

Chapter : III

The Problems in SHGs – Bank Linkage Programme in Khatav Taluka.

3.1 Introduction

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3.1 Introduction

The SHGs – Bank linkage model has been accepted as direct Linkage model in India. It is arisen as one of the most suitable and sustainable model all over India. In this model, it is assumed that SHGs gain by sufficient financial facilities by micro-finance institutions directly. By collecting small savings from the members of SHGs and depositing it in bank, SHGs obtain group loan from the same bank for lending to their members. Hence, an emerging need is insisted to strengthen the SHGs- Bank linkage programme for having gainful impact of SHGs movement in Khatav Taluka. The SHGs – Bank linkage programme is now more than 15 years old. For having effective implementation of direct linkage model in Khatav Taluka, it was felt essential to focus on the crucial problems that creates the hurdles in SHGs-bank linkage programme in Khatav Taluka. By taking into account the need of revealing and understanding the major problems (obstacles) in SHGs-bank linkage programme, separate questionnaires were structured for president / secretary of SHGs as well as questionnaire for bank officers who are mostly belonged to the linkage programme in Khatav taluka. In this chapter an attempt has made to reveal and understand the major problems and obstacles faced by them, indulged in smoothly activating the SHGs-bank linkage programme at grass root level in Khatav taluka.

3.2 The Phenomenal Aspects of Questionnaire For President Secretary of SHGs.

According to the functioning module of SHGs- bank linkage programme, either president or secretary of SHG looks after and performs leadership role, in formation of SHG and its registration in the micro-finance institutions. He has to go through the number of process mainly related to registration of SHGs in micro finance institution, augmenting the saving and depositing it in micro finance institution and

getting the sanction of credit required to be allotment in the members of SHGs. In each of these steps, the president / secretary has to communicate and approach officers or development officers in micro-finance institutions. The phenomenal behavioral trend of officers in microfinance institutions towards the president / secretary of SHGs in activating perspective of SHGs determines the momentum of SHGs – bank linkage programme and fulfillment of the objectives of the programmes. Hence it was felt essential to reveal and understand the magnitude of co-operation of micro-finance institutions at varied levels and stages SHGs – bank linkage programme. The questionnaire was designed for revealing experience and attitude of president / secretary of SHGs, out of nineteen questions included in the questionnaire, some of the questions was strategically designed in such a way that by answering those questions, the presidents / secretary of SHGs will reveal their experience and attitude towards the number issues involved in SHGs-bank linkage programme.

The statistical analysis of the questionnaire designed for president / secretary of SHGs has revealed the number of phenomenal experience and opinion as below.

3.2.1 The Guidance and Co-operation by banks/NGO,s in formation and registration of SHGs

The SHGs-bank linkage programme starts with the beginning of process of formation of SHGs and getting it registered in bank. The president/ secretary nominated by members of SHGs looks after work of getting sanction of Registration of SHGs in banks. In that process the behavioural trend and approach of bank officers towards the guidance along with co-operation in registration process of SHGs, highly impact on inspiring active involvement in SHGs movements. Therefore to reveal the nature of guidance and co-operation being awarded by bank officers to SHGs was

measured by setting the question entitled as how much co-operation is gained/received by bank officer to SHGs at the level of formation of SHGs. Out of total sample SHGs, 20 per cent SHGs opined that the guidance and co-operation by bank was very poor and 60 per cent SHGs opined that it was of an average level. Only 10 per cent of sample SHGs have experienced good deal of guidance and co-operation at the stage of formation and registration of SHGs in banks. Thus overall response of president / secretary towards their experience pertaining to proper guidance and co-operation intended from micro-institutions was marginally positive.

After submission of required documents, the time taken by micro-finance institutions for registration SHGs in bank also reflects attitude of MFIs in launching the SHGs- bank linkage programme. It impacts on generating awareness among the members of SHGs pertaining to augmenting regular saving and preparation and determination of enterprising activities to be started. In this connection, sample SHGs revealed that, on an average MFIs have taken long standing period for registration SHGs. Out of total sample SHGs, more than 60 per cent president / secretary of SHGs revealed their experience as, time taken by MFIs in completion of registration process of SHGs was more than two months. Thus the problem of time-lags in registration process of SHGs in MFIs was revealed in the SHGs-bank linkage programme in Khatav Taluka.

3.2.2 The Rules and Regulation Perspectives For Making Regular Saving.

One of the objective of activating the SHGs movement in lower income group households is nurturing the habit of making regular savings among the members of SHGs. The rules and regulations pertaining to regularities and size of saving needs to be designed as a manner that would be affordable to member of SHGs. That certainly

impacts on willingness in joining the SHGs by lower income group families in SHGs movement. To understand the approach and attitude of members pertaining to affordable and reasonable condition of regular saving by SHGs in bank was checked. The sample SHGs checked in that perspective revealed that condition of making regular saving must be with relevance to the economic status of members of SHGs. More than 80 per cent of president/ secretary of SHGs belonging to the Below Poverty Line (BPL) SHGs opined that the present conditional rules and regulation for saving, discourages the BPL households in joining the SHGs. The condition of augmentation of minimum saving in prescribed time schedule may not be followed by the BPL households and that impact into non-willingness to join SHGs movement. The phenomenal size and time schedule perspectives of augmentation of savings by SHGs members as prescribed by MFIs vastly influences adversely on approaching to the MFIs for formation of SHGs especially by BPL families. Thus the conditions regarding making savings for affording credit and strict observance of prescribed rules of saving – credit ratio was found as one of the crucial obstacle in SHGs- bank linkage programme in Khatav Taluka.

3.2.3 Analysis of Conditions and Proportion of Saving.

Theoretical mission perspective of SHGs – bank linkage programme has insisted on nurturing the saving habit among the lower income group families by accommodating them in SHGs movement. The augmented size of saving by SHGs is considered as credit worthiness for having credit from MFIs. The linkage between saving-credit supply and its ratio as prescribed in SHGs-bank linkage programme though theoretically looks reasonable and rationale, the follow up of augmentation of saving criterion and maintaining regularities in it, by BPL families willing to join

SHGs, can not observe sincerely due to their meagre size of income and irregularities in earning opportunities and also day to day live-hood problems of below poverty line families. By taking into consideration, such a phenomenal situation, an attempt was being performed to understand and reveal the approach of members president and secretary of SHGs about their views on conditionality in augmenting savings.

The table no. 3.1 helps understanding the very phenomenal approach of SHGs in that perspectives.

Table No. 3.1

Analysis of condtions and proportion of savings.

Whether there should be need of condition of making savings.	Per centage of Sample SHGs
Yes	38.5
No	61.5
Montly	18.5 Out of yes
Bi-montly	44.5 Out of yes
Tri-montly	37.0 Out of yes

Out of total sample below poverty line SHGs, 38.5 per cent SHGs in Khatav taluka agrees with the need of having condition of making regular saving by SHGs in banks, while 61.5 per cent below poverty line SHGs has expressed it negatively. In the open ended dialogue with president / secretary of such SHGs revealed that due to the chronic poverty, it is very difficult to make regular savings by them. Hence the number of SHGs of below poverty line households is limited comparing to the SHGs of above poverty line facilities. The total sample SHGs who agreed for having condition of regular saving have expressed different opinions pertaining to its nature. Out of total sample SHGs belonging to below poverty line families agreed with

saving condition as 18.5 per cent SHGs with monthly saving system, 44.5 per cent SHGs opinioned it as bi-monthly. But according to the 37 per cent of agreed SHGs condition of saving by SHGs should be of tri-monthly.

3.2.4 Analysis of Measures for Smooth Formation and Registration of SHGs.

For enlarging the number of SHGs formation and registration and covering more families in SHGs movement, president/ secretary of SHGs were asked to reveal some of the measures to be implemented. Thus by taking into consideration the number of problem faced by SHGs in the process of formation and registration stage, four most important measures were suggested and asked for indicating the priorities among them. The finding pertaining to it were as below.

- 1 The 62.5 per cent of total sampling SHGs opinioned that, the procedure of formation as well as registration of SHGs required to collect number of document and keeping the record in written. That impacts into non-willingness of members of SHGs to work as a president or secretary. Secondly member of SHGs lacks skill of collecting and preserving the required documents. Therefore generally nobody wants to perform the leadership in keeping the SHGs activating. Hence the president and secretary were of the opinion that, there should be minimum number of documents required for formation and registration of SHGs in the bank.
- 2 More than 90 per cent of the total sample SHGs insisted on need of organising periodical training and orientation camps for presidents and secretary along with the selected number of members of SHGs by bank authorities and at Panchayat Sammittee level at convenient place. According to them it will help understanding various complicated

procedural issues of formation as well as registration of SHGs in banks, secondly such training and orientation camps will help generating awareness in following disciplined behavioral trend as well as following the rules and regulation of SHGs as prescribed by banks and SHGs themselves.

- 3 Especially the SHGs belongs to below poverty line families have expressed their inability in performing regular savings. The 61.5 per cent of SHGs belonging to below poverty line families felt that, there should not be strict compulsions rules for depositing saving regularly and it should not be linked with credit facilities by banks. Because many times due to livelihood problems, rise in windfall consumption expenses and making provision for health problems, it becomes impossible to sphere their income for regular saving. Therefore majority of SHGs belonging to below poverty line households have opposed the condition and pre requirement of certain amount of saving to be made in banks for their credit worthiness.

3.3 Analysis of Attitudes of Banks Officers.

By taking into account the need of revealing and understanding the major obstacles in the programme in Khatav, separate questionnaires were structured for president / secretary of SHGs and bank officers who are involved in running the SHGs-bank linkage programme. An attempt was made to reveal the major problems and obstacles faced by the bank officers in smoothly running the SHGs- bank linkage programme at grass root level. The efforts performed to understand attitudes of bank officers has helped focusing problems faced by them.

3.3.1 The Phenomenal Aspect of Questionnaire for Bank Officers.

The questionnaire contained thirteen questions focusing on the experience and approach of bank officers while monetaring and handling the number of matters relevant to SHGs formation and further in their respective bank in development of SHGs in their bank. The nature of questions included in the questionnaire for bank officers were belonging to pertaining to sincerity of SHGs in following bank instructions, awareness towards maintaining regularities in making savings and depositing it in banks, insistence on getting micro finance sanction, regularities in loan repayment, utilizing the micro finance for the purpose mentioned in the credit proposals and major problems faced by bank officers while dealing and monetaring the SHGs functioning.

In all 30 banks officers of nationalised and district co-operaive bank were asked to reveal / submit their views/opinion on the questions included in the questionnaire for understanding the problem of SHGs –bank. Then the questionnaire was analysed as below.

3.3.2 Analysis of Questionnaire for Bank Officers.

An efficient and progressive development of SHGs bank linkage programme depends upon the number of factors. One of the factor is the behavioural trends of president/secretary of SHGs in following an instruction given by branch manager of bank to which SHGs were attached. It impacts into an efficient working of SHGs. Hence one of the question included in the questionnaire for bank officers was, related to how many SHGs follows the instructions sincerely given by bank officers, and how much SHGs observe it strictly. In all thirty bank officers have revealed their opition about phenomenal condition.

According to the bank officers at the SHGs formation stage and afterwards functioning mode of SHGs 53.34 per cent SHGs follows the instructions sincerely and 46.66 per cent of SHGs do not follow the instructions sincerely as given by the bank officers to them. It suggests that nearly 50 per cent of SHGs are not aware of need of considering and following the important instruction given to them by bank officers for having smooth and healthy functioning of the SHGs.

3.3.3 Awareness of Making Regular Saving.

One of the major objective of launching and enlarging SHGs movement is to create awareness pertaining to making regular savings by SHGs members for their better future economic status. So one of the questions included in the questionnaire was measuring the behavioral trend of SHGs in making regular timely saving and depositing it in the banks.

On the hundred point basis, bank officers were asked, to express their experiences about awareness of SHGs in regular timely saving and depositing it in bank. The table in 3.2 helps in understanding the same.

Table No. 3.2
Awareness of SHGs in Making Regular Savings.

Awareness Per centage of SHGs in Making Regular savings.	Actual Awareness in SHGs (in per centage)
20 To 40 %	23.33%
41 To 60 %	43.33%
61 To 80 %	20.00%
More than 81%	13.33%

According to the bank officers and development officers of banks, involved in SHGs-bank linkage programme 43.33 per cent of SHGs formed, in their respective bank show 41 to 60 per cent disciplined awareness in making regular saving. Only

13.33 per cent SHGs in their bank have behavioral trend of adhering to more than 81 per centage awareness in regular savings. The table reveals that SHGs needs maintain more regularities in making savings and depositing it in the bank. The discussion with bank officers relevant to the issue of regularities perspectives of making saving by SHGs revealed that due to in regularities in saving by SHGs, the problem creates in sanctioning loan to the optimum size demanded by them. It impacts into creating limitation on delivering optimum size of micro-finance required for efficient entertaining the enterprising activities due to be run by SHGs in Khatav taluka.

3.3.4 Demand for Getting Immediate Sanction of Micro-Finance.

In SHGs-bank linkage model, after fulfilling the requirement Criterion of collecting and depositing the savings by SHGs, banks are supposed to act on application of SHGs for getting sanction of micro-finance from their respective bank. In an application of demand for micro-finance, SHGs have to mention the purpose of utilizing the micro finance from banks. Hence it was felt essential to know and understand the eagerness of SHGs in getting immediate sanction of micro finance from banks. It was observed by open dialogue with bank officers that SHGs are more eager for having micro finance from banks. So it was intended to know/understood the eagerness of SHGs in getting immediate sanction of micro-finance from the banks. One of the question included in the questionnaire for bank officer was pertaining to per centage of SHGs in demanding for getting immediate sanction of micro-finance.

The Table No. 3.3 reveals the per centage of SHGs that asks for immediate sanction of micro finance.

Table No. 3.3

Eagerness of Getting Immediately Sanction of Micro Finance.

Eagerness Per centage of SHGs for getting micro-finance	Per centage of SHGs
20 to 40	30
41 to 60	10
61 to 80	20
More than 81	40

The data collection in that perspective indicates that 30 per cent SHGs formed in bank shows 20 to 40 per cent eagerness in getting sanction of micro-finance immediately. And 40 per cent SHGs formed in banks shows more than 81 per cent eagerness in getting loan sanctioned. The table No. 3.3 revealed that only 10 per cent of total SHGs registered in the banks expressed 41 to 60 per cent eagerness and insurances on getting micro-finance sanction. The table no. 3.3 clearly focus on the overall of trend of registered SHGs in having micro-finance assistance immediately. The open ended dialogues with bank officers pertaining to heavy insistence on capturing micro-finance assistance and subsidy revealed that, majority of SHGs, with having no plan and project of enterprising activities being performed by them, afterwards, only ask for micro-finance facilities. It further leads towards unsatisfactory performance of enterprising activities and inabilities in regular repayment of micro-credit by them.

3.3.5 Utilization purpose and Reapayment of Micro-Finance.

One of the objective of formation of SHGs in SHGs–Bank linkage programme is to provide micro finance to SHGs for either entertaining productive activities with it, for upliftment of income level of credit or fulfilling the immediate wants of

members of SHGs. The Utilisation purpose of micro finance and regularities in repayment of it to bank impacts into level of achieving the very objectives of micro-finance movement launched in SHGs-bank linkage programme. It also helps understanding the hurdles /obstacles in smooth and harmonious working mechanism of SHGs-bank linkage model. So as per schedule objectives of the present minor research project, an attempt was made to understand the nature and direction of utilisation of micro-credit by SHGs and regularities performed by SHGs in repayment of micro-credit. For the purpose two questions included in the questionnaire for bank officers were pertaining to the utilization trend of micro-finance and the trend of regularities in repayment of micro-credit by SHGs.

As mentioned earlier, total branch bank officers of nationalized and Satara District central co-operative bank have revealed their opinion and experience pertaining to it.

It is analysed in the table No.3.4

Table No. 3.4

Utilisation Purpose and Repayment of Micro Finance.

Per centage of SHGs	Per centage of SHGs, Utilizing the micro-finance for said purpose	Per centage of SHGs maintaining Regularities in Repayment of Micro-finance.
Upto 40	16.66	50
Upto 41 to 60	63.32	60
Upto 80	89.98	80
Upto 100	100.00	100

According to the bank officers only 40 per cent of SHGs formed in the bank have more than 16.66 behavioral trend of utilizing the micro-finance as mentioned in their application for demand for getting micro-finance section. Out of total SHGs

formed in banks, only 60 per centage of SHGs have behavioral trend of utilizing the micro finance for purpose mentioned in their application.

It was observed by the bank officers that only 10k per cent of SHGs formed in their banks maintains 89.93 per cent of behavioural trend in regular repayment of micro-finance. One striking observation of bank officers were that, only 10 per cent SHGs formed in the banks shows 61 per cent regularities in repayment of micro-finance provided by the bank.

3.3.6 Causes Of Not Utilizing The Micro-Finance For The Purpose, Mentioned In Application.

One of the objectives of SHGs – Bank linkage programme as set by NABARD and Reserve Bank of India belongs to strengthening SHGs households by availing them micro finance assistance. It is assumed that the support of micro-finance will help SHGs to perform productive employment activities and enterprising activities which will help raising the income level of those households. It was found in the studies that 38.5 per cent of SHGs belonging to the below poverty line house hold were unable to repay the loan regularly. Overall 40 per cent of Shown / maintained 50 per cent regularities of micro finance. For understanding the major causes of not utilizing the micro finance for the purpose mentioned in loan prospects, open ended dialogue and interview technique was practiced. The data pertaining to it revealed that due to lack of opportunities of performing either productive or marketing activities in rural area and behaviors trend of SHGs households in utilizing the credit facilities for windfall expenses has impacted into non-utilizing the credit for the purpose mentioned in the loan proposal. The habitual trend of rural households belonged to SHGs in non-consistencies in performing enterprising activities has caused into

generating the economic losses. That impact into inability of SHGs in regular repayment of debt. And the SHGs having shown inability in repayment of credit adversely impact into changing the approach of bank-officer in sanctioning micro-credit to other SHGs in banks.

3.4 Conclusion

The SHGs- bank linkage programme is two-way process. The SHGs and micro finance institutions are essentially considered two major sides, on which the very success of SHGs – bank linkage programme mostly depends. In the minor project, an attempt has made to focus on revealing the phenomenal problems faced by SHGs as well as micro finance institutions in the linkage programme. In it SHGs have underlined some of the problems while they come across with micro finance institutions have focussed on some of the problem faced by them, when they came across with SHGs. Especially the SHGs belonging to below poverty line households have realised the need of accomodating themselves in SHGs movement. But due to uncertain flow of income, they have the problem of augmenting regular saving and commanding the micro-finance assistance and subsidy being awarded by government.