

STATUS OF SHG-BANK LINKAGE PROGRAMME IN NORTH-EAST OF INDIA: A REVIEW

Abstract

In spite of effective and concrete endeavor by the different governments, the programme on eradication of poverty was failed. The fact is that poverty in its acute form still persists with no change. 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 is neither economic nor commercial. In this juncture, it also realized that the provision of linking the banks to the self help groups (SHGs) can solve the problem of financing the poor. Also it understood that the provision of financing the poor can enable to increase their income level by building human capital and by engaging themselves through entrepreneurial activities. Further, it seems to be a right platform in eradicating poverty from its acute form and improving standard of living.

In this regard, it was assessed and known that the north-east areas are amongst the backward regions of the country. It witnessed all sorts of infrastructural deficiencies starting from proper communication, availability of banking agencies to under utilisation of resources, low literacy, as well as its geographical isolation. As a result, the economy of the people was not come up to the expectations because of their low per head income and low capital expenditure.

In this article a novel attempt has been made to explore the current position of this region by using available secondary sources of data. Here, it is also assessed the different problems and challenges witnessed by microfinance programme through self help groups and bank linkage system in the northeastern region of India.

Keywords: Microfinance, Human capital, Standard of living, Self-help Groups, North-East.

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I. INTRODUCTION

Previously, so many programmes have been launched and implemented with a good budget provision but the eradication of poverty still in its acute form. It has been understood that the poor needs finance with concessional rate of interest with affordable terms. Mostly, they need loans to meet their domestic needs. With these assumptions almost all credit programmes framed by the government are subsidized basis with easy loan terms. It needs not to say that these subsidised credit facilities reaching the poor every time. But most of the times they have been debarred from availing these facilities with some political stunt.

On the contrary, the banks which constitute the backbone of the financial system of India do not favour financing the poor with an attributed fact that financing the poor are neither economic nor commercial. But the new approach of microfinance implemented by the banks through self help groups gives a new path to reach the poor. Because it is understood that the provision of financing the poor in this regard can be enable to increase their income level by building human capital, engaging them through self actualization activities and improving their standard of living. Hence, this new approach of microfinance i.e. linking the banks with self help groups generated much importance recently. In this context, a novel attempt has been made in this article to explore the current status of SHG-bank linkage programme on India's north east region. The present study is purely based on the available secondary source of data collected from government, NABARD, RBI reports. These available data has been analysed and assessed using different statistical tools such as tables, graphs, percentage, trends and average growth rate etc.

II. LITERATURE REVIEW

NABARD initiated Self Help Group - Bank Linkage Programme in 1992, which was treated as a milestone in development of banking with the poor. It was assessed that Regional Rural Banks' safety centric individual banking system was substitute by the delivery of credit to focused groups. It was observed by Sheokand (2000) Self Help Group- Bank Linkage concept had been found very successful for the socio-economic promotion of hard core poor, providing monetary services to them and preparing them to take up financial activities for poverty alleviation. In a study by P. Satish (2005) it analyses Self Help Group (SHG) has treated as the highly successful microfinance outreach platform providing microfinance in India. This emerged as a system of availing credit in a viable and cost effective manner through the theme of saving and credit. Gopal and Prasada Rao (2010) reported that the SHG Bank Linkage Programme (SBLP) is successful in increasing the women's income because of good repayment of loans. This results in improving not only the social structure of the groups but also giving a good shape to the family members sharing through financially, economically and changing social dynamics. One of the studies by Manju & Shanmugam (2013) argued that loan repayment is another crucial factor that impacts the growth of SBLP programme. Because loans are utilized by the SHG members for unfruitful purposes, other than earning of income. It is to be understood that the fate and success and viability of the programme is purely based on the amount, availability, affordability and repayment of loans. The study by Inaganti & Kasturi (2015) reveals that the efforts of microfinance organisations and self-help groups to alleviate poverty are obstructed because of increasing non-performing assets. The rising trend of NPAs affecting the system and became a serious concern. Santosh et. al. (2016) examined and reveals that the Self-Help Group (SHG) Bank Linkage Programme became a holistic approach towards financial inclusion and has envelop more

than 10.01 crore Indian poor households during last two decades. In a comprehensive study by Prathap, Subrahmanya and Harisha B S (2018) it was found that the growth of microfinance is slowed down due to number of regulations and operational foottraces. These results the low profitability and more transaction cost while reaching to the needy to cover under the folder of microfinance. The study by Sohn and Ume (2019) has also identified the significance role played by microfinance sector in handling with the poverty of the community. It also identified the importance of implementing a structural policy by the governing bodies, in order to ensure an easy access towards the credit facilities of microfinance to minimize poverty at the macro level of economy. Ali and Mughal (2019) investigated and revealed that financial assistance offered by microfinance units can come up with best results only when it is accompany with a sense of accomplishment to run a business in a constructive manner. This study has specifically reveals the importance of developing administrative as well as non-administrative skills in a small level enterpriser, in order to make him/her good enough for availing full growth, financial opportunities and benefits of a microfinance system. The North-East India remains a perfect case of financial exclusion. Emphasising the poor state of the economy and its indicators in the region is purely significant to the growth of micro finance. Informal financial market in the North Eastern Region is all round reflecting to meet their definite needs.

The review literatures become essential tools to recapitulate, incorporate, critically evaluate prior knowledge in the field of research study. Since the availability of facts, and literatures in this study is very negligible with regard to northeastern region of India, so it lacks on proper documentation. In spite of this, a novel attempt is made to try to fill this gap by studying the available literature.

III.OBJECTIVE OF THE STUDY

1. To acknowledge the Self Help Group concept of microfinance.
2. To examine the status and its role of microfinance in northeast India.
3. To analyse it's agency-wise status of SHG-Bank linkage programme in northeastern states regarding its growth rate, loan disbursements, outstanding and saving.
4. To evaluate the problems and challenges faced by MFI's in developing rural sector.

IV.METHODOLOGY

The present study is purely rests on the available secondary source of data duly gathered from the reports of government, NABARD, RBI, Journals, books, research papers, survey, planning commission, newspaper and related websites. These available data has been assessed and analysed using different statistical tools such as tables, graphs, percentage, trends and average growth rate etc.

V. THE SHG SOLUTION

An SHG is an informal association coming together of an average 15 to 20 members who face similar problems. They come voluntarily and involved making small savings out of their earnings, contribute to create a common fund, from this fund they give loan to the members with low interest, meeting their fruitful needs and addressing economic problems by exercising thrift on regular basis. Once the group starts functioning they have accumulated

a base of their own financial behavior, the group is linked with the bank to grant loans in reference to their accumulated savings.

This bank linkage provision helps the SHG groups to strengthen their inter-lending capacities to meet their all sorts of domestic and economic needs by ensuring economic independence. Besides the above, while making a loan, there is no need on the part of the bank to demand for lengthy documentation. 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.

1. Growth Status of SHG in India: There are number of models that are adopted by microfinance organisations around the world. But in India the self help group (SHG) bank linkage model has emerged as the more dominant model of microfinance. These models are prominent because of its adoption policy by different state owned commercial, cooperative banks and other financial institutions.

The flagship microfinance intervention mechanism in India was the SHG-Bank Linkage Programme (SBLP) that was introduced by NABARD in 1989 and subsequently launching into a pilot project in 1992. It is considered to be a major effort to provide economic services to the poor by linking the groups with the formal banking sector recognising as bank clients.

In this regard the RBI suggested with advisory note to the banks to ponder lending to the SHGs as integral part of financial system. SHG status and their trend of growth in India are given below in table -1.

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

Years of Operation	SHGs with Cumulative Number	Rate of Growth
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: The NABARD Report 2010 -11 to 2021-22

It is reveals that the numbers of SHGs are gradually increased in the period 2010-11 to 2021-22. In 2010-11, 74, 61,946 SHGs were got linked with the different banks. In 2011-2012 the number of SHGs groups has been improved by 79, 60,309 and rate of

growth is 6.67. But the growth rate in the year 2012-13 was declined to -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.

- 2. Regional Status of SHG-Bank Linkage Programme:** The below Table 2 shows the trend of SHG bank linkage strategy in six regions of India, i.e. eastern, western northern, southern, central and north-eastern region, The table clearly reveals that the southern region high rate of growth as compared to other regions.

Table 2: Cumulative Progress of SHGs in different Regions

	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 table reveals that the trend of microfinance programme is gradually improving in all the regions except northern and north-eastern regions. In the year 2022, the share of northern and north-eastern areas to the total credit linked SHGs was 5.7 per cent respectively. But the share of eastern, central and western regions was 27.3, 11.4 and 14.2 per cent respectively. So the growth rate of microfinance in northern and north-eastern region is a state of concern. The table further provides that the share of southern states in

the total credit linked SHGs is 35.7 per cent. During the period from 2010-2022, leaving southern region there is a positive growth of the SHG-BLP in all the regions.

3. Growth Rate trend of SHGs in North-East

Table 3: Growth Rate trend of SHGs in North East

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

The above table-3 reveals that the trend 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 SHG bank linkage programme in north eastern region compared to national level is a state of concern. Further it reveals that the programme is gradually improving in this region. The table further provides that from 2010-11 there is a positive trend in all the regions. In the year 2022, the trend rate of north-eastern region is comparatively more than the countries growth rate.

In the beginning years i.e. up to 2010-11 there was a meaningful progress in the programme and only 324739 groups were credit linked during the period. 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.

VI. POSITION OF MICRO-FINANCE IN NORTH-EASTERN REGION

The SHG bank linkage programme of microfinance was launched in northeast region of India in the year 1997-98. Till now the status of the programme is in its weaned stage. We know that the north-east areas are amongst the backward regions of the country. It witnessed all sorts of infrastructural deficiencies starting from proper communication, availability of banking agencies to under utilization of resources low literacy and its geographical isolation.

As such the implementation of microfinance programme was also seen distressed in North-eastern India. Figure-1 reveals the corresponding achievement of microfinance in north-east areas in comparison to national level.

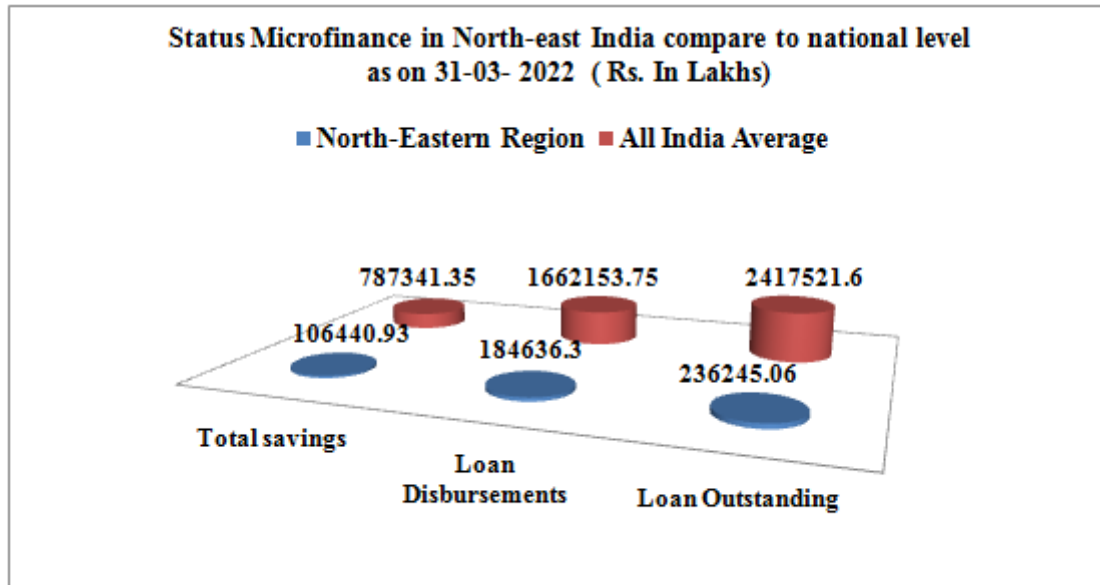


Figure 1

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

The above figure-1 highlights the comparative positions of north-east area in respect of saving, loan outlay and outstanding in comparisons to national level. The status of total savings in this region recorded Rs. 106440.93lakh as on 31march 2022 with banks.

On the contrary all India average Rs. 787341.35 lakh which is much higher than it. With regard to loan disbursement and outstanding this region is recorded with Rs. 184636.3 lakh and Rs. 236245.06 lakh respectively which are set in with low, in comparison with national level i.e. Rs. 1662153.75 lakh and Rs.2417521.6 respectively.

The weak achievement of microfinance in the northeast results mainly lack of late and effective implementation of the programme by the banks in reference to identification of NGOs, credit groups, motivation among bankers and social disposition in the region. But in the same time the success of this programme enjoys greatly in the southern part of India emerging top position in all aspects i.e. all most half of the total benefits.

1. Agency-wise Achievement of Savings, Disbursement & Outstanding of SHGs in North-East: The below data explains the agency-wise achievement of SHG-Bank linkage programme in north-eastern area pertaining to savings, disbursement and outstanding. The figure shows the relative percentage values and their position with regard to commercial, regional rural and co-operative banks.

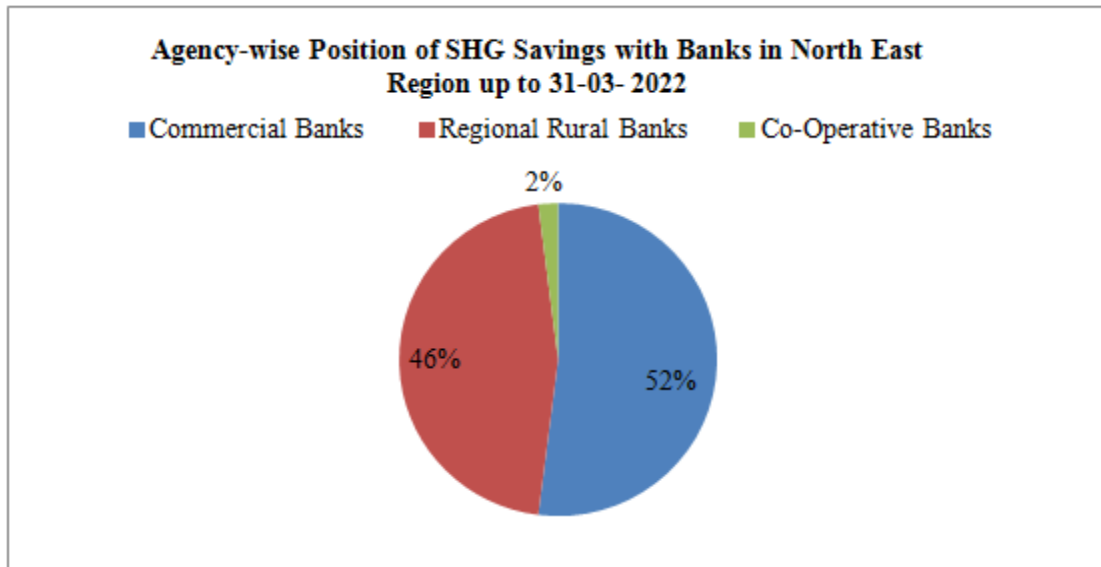


Figure 2

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

The above figure-2 expresses the organisation wise achievement of savings with banks in North-East. It was observed that Commercial banks has dominated by acquiring the highest share of 52 percent SHG savings followed by RRBs 46 percent and Co-operative banks only with 2 percent of SHG savings. In the below figure-3, we underline the virtual shares of loan disburse among the commercial banks, RRBs and Co-operative banks in the northeast of India.

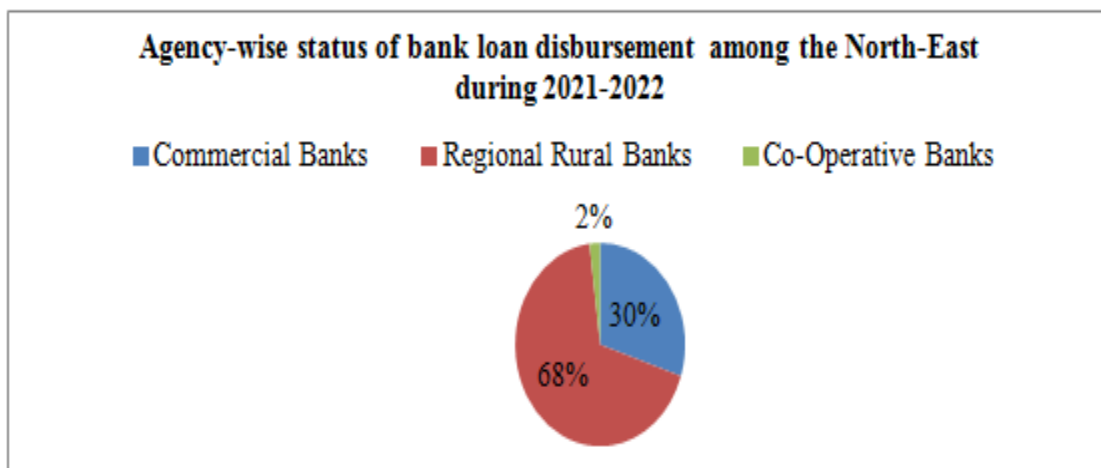


Figure 3

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 only 2 percent in Co-operative banks. The other important aspect of microfinance

programme is outstanding loans. With regard to outstanding loans figure 4 explains the RRBs have the highest share of 62 percent in compression to 37 percent by commercial banks and only 1 percent by co-operative banks.

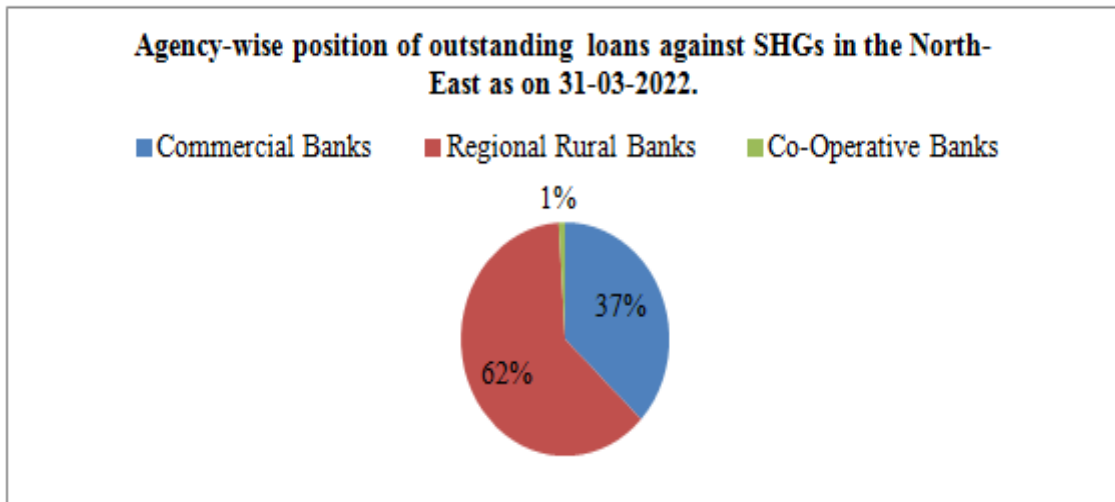


Figure 4

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

A study has been conducted by the NABARD to investigate the effectiveness of microfinance through SBLP on savings, incomes, reduction of poverty and standard of living of SHG members. The study reveals that the microfinance programme has an exemplary positive impact on living standards, empowerment and alleviation of poverty on the rural poor.

2. Problems of MFI in North-East: The marvelous success of microfinance enjoys greatly in the southern part of India emerging top position in all aspects. Despite of effective and concrete endeavor with all round support by the different governments and the agencies programme of microfinance are not come up to the expectation. Like any other socio-economic programs, microfinance has its own limitations and problems some are given below

- Lack of late and effective implementation of the programme by the banks in reference to identification of NGOs, credit groups, motivation among bankers and social disposition in the region.
- Lack of follow up and holding support with professional expertise for effective implication of microfinance programme.
- Problem of forming and nurturing qualitative groups to achieve the desired target.
- Lack of insufficient managerial and marketing skills
- Lack of implementation of advanced and efficient IT tools with efficient operational management information system.
- Lack of limited number of experienced NGOs that works with clear mission and vision.
- Lack of inadequate capital and source of fund that cater low rate of interest to MFIs.

- More administrative cost because of low growth rate of SHGs.
- Lack of proper training and intervention agencies.
- Lack of awareness among the poor people and risk averse mindset
- All sorts of infrastructural deficiencies starting from communication to under utilization of resources as well as its geographical isolation.
- Lack of ineffective delivery of microfinance services with rigid attitude of the stakeholders of the programme.

VII. CONCLUSION

The microfinance seems to be a very burning concept of funding the rural poor in India since long. All most all recent studies and review literatures it is mentioned that SHG-Bank linkage model of microfinance enhancing financial reach ability of poor is cost effective, viable and certainly subscribes overall development of poor. Over the years, it has grown at a tremendous pace and it became a right and potential form of rural finance. It achieved a considerable outreach across the nation particularly the women to bring them up not only economically but also socially, politically, mentally, educationally in the southern states.

Despite of effective and concrete endeavor with all round support by the different governments and the agencies the overall progress of microfinance across the nation is not equal. The achievement of northeast area was grim along with regional disparities. The variance in the development of microfinance in the northeast are because of all sorts of infrastructural deficiencies starting from proper communication, literacy, availability of banking agencies to under utilization of resources as well as its geographical isolation.

Assessing the all it is suggested that the government and Reserve Bank of India should take necessary dimensions to enhance concert of MFI's especially in Northeast. It is essential that a close vision should be worked out in forming and developing such groups without surrendering quality of the group. It is required to implement the advanced and efficient IT tools with efficient operational management information system.

Evaluating the successful model of SHGs, mainly in the south part of India and globally accepted become an model for the other developing nations to follow to bring up the poor not only economically but also other spheres of life.

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