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**SELF HELP GROUP BANK LINKAGE PROGRAMME (SBLP) AS A TOOL FOR  
THE RURAL DEVELOPMENT**

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**ABSTRACT**

Rural populations are the major contributor of the Indian economy, for the overall development of the nation of sectors of the economy should be developed. The present paper is an attempt to study the status of the SBLP (Self Help Group Bank Linkage Programme) in India during the period of 2011-12 to 2020-21. The paper focus regarding origin and history of SHG, concept of microfinance, women empowerment and also how SHG is responsible for women empowerment. The paper also deals with the present status of SHG taking into consideration growth in numbers of SHG, its savings and loan disbursement. The study is based on secondary data obtained from the status of microfinance report of respective years. The result of the study shows that there is significant rise in the number of SHG linked with banks and also the amount of savings associated with them is increasing significantly. The paper also takes into consideration the amount of loan disbursed from the various financial institutions. From the study it can be concluded that SBLP has proved to be very important instrument for the development of the rural economy through women empowerment. It had been useful for raising the standard of living and thus the rural economy of the nation. Thus there is future scope for the formation of more successful SHG which will help to bring the below poverty line and poor population to the main financial institutions.

*Keyword: - SHG, Women Empowerment, Rural development, NABARD, Microfinance*

**1. INTRODUCTION**

Poverty is the major problem that many countries are still facing. Poor i.e. below poverty line population are still derived to have access to the financial institution as their formalities are hefty and required collateral. The existing banking policies, procedures and system are not suitable to meet the requirement of the poor. Formal institution also hesitates to finance the poor as it involved high transaction cost and high risk. . Hence to fulfill their financial need, they depend on money lenders who charge exorbitant rates of interest sometimes as high as 100%.which makes the poor more poor. As these populations are uneducated and far away from the government schemes, they become victims to such fraud and corruption. Government has implemented various macro-approaches to improve the GDP of the nation and also focusing on the key sector like infrastructure, banking and other service sector. But these facilities fail to reach the poor section of the society i.e. below poverty line. The overall development of the our country is possible only when the quality of life of the citizens of the nation can be effectively improved by raising the standard of living of the people on the street and backward areas. Social empowerment in general and women empowerment in particular is very fundamental in achieving this goal. Villages 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. NABARD recommended that alternative policies, systems and procedures should be put in use to save the poor from the clutches of moneylenders. Thus microfinance was introduced in the banking system. The government of India introduces various schemes to reduce poverty and to promote the gainful employment. But the more attractive scheme with the less effort (finance) is “Self Help Group” which become the vehicle of change for the poor and marginalized. It is to remove poverty and improve the rural development through participation of women in the

country's economic development. The paper aims to explain the origin and history of Self Help Groups, its role in women empowerment and poverty alleviation and also help us to understand the present scenario of Self Help Groups in India.

### **1.1 Objective of the study**

- To study the structure, operations and performance of Self-Help Group.
- To study the importance and role of the Self Help Groups and Micro-finance in poverty alleviation and empowerment of women.
- To analyze the growth of Self Help Groups in India.

### **1.2 Research methodology**

The present study is the descriptive study to know the position of microfinance in context to Self Help Groups in India. The study is based on secondary data. The research design and methodology devised in this paper is being presented which has been designed keeping in mind the focused objectives and with the aim of acquiring accurate and authentic data. Data have been found out from different books, newspapers, research paper, NABARD and Government's annual report and journals.

## **2. ORIGIN AND HISTORY OF SELF HELP GROUPS IN INDIA CONCEPT OF MICROFINANCE**

The concept of microfinance is not new. Savings and credit groups that have operated for centuries. Formal credit and savings institutions for the poor have also been around for decades, providing customers who were traditionally neglected by commercial banks to obtain financial services through cooperatives and development finance institutions. Its origin can be traced back to 70's, when Muhammad Yunus set up the Grameen Bank, as experiment, on the outskirts of Chittagong University campus in the village of Jobra, Bangladesh. Mohammed Yunus was awarded the Noble Prize for application of the concept of microfinance. Micro-financing is regarded as a tool for socio-economic improvement in a developing country like India. It is expected to play a significant role in poverty alleviation and development. India has adopted the Bangladesh model in modified form and now India occupies a significant place and a niche in global microfinance through promotion of the SHGs under SHG-Bank Linkage (SBL) programme and the Microfinance Institution (MFI) model. Micro finance is defined 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 their standard of living. [1]. Micro finance is a programme for the poor and by the poor to mobilize the savings and use them to meet their financial needs [2]. The Task Force on Supportive Policy and Regulatory Framework for Micro Finance has defined Micro Finance as “the provision of thrift, credit and other financial services to the poor in rural, semi-urban and urban areas to help raise their income levels and improve their living standards” [3]. Microfinance is the form of financial development that has its primary aim to alleviate the poverty [4]. According to Asian Development Bank “Microfinance is the provision of broad range of financial services such as deposit, loans, payment services, money transfers and insurance to poor and low income household and their micro enterprises”[5]. Micro finance is a broad term that includes deposits, loans, payment services and insurances to poor. The concept of micro finance and micro credit are used interchangeably. But micro credit does not include savings; hence micro finance is more appropriate term. Microfinance is a term used for the practice of providing financial services such as micro credit, micro savings and micro insurance to poor people. In India, the beginning of microfinance movement could be traced to Self Help Group (SHG)

– Bank Linkage Programme (SBLP) started as a pilot project in 1992 by NABARD [6]. This programme proved to be very successful and has also developed as the most popular model of microfinance in India [7]. In India, the institutions which provides microfinance services includes:-NABARD, Small Industries Development Bank of India (SIDBI), Rashtriya Mahila Kosh, Commercial Banks, Regional Rural Banks, Co-operative Banks and Non Banking Financial Companies (NBFCs).

### **2.1 Concept of Self Help Group**

Self Help Groups was started as a pilot program on the recommendation of S K Kalia Committee. SHGs are now well established and accepted globally in general and in India, in particular. SHGs represent a unique approach to financial intermediation [8]. The SHG is an informal organization of persons from the homogeneous poor section of the society, who come together for addressing their socio economic problems and it is controlled and managed by the members itself. It is an association of 10 to 20 local individual members who are financially weak and from the same socio-economic backgrounds. The members were linked together by a degree of affinity based on relationships of trust and support; they were also often homogeneous in terms of income or of occupation (for example, agricultural labourers), but not always. Caste and creed played a role, but in several groups affinity relationships and economic homogeneity were stronger; as a result, several groups included different castes and creeds [9]. These groups start with saving and not with credit; the group then uses its savings to give loans to members to meet their emergency and other needs. The members decide on savings per members, maximum size of loans, guarantee mechanisms in loan sanction. Members’ savings are initially used to issue small loans to needy members. After gaining some experience of credit handling, SHG is issued bigger amount of loan by a commercial bank and members are free to decide the end use of this loan, its purpose, repayment installment, etc. without any interference of the promoting NGO or the bank since SHG is responsible to the bank for repayment of the loan. NABARD has offered a basic framework to the nationalized commercial banks for this purpose which prohibits insistence on collateral and any direct subsidy [10]. Under SBLP (Self Help Group Bank Linkage Programme) following models have emerged

Model 1- SHG promoted, guided and financed by banks.

Model 2- SHG promoted by NGOs/ Govt. agencies and financed by banks.

Model 3- SHG promoted by NGOs and financed by banks using NGOs/Formal agencies as financial intermediaries.

Model 2 has emerged as the most popular model under the SBLP, Commercial banks, co-operative banks and the RRBs have been actively participating in SBLP. SHGs both by definition and in practice are a group of individual members who by free association come together for a common collective purpose [11]. The SHG strategy is an important component of the Government’s overall thrust to mitigate poverty and has been included in every annual plan since 2000. This period of 30 years can be divided broadly into two phases [12].

Phase 1: During this phase NABARD focused on supporting NGO initiatives to promote SHGs and on analyzing their potential and performance. In 1987 NABARD first put funds into the SHG/SAG movement (in response to a proposal from MYRADA submitted in 1986). In 1987 it provided MYRADA with a grant of 1 million Indian rupees (Rs) to enable it to invest resources to identify affinity groups, build their capacity and match their savings after a period of 3-6 months. The grant was based on MYRADA’s experience in promoting SHGs since 1985 and the initiative of the NABARD chairperson at that time, Shri P.R. Nayak. As a result of the feedback from this initiative, in 1989 NABARD launched an action research

project in which similar grants were provided to other NGOs. After an analysis of this action research, and owing to the efforts of successive NABARD chairpersons and senior management, in 1990 RBI accepted the SHG strategy as an alternative credit model. NABARD (1992) issued guidelines to provide the framework for a strategy that would allow banks to lend directly to SHGs. Based on these initial experiences, the SHG-Bank Linkage Programme was launched in 1992 (this second phase is described in later part). Since then – and on the basis of its extensive network of officers – NABARD has promoted and monitored the SHG programme, provided funds for capacity building and innovation, and helped change policy to create an enabling environment.

Phase 2: The programme began in 1992 with a two-year pilot project to link 500 SHGs. It was indeed the pilot of the SHG-Bank Linkage Programme, although not of the SHG movement, with which NABARD had already been involved since 1987. Without that 1987 investment, the SHG movement would not have official recognition and ownership. In 1991-92, the NABARD started promoting SHGs in a large scale and it was the real take-off point for the SHG movement in India. With an addition to this, in 1993, the Reserve Bank of India (RBI) allowed SHGs to open saving accounts in banks and avail the banking services and it was the Scheduled Banks (SBs), Regional Rural Banks (RRBs) and the Government institutions like District Rural Development Agency (DRDA), local elected bodies and more than 3024 NGOs are collectively and actively involved in the promotion of SHGs towards booming economy [13]. As on 31<sup>st</sup> March 2021, the number of saving-linked SHGs stood 112.23 lakh covering 13.8 crore poor households. However, SHGs are also an instrument for the empowerment of poor and marginalized sectors. They have proved to be an effective instrument for changing harsh relationships in the home (gender- and tradition-related) and in society. This is especially true for those relationships arising from caste, class and political power, which have made it difficult for poor people to build a sustainable base for their livelihoods and to grow holistically [14]. Women and SHGs in many parts of the country have achieved success in bringing the women to the main stream of decision making. The SHG in our country has become a source of inspiration for women’s welfare. Formation of SHG is a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes. Self-help groups (SHGs) movement has made a silent revolution in the rural credit delivery system in India. SHGs have proved as an effective medium for delivering credit to rural poor for their socio -economic empowerment [15].

## **2.2 Women empowerment**

Women have the unique position in the society and the overall development of the country is not possible by neglecting them who not only constitutes half of the population but also plays a major role in the society development. The word women empowerment is defined as the process by which women take control and ownership of their choices [16]. Empowerment is a process of awareness and capacity building leading to greater participation, to greater decision making power and control and transformative action [17]. Empowerment of women signifies harnessing women power by making them aware about their social and political rights, their tremendous potential and encouraging them to work towards attaining a dignified and satisfying way of life through confidence and competence as person with self-respect, rights and responsibilities [18]. Empowerment as a concept was introduced at the International Women's Conference at Nairobi in 1985. The conference defined empowerment as "A redistribution of social power and control of resources in favour of women. It is “the process of challenging existing power relations and of gaining

greater control over the sources of power”. The United Nations has also strived hard in an incredible way to draw the due attention of the World Community on this issue in the past years. The essence to empower rural women lies in catalyzing appropriate economic activities at the grass root level and creating new opportunities for them to earn higher income in order to improve their standard of living [19].

The most common explanation of “Women’s Empowerment” is the ability to exercise full control over one’s actions. Thus, women empowerment occurs in real sense when women achieve increased control and participation in decision making that leads to their better access to resources. “Millions of women in our rural community know what unemployment means. Give them access to economic activities and they will have access to power and self-confidence to which they hitherto have been strangers”-Mahatma Gandhi. Empowerment is not about power over others, but power to achieve goals and aims. In brief, empowerment is a process of awareness and capacity building leading to greater participation to greater decision-making, power and control and to transformative action. Empowerments of women are an effective strategy to cope with gender biased discrimination and attain gender equality. The year 2001 had been declared by the Government of India as “Women’s Empowerment Year” to focus on a vision where women are equal partners like men”. In the past, the position of women was miserable in the society and even women were not ready to undertake any assignment or job due to many reasons like fear, shyness, male dominance in the society and parda system but time has been changed now. Women of today are not like the early days. Now, they are always ready to come forward and want more economic independence, their own identity, achievements, equal status in the society and greater freedom. And Government of India has provided for Self Help Groups (SHGs) to them so that proper attention should be given to their economic independence through self employment, entrepreneurial development and well being that ultimately leads to its contribution.

### **2.3 Self help groups for women empowerment**

SHGs have been emerged as a powerful instrument in order to alleviate poverty and for the empowerment of women in the rural economy. SHGs through the network of commercial banks, co-operative banks, regional rural banks, NABARD and NGO's has been largely supply driven and a recent approach in the provision of financial services to the poor and further upgrading their status in the society. In this way, SHGs are important not only to reduce rural poverty, to promote rural savings but also to increase gainful employment. Basically the role of SHGs is the poverty reduction in general and women empowerment in particular. Women and SHGs in many parts of the country have achieved success in bringing the women to the main stream of decision making. The women led SHGs have successfully demonstrated how to mobilize and manage thrift, appraise credit needs, maintain linkages with the banks and entrance financial self discipline. The SHG in our country has become a source of inspiration for women’s welfare formation of SHG is a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes. SHG is also a viable organized set up to disburse micro credit to the rural women and encouraging them together into entrepreneurial activities [20]. Micro finance programmes for women are promoted not only as a strategy for poverty alleviation but for women's empowerment as well [21]. The formation of self- Help Groups is “not ultimately a microcredit project but an empowerment process” [22]. The essence to empower rural women lies in catalyzing appropriate economic activities at the grass root level and creating new opportunities for them to earn higher income in order to improve their standard of living [23]. The formation of SHGs have benefited its members in numerous ways; not only have the assets, incomes and employment opportunities for the women but also

enhance the equality of status of women as participants, decision-makers and beneficiaries in the democratic, economic, social and cultural spheres of life [24]. The basic principles of the SHGs are group approach, mutual trust, organization of small and manageable groups, group cohesiveness, spirit of thrift, demand based lending, collateral free, women friendly loan, peer group pressure in repayment, skill training capacity building and empowerment [25]

Microfinance is expected to play a significant role in poverty alleviation and rural development particularly the rural women. The potential for growing micro finance institutions in India is very high the SHGs are the powerful instruments in eradicating the poverty and generating employment for rural poor particularly for women group [26]. Women are now participating in all productive activities and are at par with men. No doubt the SHG movement in India has been working in the right direction, but it is necessary to empower more and more women in social, cultural, economic, political and legal matters, for the interest of the family in particular and the nation in general. Microfinance to the rural SHGs is a way to raise the income level and improve the living standards of the rural women. The Self Help Groups have proved the way for economic independence of rural women.

### **3. PRESENT STATUS OF SHGS IN INDIA**

SHGs have become a powerful tool for the NGOs, bankers and the Govt. to help the poor population of the country. SHGs not only provide the financial help to the poor but also help them for their overall development in all aspects. It has made dramatic progress from 500 groups in 1992 to some 4,354,567 groups that have taken loans from banks [27]. With the help of this, SHG programme has become the common vehicle in the development process. About 13.8 crore poor households have gained access to formal banking system through SHG-bank linkage programme and 90% of these groups are only women groups [28]. Women can start economic activities through SHG movement. Even with the limited monetary help the members of SHGs could expand their horizon of productive activities which have become their means of living. Economic and social development took place with SHG movement. In this way, SHG concept is getting greater support from women as well as from the financial institutions. The concept of SHGs is proving to be a very important tool for the economic development of the India. Starting from a modest scale as a pilot in the year 1992, the SHG-Bank linkage programme has turned into a solid structure with more than 112.23 lakh credit-linked Self Help Groups (SHGs) covering over 13.8 crore poor households as on 31 March 2021. The total savings of these SHGs amounted to 37,477.61 crore. The following table shows the growth of SHGs in India.

**Table -1:** Physical growth of Self-Help Group-Bank Linkage Program in India  
(2011-12 to 2019-20)

Year	Cumulative Number of SHGs	Cumulative amount of savings (Rs. In Crores)	Savings per SHG
2011-12	79,60,349	6,551	8,230
2012-13	73,17,551	8,217	11,228
2013-14	74,29,500	9,897	13,320
2014-15	76,97,469	11,060	14,369
2015-16	79,03,002	13,691	17,323
2016-17	85,76,875	16,114	18,787
2017-18	87,44,437	19,592	22,406
2018-19	1,00,14,243	23,324	23,291

2019-20	1,02,43,323	26,152	25,531
2020-21	1,12,23,400	37,477.61	33,392

(Source: NABARD Annual Report 2011-12 to 2020-21)

From the above table it is clear that the SHGs are flourishing in India. It started as a small stone of just 500 SHGs in 1992-93 and now gets turned as a huge mountain of about 1,12,23,400 SHGs till 31<sup>st</sup> March 2021. Since the number of SHGs has the positive rise year after year, it can be stated that the poor population is accepting it for improving their standard of living. It emerges out as the means for empowering the women population and making them stable economically, socially and mentally leading to the overall development of the rural society. The status of the number of SHGs, their amount of savings has the continuous raise leading SHGs to flourish in India as the means for the poverty alleviation tool. The raise in the savings of the SHG is the indicator that reveals that it is strengthening and becoming capable more efficiently to meet the requirement of the members. It is also helping the members to develop the habit of thrift, which will be helpful to meet their emergency requirement leading to them to become self sufficient for their basic requirement.

**Table -2: SELF-HELP GROUP-BANK LINKAGE PROGRAMME**

Year (end march)	No. of SHGs linked (lakhs)	Loan Disbursed (crore)
2011-12	79.60	16534.77
2012-13	73.18	20585.36
2013-14	74.30	24017.36
2014-15	76.97	27582.31
2015-16	79.03	37286.90
2016-17	85.77	38781.16
2017-18	87.44	47185.88
2018-19	100.14	58317.63
2019-20	102.43	77659.35
2020-21	112.23	58070.68

(Source: Microfinance India State of the Sector Report 2011-12 to 2020-21)

Table- 2 exhibits the amount of the loan disbursed by the various financial institutions for strengthening of the SHGs. From the data it is clear that as there is rise in the number of SHGs simultaneously leading to the raise in the disbursement of the loan. It indicates that SHGs are rising not only in figures but also the raised loan disbursement indicates that they are efficiently serving the rural population for their overall development. From the above table it is clear that there is continuous rise in the disbursement of the loan, except in the year 2020-21, which may be the impact of lockdown due Covid- 19.

## **CONCLUSIONS**

From the present study we can conclude that the role of micro finance is incredible in the overall development of the country. SHGs as the tool of micro financing has served positively for raising the standard of living of the rural population specially women empowerment. The population of India has positively accepted SHG as the engine for their development. Due to the financial assistance that the members get through the SHG help them to have for the capital for starting any new venture, leading to the development of the rural society. It helps them to develop the habit of thrift among the poor women helping them to become independent and self confidence and also providing them equal opportunity in the family decision. SHGs have become the way of life for the poor population specially women by providing them self employment, entrepreneurial development and well

being. It has proved as a very powerful tool for government, NGOs and bankers to help the unreached poor. Thus SHGs has help to raise the standard of living of the population living on the street, helping the country to move towards it overall development. The physical growth of SHGs is very massive in our country thus becoming the model project for the other developing countries.

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