

# SHG Bank Linkage Programme in India and Its Impact on Rural Saving: Literature Review

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## **Abstract:**

***I***ndividual saving and investment are important for the economy of a developing country. Investment is important for the capital formation and growth of economy. India is a rural based country where 80% of total population is living in rural area. Marginal propensity of saving (MPS) in rural household is very insignificant. SHG Bank linkage programme pioneered by NABARD in 1992 with 500 SHG has become a strong tool for improving the saving habit of rural people specially women. Since 1992 more than 80 lakhs of SHG are linked to various banks. The self help group of 10-15 women is motivated to save money periodically and encouraged to put their saving in some income generating activity or other kind of investment. Bank linkage programme is playing a pivotal role in rural saving and hence their investment. The present study has been carried out to review the literature on the impact of SHG Bank linkage programme on rural people's saving and investment habit.

***Keywords: Investment, MPS, NABARD, Saving, SHG Bank linkage programme***

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## **I. INTRODUCTION**

Our country is one of the fastest growing economies with annual growth rate of Gross Domestic Product (GDP) of over 9 percent in the recent past. In spite of this rapid growth rate 41.8% of the rural population continue to live below the poverty line (poverty estimates of the Tendulkar Committee for 2004-05). The key challenge, therefore, is to ensure that the economic growth is inclusive and it leads to significant reduction of rural poverty. SHG-Bank Linkage Programme (SHG-BLP) evolved out of an action research project with Mysore Resettlement and Development Agency (MYRADA) during 1986-87. The aim was to inculcate savings habit among the rural poor.

## **II. THE IDEA OF SAVINGS FOR THE POOR**

Income among the poor may not be steadily flowing as we see among their middle class or rich counterparts. It is volatile and irregular. So, with regular consumption needs and often times unexpected expenses (as the poor are more vulnerable to risks-health or otherwise), saving the money earned has become very difficult among the poor households. Discussing the limitations of the savings model of community agencies like SHGs, Brindisi and Siwicki point out that a household may not be able to access savings when they need it the most. Moreover, when all households have expenses to meet at the same time (say, school fees etc.) a savings group cannot cater to all of their needs but only one at a time (Brindisi & Siwicki, p. 6).

Savings and borrowings can be viewed as two sides of the same coin (Afzal, d'Adda, & Fafchamps). Rutherford (2000) distinguishes 'saving up' from 'saving down' in order to highlight the difference between savings and borrowings. The former is setting aside funds to receive a lump sum amount later and 'saving down' is receiving a lump sum that is to be repaid in regular instalments later. Both are drawn out of the demand for 'lump sum' amounts that individuals need. Thus the latter behaviour is termed by Morduch (2010) as 'borrowing to save'. Microcredit also provides for short term liquidity needs for the poor (Kast and Pomeranz, 2014). (KAST, F., AND D. POMERANZ, 2014): "Saving More to Borrow Less: Experimental Evidence from Access to Formal Savings Accounts in Chile," Harvard Business School Working Paper, No. 14-001.)

There is also a need to understand the concepts of money and finance and distinguish the overlapping ideas between the two. Finance is a source and process of funding. Funding is essential for starting or developing a commercial entity<sup>1</sup>. Money, on the other hand is an instrument of exchange and a store of value in a country. However, as a medium of exchange, its function is to facilitate exchange and as a means of payment its function is to settle payments and debts. The returns on money (after payment) are then compared with the returns on other assets (utility of things purchased) that are also stores of wealth as 'alternative ways' in which an individual can indeed keep his or her health (Sawyer, 2003). Money's use as an abstract value in which price fluctuations and debts accrued are expressed; and its utility as a store of value and means of payment are not strictly a satisfying combination of functions that a single currency can perform (Sawyer, 2003). **Graziani** (1996) states that money's function from a representation of the utility of the good money could buy have shifted to representation of the utility of the liquid goods money buys. Thus the skewed function of the money because of the need for liquidity has led us to disregard other forms of resources and wealth to be considered savings.

Savings influence growth through its investment potential and livelihood promotion especially among the poor. After studying the savings behavior of five South Asian countries, viz., India, Nepal, Pakistan, Sri Lanka and Bangladesh, **Agrawal et al (2007)** found savings in these countries is a function of not only income but access to banking institutions, foreign savings rate and dependency rate. They also noted that the Savings rate in India is highest among these South Asian countries (increasing from 12% in 1960 to 29 % during 2004-05). Savings rates of Pakistan and Sri Lanka have steadily declined. **Loayza et al (2000)** stated that Private Savings Rate rises according to the level and growth of per capita income. And the influence of income on Private Savings is higher in developing countries as compared to developed countries (Loayza, Schmidt-Hebbel, & Servén, 2000). Panel estimates were studied to ascertain the determinants of Private Savings by both policy and non-policy variables in Latin America and South East Asia from 1975-1995 by **Anuradha and Thimann (1997)**. The study asserted the both social security arrangements and macroeconomic stability accounted for differences in savings rate between these two regions. They also noted that increase in per capita income and fully funded pension schemes have had positive influence in savings rate among people (Dayal-Gulatti & Thimann, 1997).

### **III. THE ROLE OF COMMERCIAL BANKS IN ECONOMIC DEVELOPMENT**

The banking sector over the past few years has shown a drastic change. Agriculture contributes 3.4% to GDP in the Indian Economy. The Indian agriculture is largely based out of credits. Agricultural credit is pivotal to Indian agriculture. The commercial banks are the type that handles deposit and loans from larger businesses. Commercial Bank's primary task is to accept deposits, give advance and credit creation. The secondary functions of banks are much more widespread. This includes: cheque clearance, sale/purchase of shares and bonds, money transfer, function as trusty, work as representative, give/accept money and provide a letter of credit. Studies estimate that commercial bank's share in total institutional credit to agriculture is around 48% followed by co-operatives with 46% share and with RRBs 6%. Co-operatives, RRBs, SCBs, NBFIs and SHGs mostly tend to the needs of the farmers (Saini & Sindhu, 2014).

The developments in the commercial banking sectors occurred in two distinct levels: first one being the introduction of Report of the committee on Financial System, 1992; for taking strengthening and enabling measures. 14 commercial banks were nationalized after this report in 1969. Multi Agency Approach was initiated for rural credit system. Under the second phase, Indian standard were aligned with international best practices. Credit provided by commercial banks as percentage of GDP had increased by 75.1 %. On February 2005, Government of India announced the creation of national spot exchange for agriculture produce (National Spot Exchange for Agricultural Produce) linking all agriculture marketing with consumers and producers (Saini & Sindhu, 2014).

The Reserve Bank of India and Government of India has been working to improve the present condition of the agriculture. NABARD has been proven to be effective in providing indirect financial aid to agriculture by being a guide. No. of Regional Rural Banks has been increased. According to a study only 18% of the total credit flow is in agriculture sector. This percentage needs to improve, says the author of the study (Saini & Sindhu, 2014).

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<sup>1</sup>See, Manual on Non-Banking Financial Institutions

#### **IV. MICROFINANCE- AS AN INSTRUMENT TO ALLEVIATE POVERTY**

Microfinance is defined as the “provision of thrift, credit and other financial services and products for very small amounts to the poor in rural, semi-urban or urban areas that enables them to raise their income levels and improves living standards.” (**The Task Force on Supportive Policy and Regulatory Framework for Microfinance**). The need for microfinance arises from the inability of the banking system to provide for access to financial services to the poor and lower income households. Microfinance Institutions were started to cater to the unbanked population of the country and embrace them into the market economy by enabling them to involve and engage in income-generating opportunities for livelihood promotion. However the difficulty of Microfinance is that it has to operate with small transactions and minimized transaction costs and most often are supported by government subsidies. (Morduch, 2013). Beyond offering money-management services to the poor, microfinance does not have the potential to bail the poor out of poverty. Murdoch points out that these services are helpful to the poor in the sense that they can pay their children’s school, healthcare, housing, nutrition and emergency situations. There are two perspectives that Murdoch engages in order to trace the purpose and emergence of the idea of micro finance and the institutions that came after. Yunus’s belief that women have the necessary idea, knowledge and connections to start a business but lack the capital is one view. And how microfinance institutions kept away from traditional banking structures and processes to serve the unbanked poor is another narrative.

Microfinance institutions also came up as an effective alternative to local money lenders. Customers of these microfinance institutes were sensitive to taking loans because of the interest rates they ought to cover. This led to a rethinking of groups and their roles such that individual participation within the group could replace the middle agents to take care of each other collectively (Morduch, 2013). He reiterated the role of microfinance and its evolution in another paper co-written earlier with **Jonathan Conning (2011)**. They laid emphasis on how microfinance had evolved to grow beyond microcredit to add further financial services such as micro saving opportunities and other products that administer and regulate both savings and borrowing habits of the poor.

#### **V. MICROFINANCE: INTERNATIONAL OUTLOOK**

Smoothing income, building assets and empowering women have been identified as significant contributions by the Microfinance Institutions all over the world (Sebstad & Cohen, 2000). Sebstad and Cohen have made meta-analysis of all the case studies and field visits made in different parts of the world documenting the experience of people and Micro Finance Institutes. They have traced the various ways people spend the amount of microcredit given to them. Such amounts were used to increase household income base (starting micro business or increasing the range of products stocked in a shop etc.); They were also used to raise the household assets base by means of increasing the physical assets, human assets (education), financial assets (to fund their business on time, for emergency etc.) and social assets to maintain warm relationship in their community (Sebstad & Cohen, 2000, pp. 76-82). The authors also observe key points when it comes to microfinance institutions and their clients such as the following:

- a) Microfinance clients live in high-risk environment and constantly changing economic and social conditions make them susceptible to tribulations.
- b) It reveals how poor manage their limited resources to address their anticipated and unanticipated issues in their lives.
- c) Microcredit enables them to diversify their source of income.
- d) Financial services offered by Microfinance Institutions can go beyond economic benefits and provide them with social networks and other community benefits.
- e) Access to financial services other than mainstream banking, empowers women to make decisions and help drive their families out of poverty.

Most importantly the authors remarked that improved understanding of the strategies clients employ across these countries where MFIs are in operation, can lead to designing of better products, promote sustainability and improve impacts (Sebstad & Cohen, 2000, p. 103)

#### **VI. MICRO FINANCE PRACTICES IN INDIA: AN OVERVIEW**

Micro financing has proven to be a useful strategy in reducing poverty and promote MSME industry. A remarkable feature of this system is the ‘joint liability’ concept. The concept of micro financing is the brain

child of by Prof. Mohammed Yunus who also founded the Grameen bank in Bangladesh. Currently microfinance programs are a popular step for empowering women in rural setup however it is also popular for relieving poverty in rural areas (Singh, 2009). Grameen Model- interested clients are asked to form a group amongst themselves. Loans are provided to them by the Grameen bank. Co-operative model- groups are arranged into thrift groups, registered under an Act, and then savings are resourced via members (Yunus, 2003).

In micro financing, the Grameen bank provides loans to people who have nothing to offer in collateral. Their clientele consists 97% of women and they are doing well. The following are some of the interesting features of micro financing that **Singh** highlights in his paper: 1) they promote self-employment, 2) they are tools of social change and 3) they mimic the informal lending system rather than formal one. He asserts that National Bank for Agriculture and Rural Development (NABARD), Reserve Bank of India (RBI), Self Help Groups (SHGs) and other Micro Finance Institutions (MFI) and Non-Governmental Organizations (NGOs) as some of the key players in the microfinance system in India (Singh, 2009)<sup>2</sup>.

Self Help Groups (SHG): it ideally consists of 10-20 member groups. The members effectively recycle the pooled resources amongst the members. Saving first credit later is their motto. The collective savings of the group becomes the loans for the members of the group. The group arrange a get-together and discuss their problems and find solutions to their problems. Non government organization (NGOs): these organizations as the name suggest do not operate under the aegis of the government. They promote SHG and facilitate their link with Formal Finance Agency. They help train the rural population in matters pertaining to finance and management. National Bank for Agriculture and Rural Development (NABARD) established in 1982 as development bank for providing and regulating credit and other facilities for promotion and development of agriculture, small scale industry and other allied activities in rural area with an aim to promote rural development<sup>3</sup>. The Self Help Group-Bank Linkage Programme is one of the large scale microfinance projects initiated by NABARD IN 1992.

Reserve bank of India (RBI): the very first reference to micro credit system can be traced to former RBI President Dr, Bimal Jalan's Monetary Credit Policy Statement in April 1999. According to this policy, banks were urged to make all possible efforts to provide micro credit by linking themselves with SHG. SHG-Bank Linkage Model- an NGO helps the SHG through incubation and later links them to a bank. The SHG can be either formed and financed by the bank or formed by NGO and then later linked to a bank (Microfinance in India: Sectoral issues and Challenges, 2006). Poor people borrow money from local money lenders who exploit them in return. Then people tried to address this problem by forming small groups and micro-crediting. Micro-financing can be traced to Syndicate Bank on 1921 in India. Now it operates through self-help groups, non-government organizations and credit agencies (Mahanta, Panda, & Sreekumar, 2012). To alleviate poverty the government of India has set forward many initiatives: Small Farmers Development Scheme (SFDS) 1974-75, Twenty Point Programme(TPP) 1975, National Rural Development Programme (NRDP)1980, Integrated Rural Development Programme(IRDP)1980, Rural Landless Employment Guarantee Programme(RLEGP)1983, Jawhar RozgarYojna(JRY)1989, Swarna Jayanti Gram SwarajgarYojana(SGSY)1999 and many other programs but they have failed to achieve their objectives (Mahanta, Panda, & Sreekumar, 2012). In the private sector micro financing initiative was undertaken by Shri Mahila SEWA (Self Employed Women's Association) Sahakari Bank in 1974; they provided banking services to poor women employed in the unorganized sector in Ahmadabad in Gujarat. Now the microfinance service is provided by institutions like National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and Rashtriya MahilaKosh (RMK).

Modes of delivery of microfinance (Mahanta, Panda, & Sreekumar, 2012):

- Self-help Groups: a small group is forms, members' pool their savings, provide loan to the other members of the group for a fixed period of time.
- Individual Banking Programmes (IBPs): Microfinance institutions lend money to SHG and the group is jointly responsible for repayment.
- Grameen Model: A group of 5 members is formed (voluntary), money is lend first to the first and the second person, then to the third and fourth and lastly to fifth. Although the loan to given to individuals, the group is responsible for payment.

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<sup>2</sup> Also see, Towards a Sustainable Microfinance Outreach in India (May 2006); Page 21

<sup>3</sup> See, <https://www.nabard.org/content.aspx?id=2> for details on the genesis of NABARD

Among these SHG is most popular; these can be categorised into:

- SHGs-Bank Linkage model:-This model involves the SHGs financed directly by the Banks viz. CBs (Public Sector and Private Sector), RRBs, and Cooperative Banks.
- MFI-Bank Linkage model:-This model covers NGOs-Bank Linkage Model:-Under this model NGOs promote the linkage between banks and SHGs for savings and crediting of micro Finance Institutions (MFIs) by banking agencies for onward lending to SHGs and other small borrowers.
- NGOs-Bank Linkage Model:-Under this model NGOs promote the linkage between banks and SHGs for savings and credit

## VII. SHG-BANK LINKAGE PROGRAM

**NABARD (2005)** explains that the programme is all about bank providing loans to SHG group (group of usually poor women). The group is encouraged to save, in order to build discipline and gain experience in financial matters. The bank observed them for six months and then provided loans to the SHG in some multiple amounts of the total accumulated savings of the group members. The bank loans are provided without any collateral and at market interest rates. The SHG bank linkage programme is characterized by high repayment rates (95%) and its members are predominantly women (90%). In order to measure the empowerment, the authors studied the data of two groups: SHG groups the group supported by SHBLP and the control group that did not have any such support. The studied the data from year 2000 and then again from 2003. Some of the parameters under consideration were total value of assets owned in 2000 and then in 2003, percentage of engagement in farm activity/wage labor etc., percentage engagement in household chores and a few more. The authors subjected the data accumulated to statistical studies and came to a conclusion based on the statistical studies. They observed that the variance (square root of standard deviation; measures how far a data set is spread out) decreased dramatically for the SHG group and not so dramatically for the control group. Disparity in the empowerment among the SHG members decreased (**Bali Swain 2003; Kabeer 1999 and Holvoet 2005**). There was an increase of 26% in the level of women's empowerment on average for the group of SHG members (this measurement is not based on an absolute scale, the empowerment increase in for the period of 2000-2003). After the intervention of SHG Bank Linkage programme about 82 per cent of the loan was received from SHGs. The position of money lenders came down to only 15 per cent. There was significant increase in the proportion of loan amount for production purposes from 56 per cent during pre-SHG situation to about 72 per cent during post-SHG. The study attempts to assess the impact of micro Finance channelized through SHG Bank Linkage programme implemented by NABARD since 1992 in eastern regions of the country. (**Puhazhendi, Badatya**)

Micro-finances are credit and other services provided to poor people for their development. It all started with introduction of self-help groups-bank linkage programme (SBLP) in 1992 by NABARD. Micro Finance Institutions subsequently emerged and grew strong. At present there are two methods which are popular in sending out Micro Finance: the Self Help Groups-Bank Linkage Programme (SBLP) and Micro Finance Institutions (MFIs).

The most successful example is the Grameen Bank Model. Grameen Bank started providing credit; hoping to eradicate poverty. To obtain a loan, a borrower must join a group of borrowers; these groups contain max 5 people. The group is not liable for the single borrower but remains vigilant so that members do not get repayment problem. New loan is sanctioned when old one has been repaid. Loans are paid in installments (Reserve Bank of India, 2008).

At the Fifth General Assembly of the Asia Pacific Regional Agricultural Credit Association (APRACA) held at Bangkok held in 1984, informal SHG and SBLP were deemed as successful inventions for alleviating poverty. At the Third Consultation on the Scheme for Agricultural Credit Development (SACRED) held at Rome in 1985, considered SBLP as means that is improving the access of low income groups through banking services (Reserve Bank of India, 2008).

## VIII. THE MULTIPLE DIMENSIONS AND MANIFESTATIONS OF POVERTY IN INDIA

The mission statement of Kudumbashree, a famous state supported SHG in Kerala aims to eradicate poverty through what it calls, 'concerted community action' under the leadership of local governments. It operates by facilitating the poor by combining the locally available resources and services (Augustine & Kumar, 2010). The uniqueness of the programme is that it addresses the multiple dimensions and manifestations of

poverty, says Augustine and Kumar who studied the functions of the women groups in detail. Besides taking a holistic approach to poverty, the identification of the poor is not performed through monetary parameters. The Kudumbashree model uses nine-point non-monetary parameters for deciding who is poor and who can join the self-help groups eliminating the possibilities of discrepancies by official interpretation of poverty (Augustine & Kumar, 2010, p. 606).

#### **IX. ROLE OF MICROFINANCE IN WOMEN EMPOWERMENT**

There is a significant focus on women empowerment in lower income households when it comes to micro financing services. Microfinance has been directed at women because it is believed that, compared to men, they are better clients of microfinance institutions and that women's access to microcredit has more desirable development outcomes, since women tend to spend more money on basic needs compared to men (**Pitt and Khandker, 1988; Leach and Shashikhala, 2002**).

*“A woman, who tends a small plot of land, grows vegetables, weaves cloth, and provides for the family and the market, while caring for the financial, social, educational and emotional needs of her family is multifunctional worker and the builder of a stable society. One who labours long hours at a factory where he has no control of his work or his skills, contributes one product to society whose work is ‘measured’ and therefore given greater credence by us, while her work is unaccounted and ignored. It is the GDP at the household level that matters. The use of word ‘domestic’ in GDP should not be overlooked. Peace and development cannot be measured in numbers.”* **Ela Bhatt**<sup>4</sup>

In order to understand whether micro finances are empowering women, we must understand what empowering women means. **Kabeer (1999)** explains that women's empowerment refers to the process in which women that were once incapable of making decisions for themselves acquire this ability. Microfinance programs like the Self Help Bank Linkage Program (SHBLP) in India market themselves as women empowering by providing women with financial services. **Bali Swain (2007)** argues that not all activities aimed at increasing the well-being of a woman is automatically empowering them. Micro financing may affect women empowerment either ‘directly’ and/or ‘indirectly’. Direct effects include enabling women to become members of a group and/or exposing them to training or workshops leading to the creation of greater awareness. Indirect effects are manifested when the relative value of women's time and income is increased which in turn increases their bargaining power of within the household (Swaina & Wallentinb, 2009).

#### **X. SUSTAINABILITY OF MICROFINANCE SELF HELP GROUPS IN INDIA**

In India, the women's SHG is the most common form of microfinance. The group collects saving amongst themselves and then provide loan to each other. They may also obtain loan from banks which they loan out to the members (Nair, 2005). An estimated total of Rs 8 billion exists as savings in these groups. According to the statistics of year 2003, an estimated total of Rs.20 Billion was loan out to these SHGs and delinquencies was as low as 5%. Despite these reports, the sustainability of these groups was still questionable. Organizations that supported these SHGs have come up with federation that provided services to these groups. The study brings out the merits and demerits of these federations<sup>5</sup>.

#### **XI. MICROFINANCE AND THE SOCIO-ECONOMIC WELLBEING OF WOMEN ENTREPRENEURS IN GHANA**

A study conducted by **Dsizi** and **Obengexamines** the effect of micro finance on the lives of female entrepreneurs in Ghana. They used classical data collection methods and analysis. Nearly 840 women who

<sup>4</sup> See, The Elders: 18 February 2013. Accessible at <http://theelders.org>

<sup>5</sup> Four such federations are selected for the study:

- Sri Padmavathy Mahila Abyudaya Sangam (SPMS): SPMS is a federation of SHGs in the famous temple town of Tirupati in Andhra Pradesh.
- Kurini Vattara Kalanjiam (KVK): KVK is a federation of SHGs in Alanganallur block, near Madurai, a southern city in the state of Tamil Nadu.
- Sanghamitra Mandala Mahila Samakhya (SMMS): SMMS is located in the Hindupurmandal of Anantpur district in Andhra Pradesh.
- Sri Viswabharthi Association of Women Thrift Cooperatives (SVAWTC): SVAWTC, formed in 1991, is a federation of thrift cooperatives in Warangal District of Andhra Pradesh.

benefit from microfinance were surveyed and 35 of them were personally interviewed. The micro financing system in Ghana is slightly different than what is done in India. These are small financial transactions with low income households by using non-standard methodology like character based lending, group guarantees to pay it and small repetitive loans (Dzisi & Obeng, 2013). The study has provided some useful insights into how the client uses the loan. They spend the loan on various purposes like lifecycle needs (wedding, funerals, childbirth etc), personal emergencies (like sickness, death etc.), disasters (flood, cyclones, man-made events like war etc.) or investment opportunities such as expanding businesses, buying land etc (Dzisi & Obeng, 2013).

**Littlefield et.al.** (2003) are of the opinion that microfinance schemes are able to reduce poverty and improve the health and education needs of people. It also empowers women. **Asiamah and Osei (2007)** also maintain that microfinance has the capacity to help the poor meet their basic needs and thereby improve household income. **Bateman (2010)** however holds a contrary view and argues that micro-credit only offers an “illusion of poverty reduction”. **Hartmann (2012)** relates stories of the brutal manner in which individuals who find themselves trapped in debts to some microfinance institutions are forced to repay their debts. **Sharks J.** in a recent survey of microfinance borrowers in Ghana published by the Centre for Financial Inclusion, found out that more than one-third of borrowers surveyed reported struggling to repay their loans (**Shicks, 2011**)

## XII. SAVINGS IN RURAL HOUSEHOLDS

Savings as a part of macroeconomics is very important. Low savings leads to low investments and low investments result in low capital formation. **Nayak and Sethi (2013)** analysed the saving behavior of the rural household of western Odisha. This is a preliminary study of the saving pattern of the households in Odisha. The study was undertaken to examine and identify the saving behavior in rural households and examine the changing pattern of saving behavior in rural households of Sundergarh District, Odisha. A total of 300 rural households from Sundergarh District were surveyed by personal interview method. The RBI report of 2011-12 corroborated the fact that the rural population is not saving as much as it used to due to a steady increase in inflation by 9%. The Life Cycle Hypothesis (developed by **Franco Modigliani and his student Richard Brumberg**), The Relative Income Hypothesis (**James Duesenberry**), the permanent income hypothesis (formulated by the **Nobel Prize winning economist Milton Friedman in 1957**) corroborate the statement that savings do not depend on income alone but on the consumption pattern of the individual. An increase in income encourages increase in savings.

The study concluded that the rural households have lesser literacy rates when compared to urban households. The marginal propensity of saving (**MPS, meaning the fraction of increase in income that is not spent on consumption**) in rural households is very insignificant when compared to the general/urban counterparts. Tribal communities, SCs communities had even lesser savings than the general caste communities. This was attributed to lower income due to their low occupational status. Almost all of them live on day to day basis as their income is insufficient to sustain a large family (Nayak & Sethi, 2013).

Ease of access to financial aids from financial institution like banks, micro finance institutions, SHGs and other local banks has a positive effect on their saving pattern. The people have accepted the concept of saving for a rainy day and now are much more inclined to save. Even though the savings of rural people are not comparable with urban people, it's a positive start. Most of the rural households are run from income sourced from agriculture which is also an asset to them. This asset is also a form of their savings. Another possible reason for their low saving is that a large percentage of the family depends on the income of a single person. This in turn is due to myriads of reasons like poor education. Low savings are also due to poor health caused to consumption of local liquor (Nayak & Sethi, 2013).

The author suggests a few steps that can be taken to increase the saving in rural people. The government should make effort to see that the wage policy is actively implemented. Proper healthcare must be available for free to raise their health status and reduce medical expenses. The financial institution could provide high interest rates on savings to encourage the people to save. Proper personnel and agents can help in educating people on matters pertaining to finance by providing them with wise council and advice (Nayak & Sethi, 2013). Most of the people surveyed could not accurately communicate their savings plan and other details as they were not very educated. Some of the respondents were hesitant toward sharing their financial information. An important thing observed during the studies was that when income increased expenses also increased; which was not what was consistent with the hypothesis mentioned earlier. What is considered necessities for urban

population are a luxury for rural population? Most of the poor people don't save which is again problematic. These are some of the limitations of their study.

### **XIII. INVESTMENT BEHAVIOR OF RURAL INVESTORS**

Individual savings and investments are important to the economy. Understanding individual investors can help in explaining the stock market anomalies. There has been a remarkable change in the savings and expenditure pattern of the rural population in past few years (Mathi & Kungumapriya, 2014).

**Ramakrishna et al (2009)**, in his studies concluded that an insight in investor's perspective will prove to be beneficial in policy formation for protection and promotion of small investors; as investment culture is essential for capital formation and growth of economy. **Rajarajen (2010)** in his studies found that equity as an investment was gaining popularity among the investors. **Sushant et al (2009)** concluded that a mature investor is a trained person and for them blind investments are rare. **Ramprasth et al(2013)** emphasize that investors look for 'safety'. **Sarangapani et al (2011)** assessed many investors in Hyderabad city and found out that they prefer to invest in equity shares than in other instruments. **Ganpathi et al**, found out that post office schemes for small savings is not popular due to poor advertising. **Suresh et al** confirms that advertisements play pivotal role on investment behavior of customers towards mutual funds and other products. **Shollapur et al (2008)**, assessed in their research that investors strongly agree on the perceptions in the case of bank deposits (80%) life insurance policies (65%). on the other hand, (54%) disagree on in the case of corporate securities. **Rajesh et al (2009)** studies on Investment pattern of rural Investors in Kerala analyze the vast and drastic changes are to be found in investor's behaviors. Rural investors in Kerala also adopted a new investment pattern under the present economic crisis. **Sunil et al (2013)** discovered that all of the rural investors are dependent on financial advisor's opinion because they lack in-depth knowledge of market. **Ravindra et al** in their studies mention that the most common source of information for mutual funds investors is recommendation by experts. **Dr. Kapil Sharma's** assessment revealed that experts and non-experts in Indian market have very different perception about risk communication programs. **Charles et al (2012)** stated that emotions and cognition influence the frames development. Under negative frame investors take non calculated risks; under positive frame investors take calculated risks and in neutral frame moderate risk equals moderate results. All these studies warrant that we need better financial services in rural sectors of the society to help these small investors grow.

### **XIV. NEED FOR INNOVATION IN VARIOUS INSTRUMENTS OF SAVINGS AND TRANSACTIONS**

Due to erratic income among the poor, small value transactions in their lives, lack of education and training among the SHG members and owing to their presence in remote localities where there is lack of infrastructure and connectivity and inadequate assets base, Product Innovations have become both necessary and challenging (Nayak B. B., 2015). Moreover, stressing on the importance of non-financial services for Micro Finance Institutions, Nayak calls for both livelihood promotion activities and financial literacy training for the poor so that they learn to insulate themselves from business and personal risks (Nayak B. B., 2015, p. 240). On remittances and payments, he argues how the non-poor are increasingly depended on instruments such as debit cards and credit cards. But when it comes to the poor, they are largely relying on cash-based transactions running the risk of theft or losing it. He notes how **G Cash in Philippines** and **M-PESA in Kenya** are used to pay for transactions or even to save (Nayak B. B., 2015, pp. 224-231). These digital wallets can be an alternative to cash based transactions when designed to increase the savings rate among the financially poor.

### **XV. CONCLUSION**

The study was undertaken to review the role played by SHG Bank Linkage programme on the habit of rural saving based on the various studies performed in this field. SHG Bank linkage programme designed to empower the downtrodden and especially the women has started tapping the potential of banking with poor by developing the habit of saving among them. New initiative of NABARD through digitization of SHG is going to bring the needed momentum to tap the ultimate potential.

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