

# Regional Spread Of SHG-Bank Linkage Programme: A Comparative Growth Analysis

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## INTRODUCTION

NABARD has been instrumental in facilitating various activities under the microfinance sector, involving all possible partners at the ground level in the field. NABARD has been encouraging voluntary agencies, bankers, socially spirited individuals, other formal and informal entities and also government functionaries to promote and nurture SHGs.

Realizing the paucity of credit facilities for the poor rural women, NABARD sponsored an action research project in 1987 through an NGO called MYRADA. For this purpose a grant of Rs. 10 lakhs was provided to MYRADA for an R&D programme related to credit groups. Encouraged by the results of field level experiments in group based approach for lending to the poor, NABARD launched a Pilot Project in 1991-92 in partnership with Non-governmental Organizations (NGOs) for promoting and grooming self-help groups (SHGs) of homogeneous members and making savings from existing banks and within the existing legal framework. Steady progress of the pilot project led to the mainstreaming of the SHG-Bank Linkage Programme in 1996 as a normal banking activity of the banks with widespread acceptance. The RBI set the right policy environment by allowing savings bank accounts of informal groups to be opened by the formal banking system.

NABARD provides capacity building assistance and financial support to its partners for the promotion and broad basing of microfinance operations. As part of its efforts to link larger number of SHGs to the banking system, NABARD also focuses on training and sensitisation of partner agencies, through various interventions. NABARD continued to provide 100 per cent refinance assistance to banks for financing SHGs. During 2009-10, Rs.14453.30 crore was disbursed as loan to SHGs by various banking institutions. Banks had availed of refinance to the tune of Rs.3173.56 crore from NABARD during the same period. As on 31 March 2010, the bank loans outstanding to the SHGs aggregated Rs.28038.28 crore, while cumulative refinance availed of by the banks aggregated Rs. 12861.65 crore. (NABARD 2010).

A review of literature on microfinance justifies the claim that it has been able to provide a network which supports and encourages the poor - especially poor women - to save and increases their reliability worth as small borrowers in developing countries, though the question about the sustainability of these programmes can be raised. Moreover studies report