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**A STUDY ON INSTITUTIONAL SUPPORT TO THE SELF-HELP GROUP IN MAHARASHTRA**

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**Abstract:**

*In promoting alternate credit delivery system, self-help groups can be broadly termed group organization among women labour force, those promoting savings by inoculating spirit of thrift and enabling provision of credit for members. The present paper highlighted the role of banking sector in promoting self help group. The study area of the research is Maharashtra. It has been observed that public sector bank's role is very important in providing financial support to the self-help group in Maharashtra as compare to private banks. It is found that public sector banks like Bank of Maharashtra (36.7 %), Central Bank of India (12.6%) were giving significant institutional support in SHGs.*

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**Key words:** Institutional Support, SHGs, etc.

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**Introduction:**

Self Help Groups have the probable to bring together the formal banking structure and the rural poor for common benefit. Studies conducted by NABARD in a few states to assess the impact of the linkage project have brought out inspiring and positive features like increase in loan size of the SHGs, definite shift in the loaning pattern of the members from non-income generating activities to production activities, nearly 100 per cent recovery performance, significant reduction in the transaction costs for both the banks and the borrowers etc., besides leading to a steady increase in the income level of the SHG members. Another significant feature observed in the linkage project is that about 85 per cent of the groups linked with banks were formed completely by women. Understanding the importance of SHG Bank linkage, banks have been directed to meet the entire credit requirements of SHG members, as predicted in Paragraph 93 of the Union Budget announcement for the year 2008-09, made by the Honorable Finance Minister, wherein it was stated as under: "Banks will be encouraged to embrace the concept of Total Financial Inclusion. Government will request all scheduled commercial banks to follow the example set by some public sector banks and meet the entire credit requirements of SHG members, namely, (a) income generation activities, (b) social needs like housing, education, marriage, etc. and (c) debt swapping". Linking of SHGs with banks has thus been emphasized in the Monetary Policy Statements of Reserve Bank of India and

Union Budget announcements from time to time and various guidelines have been issued to banks in this regard. Banks should provide adequate incentives to their branches in financing the Self-Help Groups (SHGs) and establish linkages with them, making the procedures simple and easy. The group dynamics of working of the SHGs need neither be regulated nor formal structures imposed or insisted upon. The approach to financing of SHGs should be totally hassle-free and may also include consumption expenditures. Accordingly, the following guidelines should be adhered to enable effective linkage of SHGs with the banking sector. Self Help Group is voluntary associations of women or men residing in a given area formed democratically and without any politically association. According to NABARD, Self Help Group is a homogeneous group of rural poor voluntarily formed to save whatever amount they can conveniently save out of their earnings and mutually agree to contribute to the common fund of group to be lent to their member for meeting their productive and emergent credit needs. The basic principles on which self-help group's function are group approach, mutual trust, organization of poor manageable small 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. In promoting alternate credit delivery system, self-help groups can be broadly termed group organization among women labour force, those promoting savings by inoculating spirit of thrift and enabling provision of credit

for members. SHGs are homogeneous group of 10 to 20 women each. These women select their own leaders and also fix the tenure for such leadership. Self-Help Groups are extremely helpful in allowing the NGOs to know a large number of individuals intimately and to relate them in variety of way including facilitating credit availability. Through peer pressures exercised by the members, each member can be made available for her/him through a financing institution. The Self-Help group also serves as decentralized centers of administration for NGOs who take responsibility for forming those self-help groups.<sup>1</sup>

#### **Role of the NABARD and banks:**

##### **NABARD**

1. Capacity building among partner Institutions.
2. Loan fund Support.
3. Support to government and formal Institutions.
4. Support to NGOs.
5. Support to VVV clubs/farmers clubs.
6. Support to independent volunteers of social workers.

##### **Banks**

1. Providing credit to the groups for the internal lending.
2. Providing credit to the joint ventures undertaking by the groups.
3. Providing credit to individual members of SHGs for activities.
4. Capacity building of staff members.
5. Capacity building of SHGs through training and SHG meets.

##### **Definitions of SHG**

1. "Self-help is a trust, belief, and conviction that the community, no matter how backward, has resources that can be mobilized for meeting individual's local needs and that of the community for making local improvements and bringing about social change.<sup>2</sup> NABARD has defined it as "a group of 20 or less people from a homogenous class who are willing to come together for addressing their common problems. They make regular savings and use the pooled savings to give interest-bearing loans to their members. The process helps them imbibe the essentials of financial intermediation including prioritization of needs, setting self-determined terms for repayment, keeping books and records. It builds financial discipline and credit history

that encourages banks to lend to them in certain multiples to their own savings and without any demand for collateral security."<sup>3</sup>

2. "Self Help Groups are voluntary unions of peers formed for mutual assistance in accomplishing the economic gain and to change the quality of life."<sup>4</sup>

As per Oscar Pereira the basic unit that can access a microfinance scheme is called a Self-Help Group or a SHG is a group of a few individuals (usually between 5 to 25), usually poor and very often the rural women who pool their savings in a fund from which they can borrow as and when necessary.<sup>5</sup>

In brief, the concept of SHGs is very significant for poor people, especially the rural women those who don't have any alternative for living. The empowerment of women through SHG would lead to benefit not only to the individual women and women groups but also for their families and community as a whole through collective action for development. These groups have a common perception of need and impulse towards collective action. Empowering women, not just for meeting their economic needs, but also through more holistic approach is required to bring about desirable social development.

##### **Objectives:**

1. To understand the linkage between Banks and Self-Help Group.
2. To elaborate the institutional support to the SHGs in Maharashtra.

##### **Methodology:**

For the present paper researcher has used Primary and secondary data, i.e., reports published in various articles, newspapers, websites, interview, and internet. Primary data is collected from 1000 respondents from various district of Maharashtra.

##### **Institutional Support to the SHGs**

Financial institutional support is the significant factor for the development of SHGs. The bank loan or credit is the important source for the Self Help Groups in India. It is always sanctioned and distributed in the name of group and not in the name of individual. Table 1 and graph no. 1 presents institutional support for SHGs in study area. Out of total respondents, 51.7 % (maximum) respondents had opined that Public Sector Banks are supporting the SHGs, followed

<sup>1</sup>Sonawane A.(2015),Economic empowerment of women through Self-help groups, ChandralokPrakashan, Kanpur, p.37

<sup>2</sup> www.megselfhelp.gov.in

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<sup>3</sup> Karnataka Human Development Report 2005, Self-Help Groups: Empowerment through participation p.209

<sup>4</sup> www.aicmen.org Retrieved on Dec.2010

<sup>5</sup> www.megselfhelp.gov.in Retrieved on 29 Dec.2010

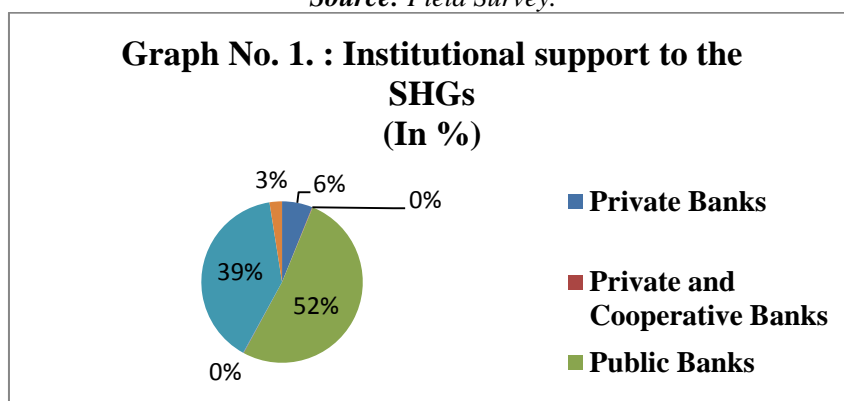
by 39.5 % respondents, who had opined that Co-operative Banks were giving support to the SHGs. Whereas, only 0.2 % (minimum) respondents had opined that Private and Co-operative and Public and Co-operative Banks

also gave support to the SHGs. Table No. 1 clearly shows that even today Public Sector and Co-operative Banks' contribution is significant to provide the institutional support to the SHGs and its members in the Maharashtra.

**Table 1. Institutional Support (%) to the SHGs**

Sr. No.	Institute	Frequency	Percent
1	Private Banks	61	6.1
2	Private and Cooperative Banks	01	0.1
3	Public Banks	517	51.7
4	Public and Cooperative Banks	01	0.1
5	Cooperative Banks	395	39.5
6	No response	25	2.5
	<b>Total</b>	<b>1000</b>	<b>100</b>

*Source: Field Survey.*



**Graph 1: Institutional support to the SHGs (In %)**

**List of Banks supporting SHG in Maharashtra**

Table number 2 and graph number 2 shows bank wise support to the SHGs in study area. Out of total respondents, 36.7 % (maximum) respondents had opined that Bank of Maharashtra and from Public Sector Banks made significant contribution in case of financial support to the SHGs, followed by 12.6 % respondents had opined that Central Bank of India from Public Sector Banks made significant contribution to provide financial support to the

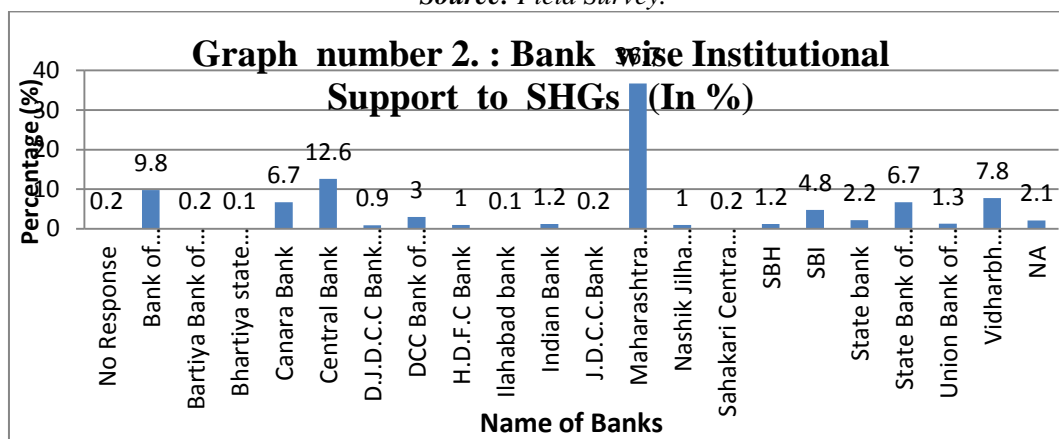
SHGs. Whereas, only 0.2 % respondents had opined that Allahabad Bank and Bhartiya State Bank made significant contribution to provide financial support to the SHGs. From this data, it is found that Bank of Maharashtra and Central Bank of India from public sector banks made significant contribution to provide financial support to the SHGs (i.e.36.7 (maximum) and 12.6% respectively).

**Table 2. : List of Banks (%) Supporting SHGs in Maharashtra**

Sr. No.	Name of Bank	Frequency	Percent
1	No Response	02	0.2
2	Bank of Maharashtra	98	9.8
3	Bartiya Bank of Dastur Nagar	02	0.2
4	Bhartiya state bank	01	0.1
5	Canara Bank	67	6.7
6	Central Bank	126	12.6
7	D.J.D.C.C Bank Ltd	09	0.9
8	DCC Bank of Hattur	30	3.0
9	H.D.F.C Bank	10	1.0
10	Ilahabad bank	01	0.1
11	Indian Bank	12	1.2
12	J.D.C.C.Bank	02	0.2
13	Maharashtra Bank	367	36.7
14	Nashik Jilha Madyavarti Bank	10	1.0

15	Sahakari Centra bank	02	0.2
16	SBH	12	1.2
17	SBI	48	4.8
18	State bank	22	2.2
19	State Bank of India	67	6.7
20	Union Bank of India	13	1.3
21	Vidharbh Shetriy Gramin Bank	78	7.8
22	NA	21	2.1
	<b>Total</b>	<b>1000</b>	<b>100.0</b>

Source: Field Survey.



**Graph 2. : Bank wise Institutional Support (%) to SHGs**

#### Findings

1. It clearly shows that public sector (51.7 %) and co-operative banks (39.5 %) contribution is significant to provide the institutional support to the SHGs in the Maharashtra. (Table number 1)
2. It is found that public sector banks like Bank of Maharashtra (36.7 %), Central Bank of India (12.6%) were giving significant contribution in SHGs. (Table number 1)
3. It clearly shows that even today public sector and co-operative banks contribution is significant to provide the institutional support to the SHGs, 91.2 % (maximum) respondents had opinion that Public Sector Banks and Co-operative Banks are supporting the SHGs. (Table number 1)
4. It is found that Bank of Maharashtra and Central Bank of India from public sector banks made significant contribution to provide financial support to the SHGs (i.e.,36.7 (maximum) and 12.6% respectively). (Table number 1)

#### Suggestions

1. Bank's participation in SHG's movement is limited, therefore banks should increase their participation in development of SHGs.
2. Sufficient space is not available for the business by SHGs members. Therefore, the Government should provide sufficient space for business.

3. Most of the Central and State Governments' schemes are not able to approach SHGs members. Therefore, State and Central Government should take initiatives to avail various schemes to SHG members.
4. The contribution in saving by SHGs members is limited, therefore they are not getting sufficient loan from the SHGs. Thus, the proportion of saving by SHGs members should increase.
5. Many SHGs members don't available sufficient information of the Government schemes, therefore Government, banks, media and private business organizations should available free and sufficient information of the Government schemes, which is applicable to SHGs.

#### Conclusion:

The Self-Help Group Movement prevails in India for more than two decades. While there had been many success stories recorded, the growth as well as problems have many facets. This study concentrates on sustainability through economic stability and gives definite results to deduce clearly about the improvement of economic status of the members. At the same time the study opens door for more studies on different traits of SHG in Maharashtra. Institutional support and banking linkage programme playing very vital role for the development of SHGs in Maharashtra.

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