**Status of SHG-Bank Linkage Programme in North-East of India: A Review**

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**Abstract**

Since independence it has been the constant endeavor of the successive governments to eradicate poverty. But it is fact that poverty in its acute form still persists. One of the reasons for this state of affairs can be attributed with a fact that banks do not favour financing the poor. On the programmes of poverty alleviation it is presuming that financing the poor are neither economic nor commercial. But, SHG concept on the one hand seems to solve the problems of the banks in financing the poor and on the other building human capital through self realization and self initiative of its members. Hence, linking of SHGs with the banks appears to be the right answer in alleviating poverty to enable them to raise their income levels and improve living standards.

The North-East characterized by one of the back-ward regions low per-capita income, low capital formation, lack of infrastructure facilities, geographical isolation and communication bottleneck, inadequate utilization of natural resources like mineral resources, hydro power potential, forests etc. The present article explores the current status of SHG –Bank linkage programme with reference to its northeastern region on the basis of facts and data provided by various secondary sources. The paper also explains the scope and challenges for SHG- Bank linkage programme of microfinance being faced by Northeast India.

***Key words:*** Microfinance, Women Empowerment, Self-help Groups, North-East.

**Introduction**

In the early decades various plans and programmes have been framed and executed, lots of money spent but still eradication of poverty has remained a distant dream. It has been presumed that the rural poor do not have any capacity to save. They need to be financed at concessionary rate of interest and at relaxed terms. They mostly need consumption loans as they are not in a position to arrange a square meal per day. Basing on these assumptions, all the credit programmes launched by the government are characterized by subsidized interest rates, easy loan terms including very low or nil down payment, long loan maturities and long grace periods. It is a well known fact that subsidized credits do not always reach the poor. Whatever amount reaches the poor carries a certain political aura.

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On the other hand, main stream financial institutions which constitute the core financial infrastructure of the country are reluctant to finance the poor on the ground that these are neither economic nor commercial. But after evolution of Self Help Group (SHG) concept, which is capable of removing the road blocks in the path of financing the poor. In this regard the financial institutions try to build the human capital through self realization; self initiative to enable them to raise their income levels and improves living standards of its members,

Hence, SHG-Bank linkage programme has generated much heat in recent times. Accordingly, a modest attempt has been made in this paper to make an assessment to analyze the trends in SHG-Bank linkage programe in India and exclusively in Northeastern states. This study is based on the secondary data collected mostly from official publications of NABARD, RBI and Planning Commission of India. The data has been analysed using simple statistical tools such as percentage, average growth rate, tables and Graphs.

**Objective of the Study**

* To know the conceptual aspect of microfinance and Self Help Groups (SHGs).
* To examine the role of Micro finance sector in North East India.
* To analyse the agency-wise status of SHG-Bank linkage programme in Northeastern states regarding savings, loan disbursements, and loan outstanding.
* To assess constraints and challenges of micro finance sector in rural development.

**Methodology**

This study is based on the relevant secondary data collected from books, journals, research paper, and newspaper, NABARD’S Annual Reports, Other Government Survey Reports mostly from official publications of NABARD, RBI Reports, Planning Commission of India reports and related websites. The data has been analysed using simple statistical tools such as percentage, average growth rate, tables and Graphs.

**The SHG Solution**

An SHG is coming together of an average 15 to 20 members from a homogeneous class with a clear understanding and commitment to make savings, exercising voluntary thrift, on a regular basis and to use the pooled resources as small interest bearing loans to the fellow members for addressing their economic problems. Once the group starts exhibiting matured financial behaviour, it is linked to the bank which grants loans to the SHG in certain multiples of its accumulated savings to further strengthen the extent of their inter loaning capacities.

In turn, it helps them meet any emergent need-be that for income-generating activity or for consumption, including health, education, housing, insurance services thereby ensuring economic independence. Besides the above, there is no need on the part of the bank, while making a loan to demand for lengthy and meticulous documentation, worry about the purpose of loan and its monitoring. It is clear from the above that financial transactions through SHGs reduce the risk perception as well as the transaction cost to the bank and opens up a huge market for them. On the other, it provides financial access to the poor.

**Status of SHG in India**

Microfinance services in India mainly by two different models viz. SHG-bank linkage model and MFI-Bank Model. The self help group (SHG) bank linkage model has emerged as the more dominant model due to its adoption by state owned formal financial institutions, namely, commercial, regional rural and cooperative banks.

The flagship microfinance intervention mechanism of NABARD in recent is SHG-bank linkage programme.The launching of its pilot phase in February 1992 could be considered as a landmark development in the annals of banking with poor. In this pilot mission the informal thrift and credit groups of the rural poor is recognised as bank clients.

The Reserve Bank of India advised the banks to consider lending to the SHGs as part of their mainstream rural credit operations. The growth and the statues of SHGs in India are given below in table -1.

**TABLE 1: Number of SHGs in India (2005-06 TO 2015-16)**

|  |  |  |
| --- | --- | --- |
| **Year** | **Cumulative Number of SHGs** | **Growth Rate** |
| 2010-11 | 74,61,946 | 7.31 |
| 2011-12 | 79,60,309 | 6.67 |
| 2012-13 | 73,17,551 | -8.07 |
| 2013-14 | 74,29,500 | 01.52 |
| 2014-15 | 76,97,469 | 03.60 |
| 2015-16 | 79,03,002 | 02.68 |
| 2016-17 | 85,76,875 | 08.53 |
| 2017-18 | 87,44,437 | 01.95 |
| 2018-19 | 100,14,243 | 14.52 |
| 2019-20 | 102,43,323 | 2.29 |
| 2020-21 | 1,12,23,400 | 9.57 |
| 2021-22 | 1,18,93,053 | 5.97 |

**Source:** Status of Microfinance (NABARD Report) 2010 -11 to 2021-22

It is shown that how the number of SHGs are increased in the period 2010-11 to 2021-22. In 2010-11, 74, 61,946 SHGs were linked with the banks. In 2011-2012 the number of SHGs has been increased by 79, 60,309 growth rate i.e. 6.67. In the year 2012-13 growth rate was declined to minus 8.07 and in 2013-14 Growth rate is increased and sustained at 01.52. In 2014-15 and 2015-16 the increasing growth rate is 03.60 and 02.67 respectively. From 2016-17 onwards to 2021-22 it shows the variation is in greater growth rate.

**Regional Status of SHG-BL Programme**

Table 2 shows that the spread of SHG bank linkage programme in different six regions of India, i.e. southern region, eastern, central, northern region, north-eastern and western region. The table clearly reveals that the southern region high rate of growth as compared to other regions.

**TABLE 2: Region wise Cumulative Progress of SHGs**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Northern** | **North East** | **Eastern** | **Central** | **Western** | **Southern** | **All India** |
| **2010-11** | 372772(5.00) | 324739(4.35) | 1527618(20.47) | 786436(10.54) | 960921(12.88) | 3489460(46.76) | 7461946(100) |
| **2011-12** | 409326(5.14) | 366718(4.60) | 1625714(20.42) | 812767(10.22) | 1062087(13.35) | 3683737(46.27) | 7960349(100) |
| **2012-13** | 372837(5.10) | 323896(4.42) | 1471099(20.10) | 702198(9.60) | 906016(12.38) | 3541505(48.40) | 7317551(100) |
| **2013-14** | 365208(4.91) | 316299(4.25) | 1468786(19.76) | 685929(9.23) | 896954(12.07) | 3696324(49.75) | 7429500(100) |
| **2014-15** | 360858(4.68) | 333981(4.33) | 1524614(19.80) | 817251(10.61) | 941144(12.22) | 3719621(48.32) | 7697469(100) |
| **2015-16** | 393475(4.97) | 429823(5.43) | 1700106(21.51) | 815653(10.32) | 1018049(12.88) | 3545896(44.86) | 7903002(100) |
| **2016-17** | 457199(5.33) | 452887(5.28) | 1953076(22.77) | 848514(9.89) | 1140601(13.30) | 3724598(43.43) | 8576875(100) |
| **2017-18** | 478883(5.48) | 485591(5.55) | 2130997(24.37) | 902222(10.32) | 1097448(12.55) | 3649296(41.73) | 1097448(100) |
| **2018-19** | 548624(5.50) | 523469(5.20) | 2654358(26.5) | 1062759(10.6) | 1388615(13.9) | 3836418(38.3) | 10014243(100) |
| **2019-20** | 577122(5.6) | 556899(5.4) | 2811130(27.4) | 1135083(11.1) | 1473853(14.4) | 3689236(36.1) | 10243323(100) |
| **2020-21** | 609808(5.43) | 633714(5.65) | 3122424(27.82) | 1345575(11.99) | 1550176(13.81) | 3961703(35.30) | 11223400(100) |
| **2021-22** | 680143(5.7) | 680845(5.7) | 3243980(27.3) | 1355564(11.4) | 1688451(14.2) | 4244070(35.7) | 11893053(100) |

**Source:** Status of Microfinance (NABARD Report) 2010-11 to 2021-22

The growth rate of microfinance in northern region is a state of concern. But the table shows that the microfinance programme is gradually improving in all the regions. The table further provides that over the time period from 2010-2022 leaving southern region there is a positive growth of the SHG-BLP in all the regions. In the year 2022, the share of northern region in the total credit linked SHGs was 5.7 per cent, share of north-eastern region was 5.7 per cent and the share of eastern, central and western regions was 27.3, 11.4 and 14.2 per cent respectively. But the share of southern states in the total credit linked SHGs is 35.7 per cent.

**Growth Rate of SHGs in North-Eastern States:**

**Table 3: Microfinance Growth Rate SHGs in North Eastern States of India**

|  |  |  |
| --- | --- | --- |
| **Year** | **North Eastern** | **All India** |
| **Cumulative No. of SHGs** | **Growth Rate** | **Cumulative No. of SHGs** | **NE percent to Total** |
| 2010-11 | 324739 | 11.14 | 7461946 | 4.35 |
| 2011-12 | 366718 | 12.92 | 7960349 | 4.60 |
| 2012-13 | 323896 | -11.67 | 7317551 | 4.42 |
| 2013-14 | 316299 | -02.34 | 7429500 | 4.25 |
| 2014-15 | 333981 | 05.59 | 7697469 | 4.33 |
| 2015-16 | 429823 | 28.69 | 7903002 | 5.43 |
| 2016-17 | 452887 | 5.36 | 8576875 | 5.28 |
| 2017-18 | 485591 | 7.22 | 8744437 | 5.55 |
| 2018-19 | 523469 | 7.80 | 10014243 | 5.22 |
| 2019-20 | 556899 | 6.38 | 10243323 | 5.43 |
| 2020-21 | 633714 | 13.79 | 11223400 | 5.64 |
| 2021-22 | 680845 | 7.43 | 11893053 | 5.72 |

**Source:** Status of Microfinance (NABARD Report) 2010 to 2022

Table 3 shows that the spread of SHG bank linkage programme in North eastern states, i.e. Arunachal Pradesh, Mizoram, Nagaland, Assam, Sikkim, Tripura and Meghalaya,states**.** The growth rate of microfinance in north eastern region compared to all India level is a state of concern. But the table shows that the microfinance programme is gradually improving in this region. The table further provides that over the time period from 2010-11 there is a positive growth of the SHG-BLP in all the regions. In the year 2022, the growth rate of north-eastern region is comparatively more than the countries growth rate.

Initially there was fluctuate substantial progress in the programme up to 2010-11 as only 324739 groups were credit linked during the period 2011. It also shows the negative growth rate in the years 2012-13 and 2013-14 consisting of 11.67 and 2.34 percent respectively and the number of SHGs is 316299. Credit to SHGs has grown significantly from the year 2014-15 to 2021-22. That is around showing a substantial growth rate of 13.79 in 2020-21 and 7.43 in 2021-22 consisting of 633714 and 680845 numbers of SHGs.

**Position of Micro-Finance in North-Eastern Region:**

In the North-east India, the programme launched in 1997-98 but still the programme is in its infant stage. The North-eastern region is a back-ward region of India in all respects. This is mainly due to poor performance of Govt. infrastructural facilities and poor banking services institutions and so on. As such the implementation of microfinance programme was also seen very poor in North-eastern India. The figure-1 shows the relative performance of microfinance in North-east India compare to all India average.

**Figure -1**

**Source: STATEMENT 2-A, 2-B and 2-C, Status of Micro Finance in India, 2021-22, NABARD**

The above figure-1 highlights the relative positions of North-east India with regard to saving, loan disbursement and loan outstanding in comparisons to all India average**.** In case of savings with banks, the North-eastern region recorded total saving Rs. 106440.93lakh as on 31march, 2022. On the other hand, all India average is much higher i.e. Rs. 787341.35 lakh. Again, in case of loan disbursement and loan outstanding, the North-eastern region recorded Rs. 184636.3 lakh and Rs. 236245.06 lakh which are much low compare to the all India average (region-wise) of loan disbursement Rs. 1662153.75 lakh and loan outstanding Rs.2417521.6

This is mainly because of lack of concentrated effects by banks, the inability of banks to identify NGOs with savings and credit groups, lack of motivation among bankers, lack of large size NGOs with previous background of working with SHGs and the social configurations prevailing in the region**.** Further, the weak performance of microfinance in the North-Eastern Region because of the late implementation of SHG-Bank linkage programme.The programme of Microfinance have a great success in Southern region, the region alone enjoys all most half of the microfinance benefits. As a result, southern region captures the top position in all aspects of micro-financing facilities.

**Agency-wise performance of Savings, Loan Disbursement and Loan Outstanding of SHGs in North-Eastern Region:**

The following figures explain the agency-wise performance of Microfinance through SHG-Bank linkage programme in North-Eastern region pertaining to savings with banks, loan disbursement and loan outstanding. The figures show the respective percentage values and the relative position of Commercial Banks, Regional Rural Banks and Co-operative Banks with each other.

**Figure-2**

 **Source:** Status of Micro Finance in India 2021-22, STATEMENT 2-A, NABARD

The figure-2 given below explains the agency-wise performance of savings with banks in North-Eastern region. It was seen that Commercial Banks has the largest share of 52 percent SHG savings followed by Regional Rural Banks 46 percent and Co-operative Banks with only 2 percent of SHG savings.

In the Figure-3, we highlight the relative share of Loan Disbursement among the Commercial Banks, Regional Rural Banks and Co-operative Banks in the North-Eastern region.

**Figure-3**

**Source:** Status of Micro Finance in India -2021-22, STATEMENT 2-B, NABARD

In figure 3 it is shown that with regard to loan disbursement to SHGs the Regional Rural Banks shares the largest 68 percent followed by Commercial Banks 30 percent and 2 percent in Co-operative Banks in the North-Eastern region.

The outstanding bank loans against SHGs are also one of the important aspects of microfinance programme. The Figure-4 explains the agency-wise outstanding bank loans against SHGs in North-Eastern Region. Here, we find loan outstanding position is concerned the Regional Rural Banks has the largest share of 62 percent as compare to the 37 percent of Commercial Banks and 2 percent of the Co-operative Banks.

**Figure-4**

**Source:** Status of Micro Finance in India, 2021-22, STATEMENT 2-C, NABARD,

The studies conducted by the Department of Economic Analysis and Research of NABARD to investigate the impact of linkage programme on incomes, poverty reduction and several aspects of living conditions of SHG member households; It said besides physical growth, the programme has commendable positive impact on socio-economic impact on the poor, particularly on small scale farmers, rural micro-entrepreneurs and landless labourers.

**Issues and Challenges of Microfinance Sector in the NER**

The movement of microfinance in southern states of India has been successful to a great extent in uplifting the socio-economic conditions of the rural poor. Despite of all round support from the Government, NABARD, RRBs, NGOs and members themselves, the conditions of SHGs in the state is far from satisfaction. Like any other anti-poverty programs, microfinance is not without any controversy or criticism with regards to its real impact on poverty levels. No doubt, microfinance programme has shown impressive achievements, but still there are certain problems and challenges associated with this programme, some of them are pointed out below:-

1. Lack of professional expertise to run the MFI operation successfully and profitably,
2. Lack of exercise in forming and nurturing such groups without sacrificing quality for the sake of quantity to achieve the targets fixed.
3. Lack of usage of technological advanced IT tools and efficient management information system for the MFI operation and maintenance.
4. Lack of the better performance of SHG, formed by NGOs, which is not working in a missionary spirit than the SHGs formed by banks to achieve the targets fixed.
5. Lack of funding sources for MFIs at a lower rate of interest,
6. MFIs borrows money from commercial banks at a higher rate of interest,
7. Lack ofhigh administrative costs due to the low density of populations to manage the microfinance programs in the NER.
8. Lack of appropriate training programme for the microfinance stakeholders.
9. Lack of a simple regulatory environment and the difficulty to mobilize resources,
10. Lack of awareness among poor and traditional bank interest involving in microfinance,
11. Lack of effective capacity building infrastructures,
12. Lack of a distribution channels for better delivery of microfinance services,

**Conclusion**

The functioning of Microfinance institutions in India is playing an important role in rural areas since decades. Most of the recent studies and review literature it is clear that SHG-Bank linkage model of microfinance improving financial accessibility of poor is cost effective, sustainable and certainly contributes overall development of poor. The foregoing analysis clearly reflects that SHG movement creates a new economic revolution in the lives of rural poor by way of increasing the income and empowerment. It has become a ladder for the poor, particularly the women to bring them up not only economically but also socially, mentally, politically, educationally and attitudinally.

Despite of all round support from the Government, NABARD, RRBs and the conditions of SHGs in the north east region is far from satisfaction. In Northeast India the concept of microfinance still low level of their performance due to lack of proper communication, literacy, geographical positions and moreover the differences between the activities and availability of the banking agencies. The microfinance sector in the Northeast is still unexplored to much extent and remains huge opportunity at the rural areas. The central government and RBI should take necessary measurements to increase the performance of MFI’s especially in Northeast India. It is necessary that caution should be exercised in forming and nurturing such groups without sacrificing quality for the sake of quantity to achieve the targets fixed. The technological advanced IT tools and efficient management information system to be implemented to overcome the challenges for the MFI operation and maintenance.

Assessing the successful model of SHGs, particularly in the south India and worldwide accepted that SHG movement can add a new dimension to the fight against poverty and underdevelopment in rural Northeast regions. If it maintains the result it has shown so far, it will not only remain just as the largest programme of poverty alleviation in the world but become an example for the other developing countries to follow to bring up the poor socially, mentally, politically, educationally and attitudinally.

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