

# A Critical Study of Micro Credit (SHGs) in India

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## Abstract:

Empower youth for self-sustainability. This document outlines the major challenges India currently faces in higher education and also includes several government initiatives to address them. The achieved status of being educated is largely appreciated as mobility enabler in traditionally societies like India has as importance role in the economy which includes industrial, social, economic etc. India have confronted comparative conditions and difficulties in schooling during their fast mechanical and social change. Their new presentation as far as high monetary development and working on financial conditions is along these lines a gladdening improvement according to the perspective of human government assistance. A solid practice of advanced education combined with an English vehicle of guidance has made India famous of the worldwide economy.

**Keywords:** Microfinance

## Introduction:

The present paper is critically analyses about the extent to which the micro credit comparative study of deferent financial angel on in India. This research inquiry is pioneering in that it places disparity in the economy as well as the country Micro Finance is a financial service of small quantity provided by financial institutions to the poor. These services may include savings, credit, insurance, leasing. money transfer, equity transactions, etc. However, micro-finance involves transactions whose value is small and wherein customers are poor. In India, it is only savings and credit aspects of micro finance that have been addressed so far. Micro-credit has emerged as the most suitable practical alternative to conventional banking in reaching the un-reached poor population. It enables the poor population to the thrifty and helps them in availing credit and other financial services for improving their income and living standard.

**Keywords:** Micro Credit, Micro finance programmes are important institutional devices for providing small credit to rural poor in order to alleviate poverty. Micro finance programmes through SHGS introduced and expanded by non-governmental organization (NGOs) in several parts of India, have the potential to minimize the problem of inadequate access of banking services to the poor (Rajasekhar 2000, Kamaram 2001, Hashemi 1996, Cathif 2001, Kaladhar 1997, Majumadar 1997, NABARD 2002) highlight that SHGs have inculcated savings habits in the poor.

## 2. Brief History of Microfinance:

The concept of microfinance is not new. Small informal savings and credit groups have operated for centuries across the world, from Ghana to Mexico to India and beyond. In Europe, as early as the 15th

century, the Catholic Church founded pawn shops as an alternative to usurious moneylenders. These pawn shops spread throughout the urban areas in Europe throughout the 15th century. Formal credit and savings institutions for the poor have also been around for generations offering financial services for customers who were traditionally neglected by commercial banks. The Irish Loan Fund system, started in the early 1700s, is an early example of this kind. In the 1800s, Europe saw the emergence of larger and more formal savings and credit institutions that focused primarily on the rural and urban poor. The financial cooperative was developed in Germany. It aimed to help the rural population break from their dependence on moneylenders and to improve their welfare. The movement emerged in France in 1865 and Quebec in 1900. Many of today's financial cooperatives in Africa, Latin America and Asia find their roots in this European movement. Another early example is the Indonesian People's Credit Banks (BPRS) that opened in 1895 and became the largest microfinance system in Indonesia. In the early 1900s, variations on the savings and credit theme began to appear in rural Latin America and elsewhere. These rural finance interventions aimed to modernize the agricultural sector, mobilize idle savings, increase investment through credit, and reduce oppressive feudal relations that were enforced through indebtedness. Between the 1950s and 1970s, governments and donors focused on providing agricultural credit to small and marginalized farmers in hopes of raising productivity and incomes. The 1970s saw the birth of microcredit. Programmes in Bangladesh, Brazil, and a few other countries began lending to poor women entrepreneurs. Examples of early pioneers include Grameen Bank in Bangladesh, which started out as an experiment by Prof. Muhammed Yunus ACCION International, which began in Latin America and then spread to the United States and Africa; and the Self-Employed Women's Association Bank in India, which is a bank owned by a women's trade union. In the 1980s microcredit programs throughout the world improved on the original methodologies and defied conventional wisdom about financing for the poor.

### 3. Development of SHGS:

Micro financing is being practiced world over to combat the menace of poverty. In India it has become well accepted. These are numerous variants of micro finance as prevalent in the country today. Micro financing is a tool to empower the poorest, particularly village women, by improving their lot through micro finance. It's design is quite inspiring & recovery rate is almost cent-percent. Emboldened by the success of NABARD's experiment of linking Self Help Groups (SHGS) and also that of various financial institutions in other developing nations, the banking sector in Rural India adopted SHG concept. Self Help Group is a small voluntary organization of poor people, preferably from the same socio-economic background they came together for the purpose of solving their common problems through self-help & mutual help. The SHGs promotes small savings among the members. The savings are kept with a bank in the name of SHG. In general, the number of members in one SHG does not exceed twenty. Non-government organization, social workers, village level workers, etc. help in the formation of SHGs. The habit thrifty is fundamental to the SHG and helps in building up a strong common fund

#### 3.1 Definition of SHGS:

"SHG is group of rural poor, who have voluntarily to organize themselves into a group for eradication of poverty of the members"

"SHG is a voluntary association of homogeneous and integrated people, having on objective of raising their standard of living by saving some amount regularly and doing banking business among the group members."

### 3.2 Objectives:

1. To promote the habit of saving among the poor and unorganized worker.
2. To build mutual confidence and trust between bank and poor.
3. To fulfil the financial needs of the poor.
4. To provide financial assistance to the members for self-employment.
5. To develop the sense of self employment among the members.
6. To improve communication and inter action among the rural people to solve their economic as well as social problems.
7. To improve the standard of living of the poor.
8. To organize working class to solve their problems.
9. To develop sense of democracy and integrity among the people.

Micro Credit is an institutionalized mechanism of delivering very small loans to needy people of groups of people called SHG, generally most of the banks don't (lend) give loans to less than Rs. 10,000/ but institutions dealing in micro-credit make advances ranging from Rs. 100 to 50,000/-Bangladesh Grameen Bank has been able to lift millions of people in that country out of poverty. Non-governmental Organization are acting as mediator & helps in getting bank credit to SHGs. Under same circumstances there NGOs grant loans to SHGS by taking loans from banks, commercial banks, RRBs, co-operative banks and societies, NBFCs & trusts, etc. may acts as micro credit institution.

**Table 3.1 Saving of SHGs (Rs. In Croce)**

Years	No. of SHG	Amount
2020-2021	112.23	37477.61
2021-2022	118.93	47240.48
2022-2023	134.03	58892.68

**Source:** Status of Micro Finance in India 2022-23.

NABARD developed the SHG Bank linkage model. Under this model RBIs, Commercial banks, Co-operative bank and societies helps to SHGS. AT that basis above table no 3.1 shows that Savings of SHGs with Bank in the year 2020-21 to 2020-23. Moreover, in 2021-22 total 37.47 lakh SHGs were outstanding saving of Rs. 47240.41 Cr. against 50.09 lakh SHGS savings of Rs. 58892.68 Cr. in 2021-22, thereby showing a growth rate 20.4% and 7.8% respectively. Again, it was increased to 22.2% (SHGs) and 46.5% (savings) in 2021-22. Moreover, in 2009-10, 6953250 (13.6%) SHGs outstanding savings were Rs. 6198.71 (11.8%) Cr. As on 31st March 2023, Commercial banks lead with savings followed by Regional Rural bank, Co-operative banks. Thus, its indicates that SHGS savings with banks increasing in the given year.

### 3.4 Bank Loans disbursed to SHGs:

Development is a slow process and many factor include to push many aspects. Loan is also important for development. Below table shows that loan disbursed to SHGs from banks. During 2006-07, banks have finance 11.05 lakh SHGs, with bank loan of Rs. 6570.39 Crores.

**Table 3.2 Bank Loans to SHGs (Rs. In Croce)**

Years	No. of SHG	Amount
2020-2021	28.87	58070.68
2021-2022	33.98	99729.22
2022-2023	42.96	145200.23

**Source:** Status of Micro Finance in India 2022-23.

Moreover, 8849.26 lakhs loans disbursed from banks to 28.87 lakhs SHGs in 2020-21, and 2022-23, 28.87 lakhs SHGs have given loan of Rs. 58070.68 Cr. as against 15.86 lakhs SHGs with bank loan of Rs. 145200.23 Cr. during 2022-23. Thus, keeping in view increasing demand for loan, number of SHGs has been increased.

### 3.5 Bank Loans Outstanding with SHGs:

**Table 3.3 Bank Loans Outstanding (Rs. In Crore)**

Years	No. of SHG	Amount
2020-2021	57.8	103289.71
2021-2022	67.4	151051.30
2022-2023	69.57	188078.80

**Source:** Status of Micro Finance in India 2022-23.

Table no. 3.3 showed bank loans outstanding of SHGs. In the year 2020-21, 75.8 lakh SHGs loans outstanding was Rs. 103289.71 Cr., which has increased to 25.3%, and 37.5% respectively. Moreover, in 2022-23, 69.57 lakh SHGs, loan outstanding was Rs. 188078.80 Cr, it was increased 14.8% and 23.6% than 2021-22 respectively. At that table observed that number of SHGs loan outstanding amount is very high, it is not positive way, therefore, SHGs wants to paid amounts to on time.

### 4. Conclusion:

NABARD has considered microcredit as priority sector credit and has issued comprehensive guidelines to banks and has the extended the refinance facilities to banks. As per guidelines of NABARD the conditions to be fulfilled by SHGs in availing microcredit. No. of SHGs increased year to year, there functioning is very good as poorer. SHGs savings has been increasing last decade, it is positive picture for future of SHGs NABARD developed SHGs bank linkages model, that's why Commercial bank, Regional Rural banks, Co-operative banks help to SHGs. These banks disbursed loan of 145200.23Cr. to 14453.30 Cr. in 2020 to 2022-23 However, no. of SHGs loan outstanding amount was very high, they did not pay on time, that was not good for development of SHGs. Moreover, NABARD wants to develop more scheme of microfinance.

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# International Journal for Multidisciplinary Research

International Conference on Commerce & Economics  
Organized by R. V. Belose Education Foundation Dapoli  
N. K. Varadkar Arts, R.V. Belose Commerce College, Dapoli



E-ISSN: 2582-2160 • Website: [www.ijfmr.com](http://www.ijfmr.com) • Email: [editor@ijfmr.com](mailto:editor@ijfmr.com)

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