

A study on progress of SHG: Bank linkage programme in Kurnool district of Andhra Pradesh

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Abstract

Global trends have shown that in order to achieve inclusive development and growth, the expansion of financial services to all sections of society is of utmost importance. Micro-credit plays an important role in promoting the financial inclusion in rural India. The SHG Bank linkage program (SBLP), a group approach of micro finance evidently appears to have created craved results. The SBLP model has proved successful with advantages such as regular savings, regular repayment of loan and reduction in transaction cost. Self-Help-Group Bank Linkage Programme initiated by NABARD has a great potential in the sphere of micro credit, as it has successfully blended with profitability criteria through social banking under an appropriate policy support towards low-cost in the form of low interest rate. This paper presents the overview of progress of SBLP in Kurnool district of Andhra Pradesh.

Keywords: SHG bank linkage program (SBLP), NABARD, Kurnool

Introduction

The Self-Help-Group Bank Linkage Programme (SBLP) in India has been a flagship programme of the National Bank for Agriculture and Rural development (NABARD) with the objective of enabling the poor women to have access to financial resources for increasing income of the households and achieving the sustained livelihood. Under the spirit of collaboration of the public sector commercial banks, restructured Regional Rural Banks and rejuvenated cooperative credit system, a major channel of micro-finance has been emerged and launched a measuring provision directly financing with or without intermediary agencies under Self-Help Groups-Bank Linkage Programme (SBLP). The evolution of self-help-group concept in Andhra Pradesh goes back to 1982-83 with the implementation of Development of Women and Children in Rural Areas (DWCRA) programme, as sub-component of Integrated Rural Development Programme (IRDP) launched by the Government of India with the support of the State Government and UNICEF. The DWCRA objective was to empower the rural women living below poverty line by way of organizing them into groups to create sustainable income generating activities through self-employment.

SHG - Bank Linkage Programme

The Self-Help-Group Bank Linkage programme is structured to facilitate financial transaction between the formal banking systems and the informal Self-Help-Groups as clients. The SHGs make regular savings contribution of their members' surplus earnings to the common fund of the group every fortnight or month. The amount so accumulated together with the external bank loan is used to advance loans to their members at a market driven rate of interest. These loans can be used for production, consumption or investment purposes by the borrowers feasibly.

Objectives of the study

The main objective of the present study is to examine the progress of SHG Bank Linkage Programme in Kurnool district of Andhra Pradesh. The specific objectives are:

1. To examine the growth in the number of SHGs in Kurnool district.
2. To examine the disbursement of credit under SBLP in Kurnool district.
3. To examine the Non-performing assets under SBLP in Kurnool district.

Methodology

The present study on the progress of Self-Help-Group Bank Linkage Programme (SBLP) is confined to Kurnool District in Andhra Pradesh. The study is descriptive and analytical in nature. The period of study is ten years from 2006-07 to 2015-16. The field of Kurnool district is broadly divided in to three revenue divisions – Adoni, Kurnool and Nandyal. The present study, thus, covers three Revenue Divisions.

Data source and collection

The study is based on secondary data. The secondary data was collected and compiled from the reports of District Rural Development Agency, internet and other published sources.

Microcredit disbursement under SBLP in Kurnool district

The SHGs formation on the democratic approach under the concept of Self-Help-Each-Other leading for self-governance with a built-in business operative mechanism. SBLP has a great potential as it has successfully blended with profitability criteria through social banking under an appropriate policy support towards low-cost in the form of interest rate. Data on the progress of SHGs in terms of number of SHGs and disbursement of credit in Kurnool district is presented in Table 1(Fig 1 &2).

Table 1: Division-wise disbursement of micro-credit to SHGs (₹ in crore)

Year	Revenue Division						Total	
	Adoni		Nandyal		Kurnool			
	No	Amount	No	Amount	No	Amount	No	Amount
2006-07	4120 (22.97)	18.42 (17.60)	5438 (30.32)	33.89 (32.40)	8379 (46.71)	52.30 (50.00)	17937 (100.00)	104.61 (100.00)
2007-08	4536 (30.64)	43.85 (27.60)	4538 (30.65)	50.42 (31.73)	5732 (38.71)	64.62 (40.67)	14806 (100.00)	158.89 (100.00)
2008-09	4507 (28.07)	53.84 (23.83)	5135 (31.99)	79.90 (35.36)	6412 (39.94)	92.21 (40.81)	16054 (100.00)	225.95 (100.00)
2009-10	5683 (29.50)	69.39 (26.89)	6020 (31.25)	77.06 (29.88)	7560 (39.25)	111.56 (43.23)	19263 (100.00)	258.01 (100.00)
2010-11	4810 (28.39)	67.48 (24.44)	5447 (32.14)	92.10 (33.35)	6688 (39.47)	116.56 (42.21)	16945 (100.00)	276.14 (100.00)
2011-12	3901 (26.90)	74.25 (24.04)	4798 (33.10)	110.27 (35.70)	5795 (40.00)	124.35 (40.26)	14494 (100.00)	308.87 (100.00)
2012-13	3975 (26.10)	83.01 (22.88)	4588 (30.13)	114.19 (31.48)	6665 (43.77)	165.56 (45.64)	15228 (100.00)	362.76 (100.00)
2013-14	4916 (27.25)	120.23 (25.89)	6417 (35.57)	164.00 (35.32)	6709 (37.18)	180.09 (38.79)	18042 (100.00)	464.32 (100.00)
2014-15	3784 (28.74)	93.12 (25.80)	3537 (26.86)	94.25 (26.11)	5847 (44.40)	173.57 (48.09)	13168 (100.00)	360.94 (100.00)
2015-16	5533 (27.20)	122.52 (22.32)	5891 (28.96)	157.50 (28.69)	8920 (43.84)	268.89 (48.99)	20344 (100.00)	548.91 (100.00)
Mean	4577 (27.52)	74.61 (24.31)	5181 (31.16)	97.36 (31.72)	6871 (41.32)	134.97 (43.97)	16627 (100.00)	306.94 (100.00)

Source: Annual Reports, DRDA, Kurnool

Figures in parentheses are percentage to row total

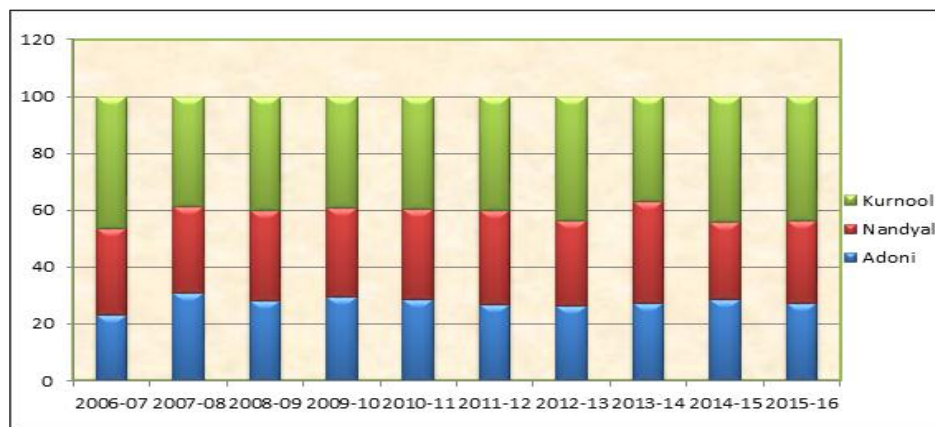


Fig 1: Share of SHGs revenue division-wise

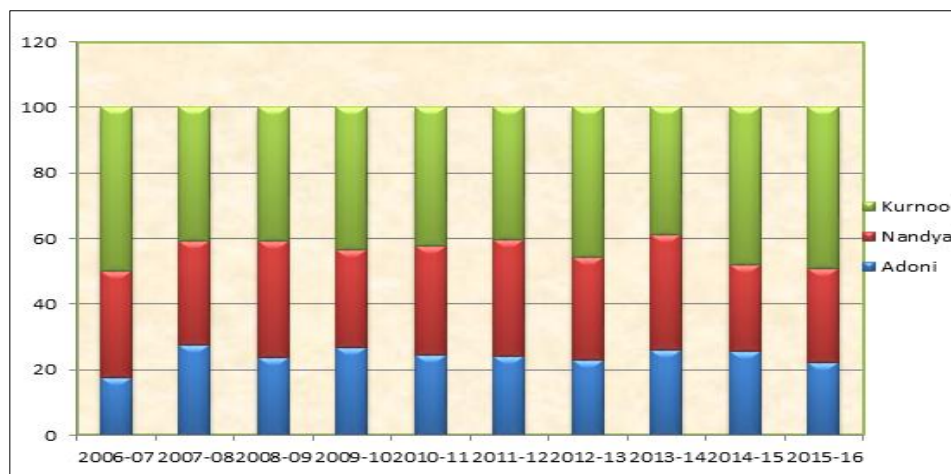


Fig 2: Share of SHG credit revenue division-wise

Table 1 (Fig 1 & 2) shows the number of SHGs in the revenue division of Adoni, Nandyal and Kurnool which are accounted for 4120, 5438 and 8379 with 22.97 per cent, 30.32 per cent and 46.71 per cent of total extending micro-credit to the tune of ₹ 18.42 crore or 17.60 per cent, ₹33.89 crore or 32.40 per cent and ₹ 52.30 crore or 50.00 per cent of total respectively in 2006-07 in the district of Kurnool. The figures in 2015-06 are 5533 SHGs provided ₹ 122.52 crore, 5891 SHGs extended loan of ₹ 157.50 crore and 8920 SHGs disbursed credit of ₹ 268.89 crore in the revenue division of Adoni, Nandyal and Kurnool respectively. The figures in relative terms are accounted for 27.20 per cent, 28.69 per cent and 43.84 per cent could provide micro-credit at 22.32 per cent, 28.69 per cent and 48.99 per cent of ₹ 548.91 crore for the above revenue divisions respectively. During the ten years period between 2006-07 and 2015-16, for 4577 SHGs, on an average provided a loan of ₹ 74.61 crore, for 5181 SHGs ₹ 97.36 crore and for 6871 SHGs ₹134.97 crore in the revenue division of Adoni, Nandyal and Kurnool respectively.

Non-performing assets

Non-performing assets is an economic evil which is against the sound principle of lending and also blocks the progress of the institution. In other words, it is not good to the both lender and borrower; their intended operations in the long-run are choked. Flow of funds is always desirable in an institution to be said sound and to have healthy operations in conduct of business. Many academics express that the non-performing assets are bad debts in the calamity of banking. The success of SBLP depends upon the various economic activities through which micro-credit is being operated by SHGs. The strength of women SHG rests on the stability of members’ economic status over a period of time.

Therefore, the stability and strength of SHG always record effectiveness either in recover of lent-loans from the clients and then repayment to banks. The aspect of overdues is critical and strategic aspect to gauge income effect on the clients. Data collected on revenue division-wise overdues is presented in Table 2. (Fig. 3)

Table 2: Division-wise overdeus of SHGs (₹ In lakh)

Year	Division			Total
	Kurnool	Nandyal	Adoni	
2006-07	74.46 (32.88)	69.67 (30.77)	82.32 (36.35)	226.45 (100.00)
2007-08	88.35 (35.10)	70.48 (28.00)	92.85 (36.90)	251.68 (100.00)
2008-09	91.70 (34.27)	78.55 (29.35)	97.34 (36.38)	267.59 (100.00)
2009-10	76.42 (26.74)	85.74 (30.00)	123.58 (43.26)	285.74 (100.00)
2010-11	117.63 (34.08)	105.80 (30.65)	121.75 (35.27)	345.18 (100.00)
2011-12	124.50 (32.96)	103.82 (27.49)	149.40 (39.55)	377.72 (100.00)
2012-13	138.26 (33.99)	140.66 (34.58)	127.89 (31.43)	406.81 (100.00)
2013-14	154.78 (32.70)	176.82 (37.35)	141.78 (29.95)	473.38 (100.00)
2014-15	205.07 (31.60)	236.67 (36.47)	207.25 (31.93)	648.99 (100.00)
2015-16	141.36 (29.68)	191.23 (40.14)	143.79 (30.18)	476.38 (100.00)
Average	121.22	125.94	128.82	375.98

Source: DRDA Annual Reports, Kurnool

Figures in parentheses are percentage to row total

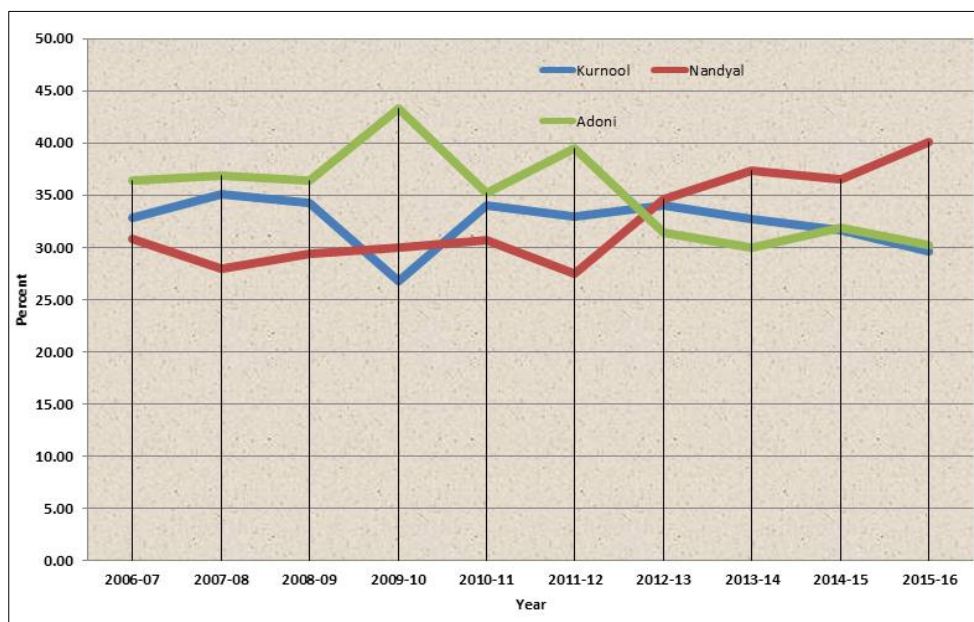


Fig 3: revenue division-wise share of SHGs overdues

Table 2 (Fig 3) reveals overdues position of SHGs in the district of Kurnool. In 2006-07, the overdues position in revenue of Kurnool, Nandyal and Adoni is accounted for 32.88 per cent, 30.77 per cent and 36.35 per cent of ₹ 226.45 lakh while the figures in 2015-16 are 29.68 per cent, 40.14 per cent

and 30.18 per cent of ₹ 476.38 lakh respectively. The changing position in 2015-16 over 2006-07 is (-) 3.20 per cent, (+) 9.37 per cent and (-) 6.17 per cent for revenue divisions of Kurnool, Nandyal and Adoni respectively.

Findings

- Kurnool revenue division has better performance both in number of SHGs and micro-credit disbursement compared to Adoni revenue division and Nandyal revenue division.
- Increase in overdues position is more than 89.85 per cent in 2015-16 over 2006-07 for the district of Kurnool
- Intra-division overdue position remains the same during study period

Suggestions

- A flexible-and-friendly micro-credit policy is essential which enables the commercial, regional rural banks, cooperative banks and insurance agencies to provide their services to the members of SHGs and promote Self-Help-Groups System in the arena of micro-credit bringing more and more poor people attractively with safety.
- Adoption of field visits primarily would become a 'medium' of SHGs system to monitor the issues of micro-credit such as overdues and non-performing assets at the ground level and kick off corrective actions immediately.
- Micro-credit should be offered to those who fulfil social 'intervention' and social 'objective' of the country by making necessary arrangements or adjustments in the Ordinance.

Concluding Remarks

To conclude, the district of Kurnool in Movement of Self-Help-Group Bank Linkage Programme has tremendous progress in implementing the bank linkage programme so effectively for the benefit of poor in terms of social and economic conditions, improving family and human development, development of democracy with respect, cooperating, collaborating and coordinating resource-inputs for generating income feasibly and viably. Bank linkage to SHGs system is an added feature of microcredit. "With linkage, the model of SHGs has become potential and promise of being a sustainable, successful, cost effective and transparent means of providing microcredit to the unreached rural poor. A high growth course for an enabling regulatory environment protecting the interest of stakeholders of microcredit and progressively promoting growth should be an essential measure to face challenges and ensure a more efficiency with a competitive spirit in an arena of microcredit.

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