

Sanctions & Disbursement of Loans to Self Help Groups (A Study with reference to Deccan Grameena Bank, Hyderabad)

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Abstract—This Research study begins with a background discussion about unemployment and poverty in rural areas and why low-income persons seek self-employment as a viable option towards building social and human capital to work towards poverty alleviation. It moves on to a discussion of a qualitative analysis the impact of SHGs on individual members, family, and community life, changes in skills, knowledge, and attitudes, successful outcomes, and the development of human and social capital. Utilizing these findings, effectiveness of Women SHGs in the promotion of micro enterprises is discussed, suggesting that micro enterprise development is a viable option for poverty alleviation, and community economic development. Micro enterprise promotion among the very poor requires comprehension of the market dynamics. Markets being highly dynamic in character, enterprises are under constant risk due to relative ease of entry and exit conditions.

The study shows that SHGs are still in a state of flux and their sustainable development depends on a number of factors, which are both internal and external to the group. No doubt, SHGs have set a new empowerment agenda for financial intermediation by banks.

Further, SHG as a system has infused certain synergy among its members to move up in the socio-economic ladders from passive onlooker into an active partner/stakeholder in the development process. Today, SHGs in India have become a potential tool for the empowerment of women, social solidarity and socio-economic betterment of the poor in their own setting. Dynamics within SHG, level of empowerment achieved by women SHG members and It covers banks MFI's SHG's and supply chain members.

I. INTRODUCTION

Micro-Finance has gained a lot of last decade. Micro-Finance is a novel approach to "banking with the poor." in this significance and momentum in the approach; bank credit is extended to the poor through Self Help Groups (SHGs), Non-Government Organizations (NGOs) Credit Unions, etc. India now occupies a significant place in global micro-finance through promotion of the Self-Help Groups and the home-grown SHG-Bank Linkage (SBL). Micro credit attempts to combine lower transaction costs and high degree of repayments. This is essentially because of the

involvement of potential beneficiaries of rural credit in the credit delivery system. More than 30,000 branches of Commercial Banks, RRBs and Co-Operative Banks in over 520 districts in 30 states and Union Territories are now implementing the SHG-Bank Linkage Programme, introduced and encouraged by NABARD, vigorously.

As per the definition of International Labour Organisation (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 NABARD Task Force-2000 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 enabling them to raise their income levels and improve living standards." The Reserve Bank of India also uses the same definition.

Objectives of Micro-Finance:

- 1) To offer cost effective approach to formal institutions for expanding outreach to poor.
- 2) To develop collateral substitutes.
- 3) To focus on the rural and the urban poor generally and women particularly.
- 4) To pilot test other micro-credit delivery mechanisms as alternative channels to the formal banks.
- 5) To effectively pursue the objectives of micro-economic growth.

II. NEED FOR THE STUDY:

Women, who were enterprising and grew fast, soon realized that their individual enterprise. At the same time they needed the group for saving and other smaller loans. Some of these women from diverse groups got together to setup what they called a 'company' a self liquidating meta group that operated functionally till the women could meet their needs and constantly liquidated and regrouped with new needs. Banks and private institutions are heavily focused now on subject but problems are many regarding interest rate collections and MFI's, SHG's and supply chain members. Not many studies are available to formulate solutions based on field data. The study helps us to know how the rural people are benefited.

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III. SELF HELP GROUPS: PATH WAYS OUT OF POVERTY IN INDIA

Self-help groups (SHGs) play today a major role in poverty alleviation in rural India. A growing number of poor people (mostly women) in various parts of India are members of SHGs and actively engage in savings (in actual term Thrift and credit (S/C), as well as in other activities (income generation, natural resources management, literacy, child care and nutrition, etc.). The S/C focus in the SHG is the most prominent element and offers a chance to create some control over capital. The SHG system has proven to be very relevant and effective in offering women the possibility to break gradually away from exploitation and isolation. Almost all major donor agencies support SHGs in India in one way or another and many success stories are available, describing how membership in a SHG changed the life of a particular individual or group for the better. Many NGOs are promoting the SHG mechanism and linking it to various other development interventions.

Whereas there is ample evidence that the SHG approach is a very effective, efficient and relevant tool for organizing and empowering the poor, do arise with design, development and introduction of programmes to promote income-generating activities (IGAs) that will generate sufficient, sustainable and regular income.

The approach towards poverty alleviation is based on the formation of self-help groups at the grass root level. This brings about the necessity for organizing them in a group by which they set the benefit of collective perception, collective decision-making and collective implementation of programme for common benefits. This organization holds the power and provides strength and acts as an anti dote to the helplessness of the poor. The group saving of self helps groups serves a wide range of objectives other than immediate investment. The approach has evolved over the years in India. Before understanding the strength of SHGs as a tool in Poverty Alleviation, it is imperative to understand the evolution of various Poverty Alleviation programs in India.

IV. PERSPECTIVES OF POVERTY ALLEVIATION IN INDIA

Empowerment of the poor encompasses three basic dimensions-reduction of poverty, creation of employment, and erasing inequality. Since the magnitude of poverty challenges the very basis of State as an independent economic and political unit, it has been realized by the policy planners that development, needs to be people centered and participation oriented across various interfaces. Poverty Alleviation has thus assumed a new thinking and new practices have emerged through integrated community participation of the poor.

The basis of the concept of micro finance is self-organization of the poor at the community level driven by a desire and an inherent capacity to improve their living conditions by themselves. Inspired by the success of the Bangladesh Grameen experiment, the self-help group approach in India has taken strong roots as an effective and

viable channel to take the poor to a new domain of economic empowerment and social upliftment. Micro finance, which synergies the thrift and credit habits of the poor in a participatory and informal setting, is now widely acknowledged as a strategic tool to dent poverty in all poverty alleviation programmes. With the fast expanding Self Help Groups movement covering nearly 8 Lakhs SHGs across the country, India is poised to provide pragmatic solutions by demonstrating the success of micro finance for eliminating total poverty in the coming decade. Poverty as a global phenomenon has varied genesis, dimensions, and definitions. The definition of poverty is to be derived from a holistic approach to the multidimensional problem.

While human poverty is generally interpreted based on motivation levels, income poverty is defined on the basis of minimum income levels required to meet basic consumption needs and amenities. The definition of poverty needs to go beyond these conventional interpretations and cover the deprivation of human dignity caused by vulnerability to social and cultural shocks resulting in a low quality of life. The eradication of poverty has been an integral component of the strategy for economic development in India. 'Poverty line', the basic indicator of poverty according to the Planning Commission, is defined as "total consumption expenditure at which one can expect a person to be adequately nourished in the specific society under consideration". The underlying assumption is that people at the poverty line have just enough money to provide themselves with food that translates into 2200 calories per person. Large sample surveys are conducted by the National Sample Survey Organisation (NSSO) to obtain the consumption expenditure of various groups of the population at an interval of approximately five years. Based on this, the incidence of poverty is estimated at national and state levels. It has indeed declined from 54.9 per cent in 1973-74 to an all-time low of 26.1 per cent in 1999-2000.

In view of the larger distribution of poor geographically as well as the magnitude of the population below poverty line, the central government has taken a pro-active stand in dealing with the problem. Policy planners have explored the following approaches in designing different poverty alleviation programmes:

- 1) Area development to decrease regional disparities and to take care of vulnerable regions affected by natural calamities.
- 2) Sectoral approach to assist the poor in their livelihood activities with major emphasis on farming.
- 3) Targeted approach for a section of people by creating employment generation through development programmes.
- 4) Empowering approach through financial incentives and credit support for self-employment enterprises in farm and non-farm sector.
- 5) Multipronged approach with integrated spatial and social development

V. ORIGIN OF SHGS IN INDIA

In 1976, Prof. Mohammed Yunus of Bangladesh started women's groups in Bangladesh and developed thrift and

savings among the poorest. Now it has developed into a bank named Bangladesh Grameen Bank. Its report in February 1998 states that the bank has 1138 branches and covers 39572 villages. It has 2367503 members of which only 124571 are men. The bank has disbursed a cumulative amount of US \$ 2714.61 Million whereas the savings of the members has reached US \$ 202.73 Million.

A. DW CRA Groups:

Groups with a maximum membership of 15 women are formed by the Department of Rural Development under the Development of Women and Children in Rural Areas (DW CRA) scheme. Thrift is used an important point for entry and micro financing among members. The scheme focuses on organization of women into groups to foster a collective approach to their problems and to enhance their bargaining power. These organised women pull many of the Government programmes into their respective villages for their benefit. Under DW CRA Rs.25,000 is provided to the group as lump sum grant. The members can use it collectively or share it on prorata basis and can be used for any income generating activity. DW CRA recognizes that thrift and credit is essential for improving livelihood. Members are encouraged to save their money as a common fund. Training in leadership, attitudinal changes, and skills for income generation is an integral part of the DW CRA scheme.

B. SGSY Scheme:

Swaranjanthi Gram Swarozgar Yojana (SGSY) is a modified version of IRDP with a focus on group approach. Cost of group formation and development is met from SGSY funds amounting to Rs.10, 000 per group over a period of 3-4 years. Process approach and social mobilization with minimum of 50per cent of women groups are salient SHGs approaches. Grading of groups is done once in six months to ascertain their status of performance and corrective capacity building is undertaken. Assistance for economic activities is given through bank loan-cum-scheme subsidy to individuals in groups as well as to groups.

C. Anganwadi groups:

These groups are formed by the Department of Women and Welfare at the habitation level for implementing health, nutrition, and literacy programmes for women. Micro finance is extended to the members for taking up income generating activities as individual or as group enterprises.

D. Joint forest management groups:

Village communities in notified forest areas are formed into Vana Samrakshana Samithis (VSS) to conserve forest wealth. Social mobilisation through the SHG route is being achieved under this programme. Village communities are exhorted to take up alternative income generating activities.

E. Watershed management groups:

Farmers in the watershed areas are formed into groups for implementing improved techniques of watershed development with the intervention of a facilitating agency, normally an NGO. While on-farm development activities are funded through grant support, these groups are also encouraged to take up microfinance, with thrift as an entry

point activity.

F. Rashtriya Mahila Kosh groups (RMK groups)

These are groups formed by NGOs and funded by RMK, a fund set up by the Government of India for associating women to undertake income-generating activities. Credit is extended to individual women in the group mode.

G. Micro finance programmes of CAPART

The Council for Advancement of People's Action and Rural Technology (CAPART) is set up by the Ministry of Rural Development, Government of India, to fund voluntary organizations and community based organizations engaged in serving rural areas. CAPART occupies a significant space in shaping the development innovations of NGOs and catalyzing development initiatives to reach the poor.

H. SWA-SHAKTI PROJECT (Assisted by IFAD & World Bank)

This is rural women's development and empowerment project encompassing six important states of Bihar, Gujarat, Haryana, Madhya Pradesh, and Uttar Pradesh with a central project support unit in the Department of Women & Child Development of the Government of India to facilitate the implementation.

I. District Poverty Initiatives project: (VELUGU)

This project is being implemented in Andhra Pradesh with the aid of World Bank. The project aims to organise the poorest of the poor in selected districts through convergence of resources. The project has components of organization capacity building, linkages, and capital support. The project envisages "common interest groups" to focus on accelerated progress in poverty alleviation. CIG members, mostly drawn from existing groups, are motivated to take up economic activities and community welfare programmes through the provision of revolving fund (Rs.20, 000/-) called common investment fund.

J. SJSRY (Swarna Jayanthi Shahari Rozgar Yojana)

SJSRY is an anti-poverty programme launched by the Government of India for eradicating absolute poverty from urban areas. The community development structure provides the channel for the delivery system of the scheme. The scheme has two sub components – Urban Self Employment Programme (USEP) and Development of Women and Children in Urban Area (DWCUA). DWCUA helps urban poor women in setting up gainful employment through group activity.

VI. BANKS AS SELF-HELP PROMOTION INSTITUTIONS IN INDIA (SHPI)

Among the formal institutions, next to government, banks play a major role as self-help promotion institutions in India. For several years, since the nationalization of the commercial banks, there has been a commitment at the highest policy levels, towards improving access to financial services for the poor. Several policy measures have also been in force to ensure this, such as the allocation of committed bank funds to

small loans (priority sector banking), subsidized interest rates (ranging from 4per cent to 10per cent) for micro loans, and the opening of small rural bank branches. Hence, the mainstream banking system in India has always been involved in microfinance as a special area of their operation. At the operational level, this policy commitment has been implemented usually by linking bank credit to a targeted program of the government of India. The Integrated Rural Development Program (IRDP) was a typical example. Based on this program, several projects of the government of India have had a strong microfinance component either through the banks or through government-established financial institutions.

A further institutional focus was given to rural lending through small loans by establishing the regional rural banks in 1975. The SHG linkage program is located in this national policy and institutional context, where there is a vast network of primary lending institutions to deliver microfinance on the one hand, and an apex national level institution, namely NABARD, to provide policy support and refinance on the other.

Banks have been slow in entering the field of microfinance from the angle of both promoter as well as lender. In general, banking institutions have treated the formation and promotion of SHGs as an activity which is strictly for voluntary agencies or non governmental organizations and not for mainstream commercial bankers. But the problem in India is that well-intentioned NGOs, which can take up these activities, are con-fined to relatively smaller pockets of the country. If banks see a new opportunity and a new market in microfinance they can-not always expect a ready-made institution to absorb their lending portfolio. It may be necessary for some banks to take up the work of forming and promoting SHGs on their own if they view it as a profitable market and a profitable business opportunity. Several banks, especially regional rural banks (RRBs), have done pioneering work in forming, promoting, and later financing SHGs.

VII. FUTURE CONCERNS OF SHG MOVEMENT IN INDIA

There are many studies suggesting the successes of SHGs in empowering women. At the core SHG philosophy is the concern to gain control over capital by rural, poor women by virtue of spendthrift, gaining access to a financial pool of their own in time of need or to start income generation activity. A positive derived from Group psychology has been applied to SHG movement in developing countries. While there are many successful stories about the benefits of SHGs, there are many concerns about the future of SHG movement in India. The concern stems from their initial success and their geometric progression. Are they heading towards right direction of women empowerment? Are our formal lending institutions capable of handling so many illiterate women? Do we have the financial resources to lend loans to the vast number of SHGs? Are the loans given to SHGs sufficient to start an income generating activity on their own? Are Demand- Supply linkage been studied while deciding income generating activity for all SHGs in massive scale? What are

the likely marketing problems or competitions, which are likely to arise when SHGs start microenterprises? Some of these issues are addressed in the present study.

A. The objectives of Self Help Groups are to:

- 1) inculcate saving and banking habits among the poor;
- 2) secure them with financial, technical and moral strengths;
- 3) enable availing of loan for productive purposes and repaying the same over a period of time, and in the process
- 4) gain economic prosperity;

B. Estimation of credit requirements:

1st Dose: 1:4 times of the corpus or 50,000/- whichever is higher If group saves Rs.1.00 they will get Rs 4.00 as Bank loan

2nd Dose: 1:4 times of the corpus

3rd Dose : 1:4 times of the corpus

Extent of refinance:

NABARD provides 100per cent refinance to all banks for the loans disbursed to SHGs

Repayment period:

Loans are repayable in monthly installments up to 60 months

Interest Rates:

The present interest rate structure is 12.00/12.50 per cent p.a

Security:

- 1) Group guarantee of SHG members.
- 2) No collateral security is required up to Rs. 5 lakhs.
- 3) Up to Rs. 5 lakhs per group.
- 4) Peer pressure among members is the alternative for the collaterals. RBI has therefore relaxed the security norms and classified loans under the programme as "Advances to Weaker Sections".

C. Progress of SHG-Bank Linkage:

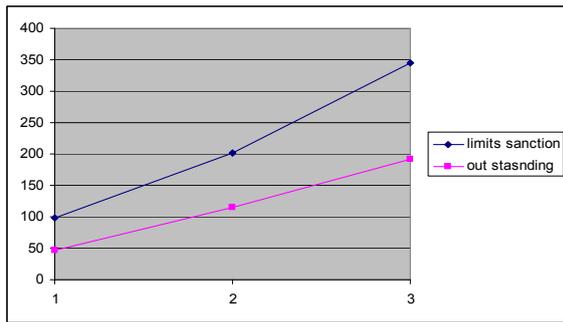
Every year bank is financing to 30,000 groups

The present scenario of SHG's in deccan grameena bank

PARTICULARS	Rs in crores		
	2006-07	2007-08	2008-09
Number of group	56093	70173	87204
Number of persons	758339	944790	1190335
Limits sanctioned	98.91	202.47	344.60

Out standing	47.18	115.07	191.00
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Chart



VIII. DECCAN GRAMEENA BANK

The bank aims to achieve pre-eminence in banking (particularly in its area of operation) and financial sectors with commitment to achieve excellence in customer satisfaction, profit maximization, technological up gradation and with emphasis on developmental banking through a skilled and committed work force. Towards realizing its mission, the Bank seeks to achieve the following objectives:

- 1) to maintain its dominance in its traditional rural areas of operation,
- 2) to achieve increasing market share and competitive edge in tune with the resources mobilized in contiguous areas in urban and semi-urban areas,
- 3) to accelerate growth in high value and good quality credit,
- 4) to achieve and maintain loan asset quality on par with the best managed RRBs,
- 5) to achieve and maintain interest spreads on par with the best managed RRBs,

To achieve the above objectives, the Bank has put in place the following strategies:

- 1) To deal proactively with the emerging economic environment, spotting and utilizing oppertunities for safe and profitable loaning which would include new produts, services to suit changing customer needs and preferences.
- 2) To strengthen service expertise and delivery as also quicken the response time.
- 3) To strengthen the management information system for expeditious and effective decision making towards ensuring asset quality at par with the best managed RRBs.
- 4) To align management with overall asset-liability management so as to contain interest rate risks leading to improved spreads on par with the best managed RRBs.

IX. TREND ANALYSIS

TABLE-1: SHG LOANS AMOUNT DISBURSED

Year	Amount
2006-07	98.91

2007-08	202.47
2008-09	344.6

year	Amount-Y	x	X ²	xy	Yc= a+bx
2006-07	98.91	-1	1	-98.91	92.475
2007-08	202.47	0	0	0	215.32
2008-09	344.6	1	1	344.6	338.165
	645.98	0	2	245.69	645.96

Calculation

$$Yc = a + bx$$

$$a = \frac{\sum y/n}{3} = \frac{645.98}{3} = 215.32$$

$$b = \frac{245.69}{2} = 122.845$$

Through this formula we can guess next years disbursement of funds

we can find for the year of 2009-10
 $215.32 + 122.845(2) = 461.01$

we can find for the year of 2010-11
 $215.32 + 122.845(3) = 583.855$

TABLE-2: SHG LOANS OUTSTANDING

Year	Amount
2006-07	47.18
2007-08	115.07
2008-09	191.28

year	Amount-Y	x	X ²	xy	Yc= a+bx
2006-07	98.91	-1	1	-98.91	92.475
2007-08	202.47	0	0	0	215.32
2008-09	344.6	1	1	344.6	338.165
	645.98	0	2	245.69	645.96

Calculation

$$Yc = a + bx$$

$$a = \frac{353.33}{3} = 117.84$$

$$b = \frac{144.1}{2} = 72.05$$

Through this formula we can guess next years outstanding of funds

We can find for the year of 2009-10
 $117.84 + 72.05(2) = 261.94$

We can find for the year of 2010-11

$$117.84 + 72.05(3) = 333.99$$

X. KARL PEARSON'S CORRELATION COEFFICIENT

TABLE-3: TOTAL ADVANCES VS SHG ADVANCES

Year	Total Advances- x	SHG Advances- y
2006-07	616.5	47.18
2007-08	750.49	115
2008-09	1001.41	191

Tot Adv	X-μ=x	X ²	SHG Adv	Y-μ=y	Y ²	XY
616.5	-	29918.62	47.18	-	4977.3	12203.03
	172.97			70.55		
750.49	-38.98	1519.44	115	-2.73	7.4529	106.41
1001.41	211.94	44918.56	191	73.27	5368.49	15528.84
		Σ76356.6			Σ40353.2	Σ27838.2

Calculation

$$r = \frac{\sum xy}{\sqrt{\sum x^2 * \sum y^2}}$$

$$r = \frac{27838.28}{0.99 \sqrt{76356.62} \sqrt{10353.24}} =$$

- 1) When correlation is between 0.5 and 1 is high correlation
- 2) When it is below 0.5 it is low correlation

There is high degree of positive Correlation between total advances & SHG advances.

XI. SUGGESTIONS

- 1) The bank income is totally depending on the interest so when the Disbursement is high they will get more profit but is more risky.
- 2) Most of the beneficiaries in rural areas are illiterates. Hence, the banks may organise training and development programmes for motivation of the beneficiaries.
- 3) Micro finance has been instrumental in empowering women; therefore more effort should be put for women's development through micro finance.
- 4) Loans can be given to any product having high and continuous demand. This means that it is the success potential of the product and not the face of SHG which should be considered in giving the loan.
- 5) Following steps can to be taken to create repayment in

SHG.

- Stop future installments.
- Recover more and give less.
- All members should be involved for the repayment of each member.

A Survey also has revealed that the loan size should be restricted to a tune of Rs 10 Lakhs per annum per SHGs.

XII. CONCLUSION

Poverty today has become a global issue to eliminate poverty micro finance emerged has a ray of hope for the poor. The micro finance is provided by the some rural banks only, to develop Poverty the micro finance will be provided by all commercial banks. SHG based micro finance which has now developed deep roots in many parts of the country. Micro finance have been established firmly but the peoples mindsets are the biggest road block in the success of an innovation it may will be one of the most important step in the saga of MF. It also starts programs to bring about world wide awareness.

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