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## GROWTH AND DEVELOPMENT OF SHG AND MICRO CREDIT IN INDIA

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### Article Particulars

Received: 24.7.2017

Accepted: 26.7.2017

Published: 28.7.2017

### Abstract

*The present paper represents the Origin, Growth and Development of the micro credit programme in India. National Bank for Agriculture and Rural Development in India launched its pilot phase of the Self Help Group Bank Linkage programme in 1992. Self Help Groups have been recognized by the policy makers as the effective conducts for accomplishing the distributional objectives of monetary policy. The SHG-bank linkage programme has emerged as the largest micro credit programme in the world. The programme has made rapid progress since its inception in 1992. The progress under the SHG-Bank linkage programme has been quite impressive. Nearly 16.7 million families were assisted through this bank linkage programme. During the year 2016 loan disbursed in number of Self Help Group members are 18,32,000 and savings with bankers in number of Self Help Groups members are 79,03,652. The paper fulfills the growth of SHG from 2007 to 2016 and growth is expected to be increased by Introducing number of women beneficiaries.*

**Keywords:** Micro credit, Self Help Groups, NABARAD.

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### Introduction

“Micro credit is a critical antipoverty tool, a wise instrument in human capital. When the poorest, especially women receive credit, they become economic actors with power to improve not only their own lives, but in a widening circle of impact, the lives of their families, their communities and their relations”.

In most cases micro credit programmes offer a combination of services and resources to their clients in addition to credit for self employment. These often include savings facilities, training, networking and peer support. Loans under micro credit programme are very small, on an average less than Rs. 100. Micro credit targets the rural and urban households, with an emphasis on women borrowers, provision of

finance for creation of assets and their maintenance and bringing in greater quality of services. The beneficiaries are identified by micro credit providers themselves independently or through NGOs and Self Help Groups.

Micro credit through self-help group is a novel scheme introduced by the Reserve Bank of India to cater to the needs of small traders and those engaged in small business. The micro credit system provides for organisation of SHGs consisting of members with homogeneous economic interests. People with limited means join together as an informal group, approach the bank to raise loans individually and security for the loan is given in the form of a collective guarantee. The banks are assured of getting back their principal amount with interest since the borrowed funds are being used for undertaking some small economic ventures. The borrowed money is never used extravagantly and so the repayment capacity of the borrowers increases. The success of such micro credit depends largely on the confidence of the bankers on the borrowers and vice versa.

### **Micro Credit in India**

Before the nationalization of banks in India in 1969, co-operative banks were the main dispensers of small loans in the organized sector. Commercial banks were not easily accessible to small borrowers. Those were the days of security-oriented approach. Nobody could think of a loan, big or small, without a guarantor or mortgage of immovable property. Profit was the only motive of the banking.

Micro-credit is not a new idea in India. Research conducted in India by the National Bank for Agriculture and Rural Development (NABARD) during the early-'80s showed that despite a wide network of rural bank branches which implemented specific poverty alleviation programmes that sought creation of self-employment opportunities through bank credit for almost two decades, a very large number of the poor continued to remain outside the fold of the formal banking system. Entrance of major players in micro credit aimed at uplifting the poorest of the poor with the help of micro credit. Gradually there was establishment of Regional Rural Banks (RRBs), Deposit Insurance and Credit Guarantee Corporation (DICGC), National Bank for Rural and Agricultural Development (NABARD), Small Industrial Development Bank of India (SIDBI), Export Credit Guarantee Corporation (ECGC) and the latest Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE).

### **Micro Credit in Tamil Nadu**

Tamil Nadu being a welfare State, the purposeful endeavors of the Government are aimed at the social, economic and political upliftment of the people in the rural areas. Rural development aims to improving the rural lives with the participation of the rural masses. The concept of rural development aims the social and economic development of the rural areas. Rural development in Tamil Nadu is concerned with the economic growth, social justice and improvement in the living standards of the

rural people, by deploying an efficient delivery mechanism to provide adequate quality services and essential minimum needs.

The primary motive of the Tamil Nadu Government elimination of poverty and delivery of high quality services are the basic premises upon which the planning of rural development is based and concerted efforts of Tamil Nadu Government have improved the living standards and set the benchmark for the quality of rural lives. So far, rural development planning to accomplish the above objectives was done at the Panchayat level, which is the basic structural unit of development process.

But, rural people consider that the planning process should be done at the habitation level for fulfilling all their basic needs. To fulfill the people's expectation, Planning and Implementation of the rural development schemes were introduced at the level of habitation. Out of 12,620 Village Panchayats in the State, 96 Village Panchayats are merged with the Municipalities and Corporations. As such there are 12,524 Village Panchayats in the State, with 79,394 habitations and only a micro level planning at habitation level should pave the way for reducing the rural-urban divide. Further, the rate of increase in the percentage of urbanisation of rural Tamil Nadu over the past decade indicates a blatant migration of people to the urban and semi - urban areas and this can be checked only if the amenities available in urban areas are provided in the rural areas.

Tamil Nadu Corporation for Development of Women Limited (TNCDW) with the object of overall development of women including education, upgradation of skills etc., to improve the quality of life of women. Tamil Nadu Government strived hard to ensure the gender equality within the frame work of a democratic polity. The Tamil Nadu Corporation for Development of Women has now evolved into a massive movement and has substantially empowered the women folk, especially in rural areas. Tamil Nadu Corporation for Development of Women Limited (TNCDW) activities are identified as the first step towards Micro credit in Tamil Nadu.

### **Tamil Nadu Corporation for Development of Women**

Tamil Nadu Women's Development Project funded by International Fund for Agricultural Development (IFAD), initially started on an experimental basis during 1991-92 in Dharmapuri District was later extended to Salem, South Arcot, Madurai and Ramanathapuram Districts during the period from 1992-1993. During 1995-96, the project started gaining wide acceptance among women and was taken up as a model for future growth and extended to all other districts in a phased manner, targeting poor families and marginalized sections of the society as a State funded programme. Tamil Nadu Corporation for Development of Women became the focal point for women empowerment activities due to its key role as the prime organisation spearheading the Self Help Groups movement in the State. A small homogeneous group of poor women consisting of 12 to 20 members, for their development voluntarily formed to promote savings and mutually agreeing to contribute a common fund to be

lent to its members as per the group's decision is called as "Self Help Group". The members have to be in the age group of 18-60 years. The members and office bearers of the Self Help Groups promoted by MahalirThittam are provided systematic training to bring about qualitative changes in their attitude and to promote cohesion and effective functioning of the group.

### Growth and Development of SHG in India

SHG has been oriented towards poverty alleviation lending money to the marginal clients with little profitability to micro finance institution. The NABARD programme is to link the formal and informal sector with the financial sector in order to serve the poor especially women at least feasible cost. The strategy of micro credit has been development by NABARD through the vehicle of SHG. The following table is number of SHG in India 2005 to 2016. The number of SHG is year wise increased in continuously.

**Table No. 2.1 Growth and Development of SHG in India**

Sl. No	Year	No of SHGs	Increase/Decrease	Growth Rate
1	2005-2006	16,18,476	-	-
2	2006-2007	23,38,565	7,20,089	44.492
3	2007-2008	29,24,973	5,86,408	25.076
4	2008-2009	34,66,335	5,41,362	18.508
5	2009-2010	45,47,809	10,81,474	31.199
6	2010-2011	67,56,374	22,08,565	32.689
7	2011-2012	70,05,032	2,48,658	3.68
8	2012-2013	72,14,823	2,09,791	2.995
9	2013-2014	74,78,990	2,64,167	3.661
10	2014-2015	76,05,764	1,26,774	1.695
11	2015-2016	79,89,326	3,83,562	5.043
Y2020 = 407863.9 + 90750.02 (9)				
Expected value for the year 2020 is = 12,26,614.08				

**Source:** NABARD Annual Report

From table 2.1 it is clear that the SHG has increased from 16,18,476 groups in 2005-2006 to 79,89,326 SHGs in the year 2015-2016, because many below poverty line women are starting their own business in their own efforts to fulfill their basic requirements and self-requirements and to eradicate the poverty in the society, and to fulfill their needs they formed as an SHG's, while compared to 2005 to 2016 so many SHGS have been increasing because they are aware about the availability of micro credit schemes provided by the government. Growth of SHG members in India for the year 2020 is expected to be 12,26,614.08.

### Growth of Micro Credit through SHG

Growth of SHG and micro credit is completely linked with banks. Banks play a major role in the SHG-Bank Linkage Programme in India.

Table 2.2 Growth of Micro Credit through SHG

(as on 31 march) Amt. in Rs. Crore

Sl.No	Loan disbursed during the year		Loan outstanding		Savings with bankers	
	No. of SHG	Amount	No. of SHG	Amount	No. of SHG	Amount
2007-2008	11,05,749	6,570	28,94,505	12,36,649	41,60,584	3,513
2008-2009	12,27,770	8,849	36,25,941	17,00,000	50,09,794	3,785
2009-2010	16,09,586	12,254	42,24,338	22,679,84	61,21,147	5,546
2010-2011	15,86,822	14,453	48,51,356	28,03,800	69,53,250	6,199
2011-2012	11,96,000	14,548	47,87,000	31,22,100	74,62,000	7,016
2012-2013	11,48,000	16,535	43,54,000	36,34,000	79,60,000	6,551
2013-2014	12,19,821	20,585	44,51,434	39,37,500	73,17,551	8,217
2014-2015	13,66,421	24,017	41,97,338	42,92,700	74,29,500	9,897
2015-2016	16,26,238	27582	44,68,180	51,54,500	76,97,469	11,059
2016-2017	18,32,000	37860	46,73,000	57,11,900	79,03,652	13,691

**Source:** NABARD Annual Report

The table 2.2 shows that the loan disbursed, loan outstanding and savings with bank from 2007 to 2016. In the year 2016 loan disbursed for number of SHG's are 18,32,00 and amount of loan disbursed during the year is 37,860 because, The SHG members more interested, motivated and willing to get loan from the banks. Loan outstanding for number of SHG's is 46,73,000 and amount of loan outstanding during the year 2016 is 57,11,900. The loan outstanding rate is increasing year by year. Because women are facing various obstacles in the loan repayment, like social problem, business problem etc., And savings with bankers for number of SHG is 79,03,652 and amount of savings is 13691. In the year 2007 loan disbursed for number of SHG's 11, 05,749 and amount of loan disbursed during the year is 6,570. The loan outstanding for number of SHG's is 28,94,505 and amount of loan outstanding during the year 2007 is 12,36,649 and savings with bankers for number of SHG is 41,60,584 and amount of savings is 3513.

### Growth and Development of SHG in Tamilnadu

The following table 2.3 shows on progress in micro credit in Tamilnadu. The Number of SHG in Tamilnadu report is deliver that Tamilnadu Corporation of Development women Ltd., 2006- 2016.

Table 2.3 Growth and Development of SHG in Tamilnadu

Sl.No	YEAR	No of SHGs	Trend value
1	2006-2007	97,778	46863.82
2	2007-2008	1,35,184	1,37,613.84
3	2008-2009	2,03,188	2,28,363.86
4	2009-2010	2,89,152	3,19,113.88
5	2010-2011	4,10,385	4,09,863.9
6	2011-2012	4,90,675	5,00,613.92
7	2012-2013	5,49,144	5,91,363.94
8	2013-2014	5,69,443	6,82,113.96
9	2014-2015	6,33,468	7,72,863.98
10	2015-2016	6,74,956	8,63,614

**Source:** TNCDW Annual Report (2006-2016)

The above table shows that during the year 2015-2016 number of self help group has been increased to 6,74,956 and its trend value is expected to be 8,63,614 because

Tamil nadu government have motivated the women under various schemes of panchayat level federations. And in the year 2006 to 2007 number of self help group has been decreased to 97,778 and its trend value is 46863.82. During the year 2007-08 suddenly increasing the SHG members because in this year SHG's have achieved especially in case of women beneficiaries by implementing SHG's in various areas by encouraging entrepreneurial activities.

### Conclusion

Micro credit programme has become an important tool to eradicate poverty in India. It is gathering momentum to become a major force in India. The self-help group (SHG) model with bank lending to groups of poor women without collateral has become an accepted part of rural finance. In India forming and nurturing small, homogeneous and participatory self-help groups (SHGs) of the poor has today emerged as a potent tool for human development. This process enables the poor, especially the women from the poor households, to collectively identify and analyse the problems they face in the perspective of their social and economic environment. It helps them to pool their meager resources, human and financial, and prioritise the use of resources for solving their own problems. SHG-Bank Linkage Programme has proved to be the major supplementary credit delivery system with wide acceptance by banks, NGOs and various government departments. The impact on their lives is not just an economic one -gaining more self-confidence is often a more lasting achievement that forms the basis for social and economic improvements.

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