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## Self Help Groups – An Accelerator of Financial Inclusion.

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### Abstract

*This paper provides insights into the importance and functioning of SHGs to ensure financial inclusion and sustainable development in India. Therefore the paper is discussing the financial inclusion, SHG and its digitisation, SHG Bank Linkage program and its current status.*

Key words- Financial inclusion, self-help groups, Women empowerment, digitization

### Introduction

Accessibility to finance by the poor and disadvantage groups is an essential for poverty alleviation and economic empowerment. For inclusive growth and sustainable development availability of financial services is prerequisite. Financial inclusion refers that availability of financial services at a reasonable cost to the vast sections of the underprivileged and less-income groups. The main objective is to spread various financial services include savings, credit, insurance and remittance facilities of the financial system to the people with low incomes. Through gradually the poor can lift their living conditions from one stage to another, so the financial inclusion process that can lift up the poor to come out of poverty.

### Financial Inclusion in India

Financial inclusion is emergent as a priority for a nation's economic development. The Reserve Bank has implemented a multi – pronged strategy for enhancing the outreach of financial services through entire Spectrum of the financial system which comprises Commercial Banks, Regional Rural Banks (RRBs), Union Co-operative Banks (UCBs), Primary Agricultural Credit Societies (PACs), post offices, Self-Help Groups (SHGs) and Microfinance Institutions (MFIs) to meet the financial service requirements of the poorer segments. To reach the un-reached the Government of India and Reserve Bank India has been introduced many programs since India's independence.

YEAR	EVENT
1969-71	Nationalization of major Private Banks
1972	Mandatory system of Priority Sector Lending
1982	Establishment of NABARD
1975	Establishment of Regional Rural Banks
1992	Piloting and mainstreaming of SHG movement
1998	Kisan Credit Card
2008	Use of Banking Correspondents
2011	regulating MFI operations
2014	Launch of PMJDY - large scale opening of savings accounts by banks
2016	Large scale initiative to promote digital transactions
	branch expansion, penetration of ATM
	UPI, BHIM, Aadhaar Pay, e-KYC
	Mobile as Outreach Mechanism
2020	Corporates entered as Business Correspondents. Fintech Innovation

## Self Help Groups (SHGs)

A voluntary association of 10-20 poor people, preferably from the same village & socio-economic background who come together to save and lend to each other. It is a small association of poor people for a purpose to solve their common problems through mutual help. It promote small savings among its members and such savings are deposited in a bank in the name of SHG as collective fund. This funded surplus is used for intra- group lending to their members as loan, with a small interest. After six months of commencement, the groups become eligible to avail government grants and schemes if their functioning found smooth and satisfactory. SHGs have low transaction cost and less risk cost for banks and act as effective intermediaries at the grass root level. SHGs provide door step financial services to poor which act as business correspondents to banks for extending financial inclusion. SHGs have unique characteristics such as Informal nature , decentralised design , small community based, Savings-led , door step financial services ,democratic functioning ,less transaction costs of banks ,creation of social capital and sustainable inclusion through households.

## Role of SHGs

- To mobilize the resources of the individual members for their collective economic development and uplifting the living conditions of the poor
- .To create a habit of savings and utilization of local resources in form of utilizing individual skills for group interest.
- To create awareness about rights that help in financial assistance.
- To act as a media for socio-economic development of the village.
- To develop linkages with institutions of NGOs.
- To help in recovery of loans.
- To gain mutual understanding, develop trust and self-confidence.
- To build up teamwork.
- To develop leadership qualities.



- To use as an effective delivery channel for rural credit

## Current Status of SHGs

Table.1

year	Number of SHGs No .in Lakhs
1992	0.255
2000	2.00
2010	69.59
2020	102.43

Source:www.nabard.com

## SHGs and Women empowerment

Financial independence makes a woman assertive and empowered. Financially empowered women are a bulwark against societal evils. Women empowerment especially in rural areas leads overall development of the society. SHGs has now become the largest coordinated financial inclusion programme in the world with more than 95% of the groups being exclusively women groups, the programme has provided a much needed push to women empowerment in the country. So far 45 lakh women self help groups have been created with five crore active women participants... in fact these groups have added one more earning member in these five crore families in rural areas. India's SHG movement has evolved from small savings and credit groups that sought to empower poor rural women, into one of the world's largest institutional platforms of the poor. Now 67 million Indian women are members of 6 million SHGs and through the SHG route they escaped from poverty. To fight over Covid-19 more than 19 million masks have been produced by 20,000 SHGs across India. Furthermore, SHGs set up over 10,000 community kitchens across the country to feed stranded workers, the poor, and the vulnerable.

## SHG bank linkage program (SBLP)

India's Self Help Group (SHG) movement has emerged as the world's largest and most successful community based poverty alleviation and empowerment program. It is predominantly a women's movement.. In 1992, NABARD launched Self- help group Bank Linkage programme to fill the gaps between banking sector and excluded poor segment. SHG-BLP (self-help group-bank linkage programme) is a step towards bringing the 'unbanked' poor into the mainstream banking channel. SHG-BLP, which could link millions of rural poor to the formal banking system, could have been the main instrument for financial literacy and financial inclusion in the country.

SBLP having a wide network of rural bank branches in India reaching the poorest, whose credit requirements were very small, frequent and unpredictable, was found to be difficult. The SBLP had a modest beginning with 255 credit linked groups and loan amount of Rs.29 lakh in 1992-93. Since then the program has grown exponentially. In the process, SHGs emerged as a mass movement across the country and largest community based microfinance model in the world .

**Table 2 :Achievements of SHG-Bank Linkage Programme-2020**

Sr. No	Particulars	Total	
		Physical (No. in Lakhs)	Financial (₹ in crore)
1	<b>Total number of SHGs saving linked with banks</b>	102.43	26,152.05
(i)	Out of total SHGs - exclusive Women SHGs	88.32	23,320.55
(ii)	Out of total SHGs- under NRLM/SGSY	57.89	14,312.70
(iii)	Out of total SHGs -under NULM/SJSRY	4.69	1,523.57
2	<b>Total number of SHGs credit linked during the year 2019-20</b>	31.46	77,659.35
(i)	Out of total SHGs - exclusive Women SHGs	28.84	73,297.56
(ii)	Out of total SHGs – under NRLM/SGSY	20.49	52,183.73
(iii)	Out of total SHGs – under NULM/SJSRY	1.59	3,406.22
3	<b>Total number of SHGs having loans outstanding as on 31 March 2020</b>	56.77	1,08,075.07
(i)	Out of total SHGs - exclusive Women SHGs	51.12	1,00,620.71
(ii)	Out of total SHGs - under NRLM/SGSY	36.89	67,717.07
(iii)	Out of total SHGs - under NULM/SJSRY	2.67	5,466.87
4	<b>Average loan amount outstanding/SHG as on 31 March 2020 (in ` )</b>		1,90,371.18
5	<b>Average loan amount disbursed/SHG during 2019-20 (in ` )</b>		2,46,850.92
6	<b>Estimated number of families covered up to 31 March 2020</b>	1241	
7	<b>No of Banks and Financial Institutions submitted MIS (in number)</b>	470	

Source: [www.nabard.org](http://www.nabard.org)

## E- Shakti- Digitisation of SHGs

A pilot project launched by NABARD for digitisation of SHGs in the year 2015 in two districts and during 2016 and 2017 expanded to 100 districts across the country. It goals at digitisation of data of all SHGs for augmenting the ease of doing business with SHGs. ThThis pilot project known as E- shakthi is a root of Government of India's "Digital India" mission.

The objective at digitisation of SHG accounts to bring SHG members under the fold of Financial Inclusion which help them to access wider range of financial services together with credit appraisal and linkage by way of assimilating SHG members with the national mission Financial Inclusion scheme. It Improve the relationship between SHG members and Banks for efficient and hassle free delivery of banking services by using the available technology and facilitate merging of delivery system with SHGs using Aadhaar linked identity. Transparent and proper maintenance of records of SHGs will facilitate in fostering and strengthening of SHGs. It will be also helpful for SHGs credit linkage with banks.

Digital empowerment will help in bringing SHGs on a common web based e-platform. E-book



keeping for the SHGs help keeping accounts easy for low literacy clients. Digitisation package of SHGs provide information such as Member wise details of SHGs on saving, lending, attendance, SHG and member wise credit history, Financial statement of SHGs – Balance sheet and Profit and Loss account, Grading chart of SHGs, Micro Credit Plan of the SHGs, Audit report, Bank linkage details – savings and credit disbursement etc. E- Shakti platform will help in promoting national agenda of Financial Inclusion and ensure reliability of SHG data to overcome the issues related to multiple financing by banks.

## Conclusion

Sustainable development and the integration of all sections would be the ultimate benefits for India. The SHGs would lead to a strong community development ensuring eradication of social evils in the environment. It serve nearly 60 million people to relief from their basic problems and providing welfare and improved life. Digitisation of SHGs is 'one click' availability of the financial services of self-help groups enables Banks to pick good quality credit assistance. So SHGs would significantly contribute to achieve the goals of financial inclusion and inclusive growth systems

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