi	Phase three: Partnership with banks for SHG BC Suidha model	Future plans: Scale up programme to entire state
1982-1990	1991-1995	1996-2008	2009-2012	2013 Onwards

Adopted from Micro Save: Making the Business Correspondent (BC) Model work for Self-Help Groups (SHGs) – Ballem et.al.

Activities of SKDRDP towards Financial Inclusion

SKDRDP as a BC and BF of the Banks

SKDRDP has been at the forefront and has taken an active part in implementing the Financial Inclusion plan of the Government of India by working as Banking Correspondent and Business Facilitator (BC and BF) in several districts of

members, preferably from the same socio-economic background. SHGs are facilitated by Government agencies or NGOs for members to come together for discussing and solving their common problems either financial or social through mutual help. An SHG can be all-women group, all-men group, or even a mixed Group. However, it has been the experience that women’s groups perform better in all the important activities of SHGs. Mixed group is not preferred in many of the places, due to the presence of conflicting interests.

Joint Liability Group

A Joint Liability Group (JLG) is an informal group comprising of 4-10 individuals coming together for the purpose of availing bank loan on individual basis or through group mechanism against mutual guarantee. Generally, the members of a JLG would engage in a similar type of economic activity in the Agriculture /Allied /Non – Farm Sector. The members would offer a joint undertaking to the bank that enables them to avail loans.JLG members are expected to provide support to each other in carrying out occupational and social activities.

About SKDRDP

Shri Kshethra Dharmasthala Rural Development Project, popularly known as SKDRDP, Promoted by the visionary Padmabhushan Dr. D. Veerendra Heggade, in the year 1982 to provide fruitful services to the disadvantaged sections of the society. It is working as a registered secular NGO. Since inception SKDRDP has concentrated on the empowerment of rural women by formation of Self-help Groups (SHGs) on the lines of Joint Liability Groups (JLBs) of Bangladesh, modelled on Grameen Bank, and provides infrastructure and finance through micro credit for the rural people.

The Evolution of SKDRDP’s Work in Financial Inclusion

SKDRDP commenced its involvement in financial inclusion more than 30 years ago, and it has progressed through several phases in that time.

Karnataka. The model has been unique and SKDRDP is promoting Self Help Groups (SHGs) to act as a Business Correspondent/Facilitator. Theses SHGs have enabled the poor people in the remote villages to access banking facilities at their door steps. SKDRDP has contributed tremendously in promoting the PMJDY program of the government for its associated banks. Following is the list of banks and districts where SKDRDP is acting as Business Correspondent/Business Facilitator

Table 2: List of Banks and districts under covered by SKDRDP

S. No.	Bank	Districts covered
1	State Bank of India	Dharwad, Gadag and Haveri
2	Union Bank of India	Davangere, Koppala, Chamarajnar, Mysore and Kasargod districts
3	Canara bank	Chitradurga
4	Corporation Bank	Tumkur, Belgaum, Hassan, Mandya and Ramanagar
5	Ratnakar Bank	Bagalkot

6	Pragathi Krishna Grameen Bank	Bellary, Kolar, Shimoga, Chikballapur
7	IDBI Bank	Raichur, Bangalore Rural, Chikmangalore, Udupi, Kodagu
8	Vijaya Bank	Mangalore
9	Syndicate Bank	Belthangady, Puttur, Bantwala, Sullia

The contribution of SKDRDP to these Banks as a BC has been significant and this partnership has helped the banks to achieve their Financial Inclusion objectives by extending their services to unbanked people.

Promotion of Self Help Groups (SHGs) and their financial performance at SKDRP

Self-employment is a significant step to have sustained incomes and remove the shackles of poverty. This philosophy has been a mantra of SKDRDP in alleviating the poverty through the SHG-BLP program. SKDRDP has promoted a total number of 38,800 SHGs during the 2015. As on 31st March 2015 a total of 3,06,940 SHGs were active. There was a 14% growth in the number of SHGs promoted during the year. The total number of members associated with these SHGs was 31.86 lakhs. From financial view a total of Rs. 355 crores was saved by the SHGs during the year 2015 taking the total savings since inception to Rs.779 crores. During the period, the groups have availed a loan of Rs. 3,479 crores from various banks to meet their financial needs under SHG-BLP

Self-employment

SKDRDP has facilitated the creation of employment among the SHG members by encouraging them to take up the business opportunities in their surroundings to support their livelihood. There are plenty of success stories emerged out of this, around 1,99,600 members have taken up self-employment in various fields like trading, transport, business, service etc.

Housing

The SHG members also avail microfinance loans for the construction or repair and renovation of their house. A total number of 95,120 members were financially assisted under micro finance for house repair, new construction, extension and renovation, electrification of the houses etc.

Life and Health insurance

SKDRDP has tied up with insurances companies and various hospitals in its area of operation for issuing the health insurance services among the members under a program named Sampoorna Suraksha Health Insurance Program. Under this program a total number of 11.77 lakhs members have been enrolled during the year. There were 57,331 claims which have been settled to the extent of Rs. 34.07 crores.

SKDRDP is the corporate agent of Life Insurance Corporation for popularizing the Jeevan Madhura Life Insurance policies which is specially meant for poor people. During the year 2015 a total 7,79,400 policies are renewed, and SKDRDP set a national record in popularizing insurance policies.

National Pension Scheme

The Pension Fund Regulatory Authority of India (PFRDA) a central government agency for popularizing the Swavalamban pension scheme has appointed SKDRDP as the aggregator for the pension scheme. During the year 2015 SKDRDP sold the pension schemes to 35,700 members.

Analysis of SHG-BLP in 6 districts under Hubli region

Table 3: Data showing SHG Enrolment and Smart cards issued

Parameter	Hubli Zone			
	2012-13	2013-14	2014-15	2015-16
No of Groups Enrolled	79536	83493	83311	82025
No of Smart Cards Issued	72436	81525	83318	81126

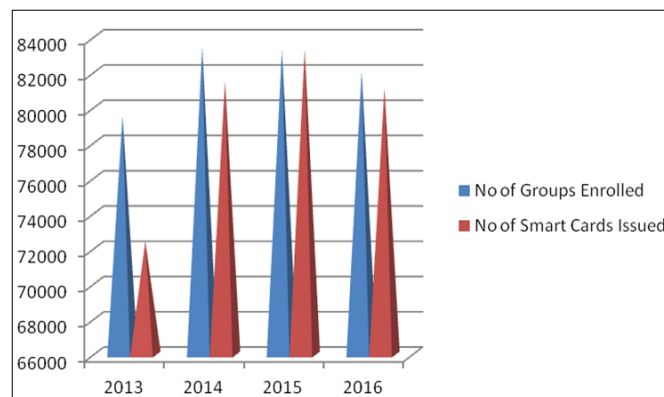


Fig 2: Showing SHGs enrolment and Smart cards issued

The number of SHGs enrolled is almost around 82000-83000 in the years between 2014 to 2016 and also the number of smart cards issued to the members of the SHGs is in the same range. The following tables show the performance of the various districts in SHGs enrolment, smart cards issuance and growth in the loan portfolio,

Table 4: Showing district wise breakup for SHGs enrolment

Project Office	Total Groups Enrolled			
	2012-13	2013-14	2014-15	2015-16
Belagavi-I	17016	16606	15437	15839
Chitradurga	7894	9376	11513	11766
Belagavi-II	15346	15860	15712	16715
Davangere	11450	13693	15568	16125
Dharwad	11736	10785	9342	8275
Haveri	14065	14838	12839	10266

The Belagavi district divided into two divisions has recorded the highest number of enrolments of SHGs followed by Davangere and Chitradurga. There is a fall in number of SHGs enrolled in the Dharwad district and Haveri district during 2015-16, infact this fall has been observed since 2013-14 onwards.

Table 5: Data showing Loans disbursed and Loan outstanding with SHGs

Parameter	Hubli Zone (Rs. In Lakhs)			
	2013	2014	2015	2016
Loan Disbursed	97358.68	152607.4	188740.5	230507.9
Loan Outstanding	50154.29	62428.71	70514.38	91530.79

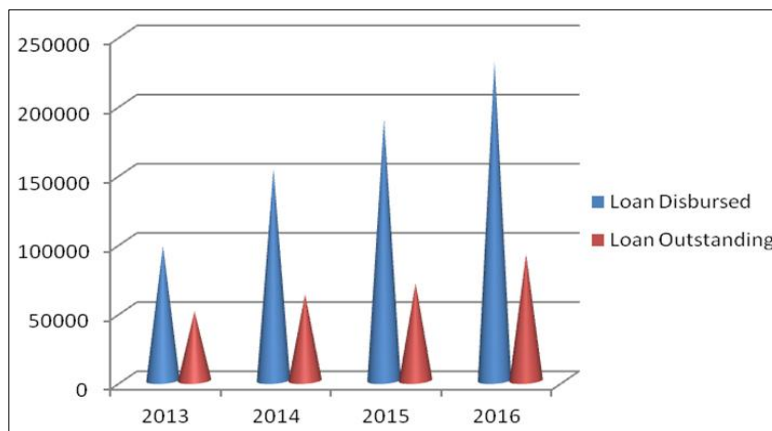


Fig 3: Showing Loans disbursed and outstanding with SHGs

There has been a steady progress in the amount of loans disbursed to the SHGs through the SHG-BLP program. In the past two years the loans disbursed has grown around 23% and the loan outstanding by these SHGs has jumped to 29.8%

during 2015-16. The increase represents loans availed by the SHGs members for various economic activities and shows a healthy progress.

Table 6: Showing Loan disbursement and outstanding district wise

Project Office	Loan Disbursed (Rs. In Lakhs)				Loan Outstanding (Rs. In Lakhs)			
	2012-13	2013-14	2014-15	2015-16	2012-13	2013-14	2014-15	2015-16
Belagavi-II	19518.9	34195.9	51125	73222.5	11573.9	11105.3	12925	16989.5
Chitradurga	2094.39	11489.6	25991.1	44507.5	1640	5320.31	9298.17	15047
Belagavi-II	15965.1	26785.7	37094.7	49086.8	12730.8	17048.4	17363.7	21744.8
Davangere	2233.57	11130.8	22774.8	41180.8	2195.91	8676.97	16309.3	24412.1
Dharwad	28174.9	24793	27633.9	5737.7	9101.23	7629.06	8041.75	5462.57
Haveri	28914.2	41303.8	17560	4479.41	12716.4	11392.9	4334.89	3838.62

The above table shows the off take of loans by SHGs in 6 districts under Hubli region. As there are more SHGs enrolled in Belagavi district, the loans disbursed is also high and has grown in line with the growth of number of SHGs, followed by Chitradurga and Davangere districts, the Dharwad and Haveri districts have seen a decline in the volume of loans availed by the members of the SHGs under SHG-BLP.

6. Conclusion

The success of SHG-BLP depends on the intermediaries facilitating the loan disbursal, monitor the SHG and also mentor them. This is where we can see that SKDRDP has been playing a pivotal role. The banks have seen the entire financial inclusion initiative as ‘mandate driven’. It is also true that managing retail channels is really hard business in a country with such a diverse geography, which makes it difficult for most of the banks that have no experience of operating beyond their own branches. From this study it can be concluded that SKDRDP’s contribution is remarkable in the field of microfinance because of its services and reachability in the area where it is present. SKDRDP has successfully implemented the BC Model i.e acting as an agent/intermediary between SHG and Bank. And also the credit will go to SKDRDP for having implemented BC Model at the earliest compared to other microfinance institutions. Further in the area covered under study, there is a need for SKDRDP to identify the reasons behind lower enrolment of SHGs and lesser off take of loans under SHG-BLP model.

SKDRDP is performing well in attracting more number of SHGs and also helped many poor people in establishing their

own ventures. SKDRDP has many branches in different regions of Karnataka and from this study we can say that all branches accept one or two are performing well in getting SHGs registered, enrolled and availing financial benefits from SKDRDP.

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