

Role of banking facilities for self help groups in villages

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Abstract

Banking facilities are must for self help groups in villages. The women are very skillful are they can perform very well in group. The banks are now lending lot of funds to various activities in villages. The author has done decent contribution in creating awareness in this important area of social importance. Self Help Groups are usually informal groups whose members have a common perception of need and importance towards collective action. These groups promote savings among members and use the resources to meet the emergent needs of their members in self Help Groups is normally ranged from 10 to 20. It is expected that, within the group, there should be true democratic culture in which all the members must participate actively in the decision making process by taking part in the debate. Though the cohesiveness among the members would be increased due to homogeneity of the groups in terms of education, occupation, income distribution, sex composition, but in the long term, stability of Self Help. The financial support from banks in minimum rate of interest will make these SHG's very strong financially and in turn make the village population self reliant.

Keywords: self help, money, women, empowerment, poverty, saving, cash, role

1. Introduction

The Self Groups in India play a important role in making the villages population active and support financially. the banks are also providing maximum support to these groups. The Main role of Self Help Group is as given below:-

1. Creating financial self reliance of rural population. providing institutional credit sources.
2. Empowerment of group dynamics building leadership quality to realize their potentiality and self belief. To get more benefits from Government and financial Institution.
3. Assisting the members to complete the formalities and documentation required to obtain credit from bank.

4. Helping banks in recovery of credit by motivating members for prompt repayment of loans.
5. Procurement of high cost inputs that could not be brought individually.
6. Training of members in the use of extension services and government support.
7. Building common infrastructure for the benefit of its members.

The better service from banks will make these activities successful and will provide the good source of funds to perform various activities at village level.

2. How to approach bank for loan proposal flow chart

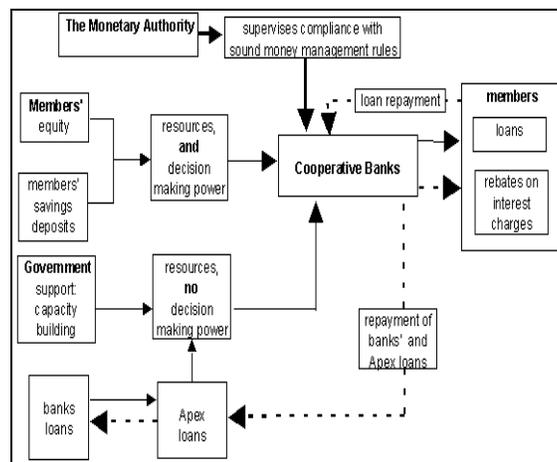


Fig 1: Loan process flow chart

The Loan is most important part for SHG and the process should be known to get best loan proposal to know that process the author has used above flow chart in which all the steps are explained by which the group members can be made aware.

3. Banking facilities for SHG's

Banks nowadays have special drives to provide support and services to the village population and if SHG's are good and are making good returns the banks come forward and provide loan to SHG's.



Fig 2: Bank Facility for Customers

4. Banking facilities in villages

The Self Help Group-Bank Linkage Programme (SBLP) aims to deliver financial products & services to the section of Indian population that lacks access to formal banking. This segment, often from the lower income, meets its financial needs through informal sources such as money lenders, traders, family and friends etc. However, these sources have their own limitations.

Under SBLP, 10-20 individuals are organized in groups known as Self Help Groups (SHGs) by NGOs commonly known as Self Help Promoting Institutions (SHPI). The SHGs are also encouraged to take up livelihood activities, for which skill training is provided by certain NGOs. The members of the SHG are encouraged to save and internally lend the savings to members during times of need. SHPIs also provide knowledge on managing books of accounts.



Fig 3: SHG's in Process

5. NABARD's 'SHG Bank Linkage' program

Many self-help groups, especially in India, under NABARD's 'SHG Bank Linkage' program, borrow from banks once they have accumulated a base of their own capital and have established a track record of regular repayments.

This model has attracted attention as a possible way of delivering micro-finance services to poor populations that have been difficult to reach directly through banks or other institutions. "By aggregating their individual savings into a single deposit, self-help groups minimize the bank's transaction costs and generate an attractive volume of deposits. Through self-help groups the bank can serve small rural depositors while paying them a market rate of interest." NABARD estimates that there are 2.2 million SHGs in India, representing 33 million members, that have taken loans from banks under its linkage program to date. This does not include SHGs that have not borrowed. "The SHG Banking Linkage Programme since its beginning has been predominant in certain states, showing spatial preferences especially for the southern region – Andhra-Pradesh, Tamil Nadu, Kerala and Karnataka. These states accounted for 57% of the SHG credits linked during the financial year 2005–2006."

6. Advantages of financing through SHGs

- An economically poor individual gains strength as part of a group.
- Besides, financing through SHGs reduces transaction costs for both lenders and borrowers.
- While lenders have to handle only a triple SHG account instead of a large number of small-sized individual accounts, borrowers as part of an SHG minimise expenses on travel (to and from the branch and other places) for completing paper work and on the loss of workdays in canvassing for loans.
- Where successful, SHGs have significantly empowered poor people, especially women, in rural areas.
- SHGs have helped immensely in reducing the influence of informal lenders in rural areas.

7. Why women make best bank agents

The women are very sincere and they pay the loan installments very regularly these are the findings of the recent study. The banks should lend more money to these SHG's. Recent pilot projects conducted by the Rural Financial Institutions Programme (the RFIP, a cooperation program between GIZ India and NABARD) demonstrated that engaging female community members in village financial services can be more effective than using typical customer service representatives as banking agents. The RFIP supported two Regional Rural Banks to engage members of local Self-Help Groups (groups of 10-20 women who come together to save, lend, help each other financially, and optionally receive bank credit as a group) as banking agents (Customer Service Providers or CSPs) to bring financial services to low-income customers in villages. This proved to be an effective approach that resulted in higher numbers of active accounts handled by CSPs and higher activity rates in.

8. Use of advanced technology for banking services



Fig 4: Technology at Door Step.

It's very necessary all the banks provide services through the use of technology and SHGs should take maximum use of this technology.

9. Conclusion

The Self Help groups are dependent on banks for the financial lending to perform its various activities. The Banks in return should frame their services and policies which can be useful and supportive to the groups which are requiring the funds. The Technology and other benefits also should be available to the population living in villages. Self Help groups uplift the rural poor women focusing the aspects like organizing women in different groups to undertake certain productive activities to earn their livelihood and involvement of women in various activities and programming. Hence the Role of Banking Services for Self Help Groups in the Financial Empowerment of women and SHG's is very important for village development.

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