



Status and Role of Cooperatives in Self-Help Group Bank Linkage Programme in Uttarakhand

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Abstract: Access to finance is a necessary prerequisite for poverty alleviation and sustainable development among rural poor and marginalized sections. Micro credit is one of the tools for serving this purpose and thus SHG- Bank linkage programme (SHG-BLP) which was initiated in 1992 has become the largest micro finance programme in the world with 1.19 crore SHGs having the deposits of over 47240 crores. Uttarakhand with primarily a hilly state with agrarian economy has progressed much in the field of linking SHGs with institutional banking system which serves dual purpose of financial inclusion and poverty reduction. This paper focuses on the status of SHG-BLP in Uttarakhand and compares it with the national averages to understand the scope and scale of the programme. While commercial banks are the leaders in generating savings from SHGs, cooperative banks excel in disbursing the loans which again proves the need of cooperative institutions. Paper also reviews the growth of savings, bank loan, outstanding and NPAs of SHGs over the period of time.

Key Words: SHG Bank Linkage • Micro Finance • Financial inclusion • CAGR

Introduction

Access to finance is a necessary prerequisite for poverty alleviation and sustainable development among rural poor and marginalized sections. When banks were taken over by the government at the beginning of the 1960s, social banking was started. After liberalization, commercial banks started to focus more on making money, which made banks less likely to lend to rural areas. While poorer section only receives 10% of the credit they demand (GOI 2007), 30% of the farmers still rely on non-institutional sources for credit (NABARD 2018) Microfinance raises living standards and lowers multifaceted poverty (Khaki 2017) and SHGs as an institution of micro credit are one of the tools for serving this purpose. SHG movement witnessed a rise in 1990s and SHG-Bank linkage programme (SHG-BLP) which was initiated in 1992 as a pilot project for linking 500 SHGs to banks, not only serves as a catalyst for the development of SHGs but it become the largest micro finance programme in the world with 1.19 crore SHGs having the deposits of over 47240 crores. This successful pilot project resulted in starting of three radical innovations by

RBI/NABARD. These were: “ (a) Accepting informal groups as clients of banks – both for savings and credit linkage. (b) Introducing collateral free lending. (c) Permit lending to groups without specification of purpose/activity/project.” The success of the pilot also led RBI to mainstream SHG-BLP as normal business activity of banks. The basic condition for accessing the bank loans for women SHG is that firstly that need to follow the Panchsutras after which they are eligible for revolving fund and later by preparing micro credit plan, bank loan is provided to them. There are three main types of SHG-BLP model. In the first model, banks play a big role in promoting and helping the groups by giving them bank loans. In this model, banks form and take care of the groups themselves, opening their savings accounts and giving them bank loans. In the second model, which is also the most common, NGOs promote SHGs and help them by giving them training and access to credit, which is paid for by banks. In the third model, NGOs are not only in charge of promoting SHGs, but most of the time they are also in charge of financing them.



Review of Literature

A lot of evaluation studies have been carried out regarding the SHGs in general and status and impact of SHG-BLP in India in particular (Puhazhendi and Satyasai 2000) were the first to analyze impact of SHGs and found that household saving, assets per household and employment has seen a significant rise in post SHG phase. Another major study conducted by (Sinha et al. 2012) shows that SHGs plays a vital role in not only reducing poverty and uplifting social empowerment of members but also generate positive externalities. Study also concluded that only female SHGs are better performers than male SHGs or mix SHGs as females have fewer ego clashes and they are driven by the goal of their family welfare instead of personal gains. In a pan India study conducted by APMAS on impact and sustainability of SHG-BLP, they concluded that, millions of low-income women have benefited from the SHG Bank Linking Programme (APMAS 2017). In many ways, including the social, economic, political, etc., SHGBLP has led to the full empowerment of women. As a result of SHGBLP, poverty was decreased, literacy was increased, and people's overall health and happiness were improved. Suprabha (2014) inferred that prospect and survival of SHGs is depend on their transformation into micro enterprises, at the same time study also recommends to redefine the role of NGOs. Shivachithappa (2013) in his empirical study in Madhya Pradesh concluded that SHGs has the potential to tackle the poverty and can be a tool for poverty alleviation. The main aim of SHG-BLP is to develop the sustainable way of formal banking system for unbanked rural poor (Suran 2007; RBI 2011). Additionally, the program also helps in providing collateral free consumption and loans (Kumar 2021; Chaudhury 2015) concluded that SHG-BLP is the strategic tool for enhancing the women empowerment and also inferred that SHG movement is significant in generation of employment and creation of jobs. SHG-BLP not only reduces the transaction cost which many

believed to be high; at the same time the Programme has other social benefits like expanding the ability of women to visit bank branch and improved social communication skills (Rajeev 2019). Kumar (2020) in its empirical research indicates that poverty reduction and empowerment through self-help can enhance the skills of women in several domains that are important for their quality-of-life Kumari (2019) studied the SHG-BLP in southern states of India and observed that cooperative banks are high among loan disbursal to SHG and private banks also plays crucial role if the state makes strong intervention. Gupta (2018) found out the inter-regional disparity in SHG growth which is skewed in favor of southern states and there exists an inverse relationship between Self-Help Groups established with banks and the percentage of the impoverished people. The same has been corroborated with the study of Tripathi (2013) which finds that non-southern states are lagging behind in the SHG coverage as well as in loan disbursement (Kaur et al. 2017) finds that banks are hesitant to provide loans to SHGs due to the perceived risk of default which has been corroborates by the fact that while savings of SHGs with the banks are increasing but disbursal of loans is declining in Amritsar but (Mathur and Agarwal 2016) in a similar study in Rajasthan finds that saving linked SHGs are showing declining trend (Singh et al. 2021) while studying the repayment of SHGs concluded that new SHGs are more risk seeker and the loan provided by the banks is not enough to start a new business however the use of credit for the purpose it has availed has increased in post SHG phase (Maurya 2014). Kaliranjan (2012) studies the nexus of banking and SHGs in Uttarakhand concluded that the self-help group (SHG) movement in Uttarakhand is not precisely focused on addressing poverty; rather, it is a broad phenomenon aimed at generating more income in rural areas.



Objectives of the Study

1. To find out the status of SHG-BLP in Uttarakhand.
2. To study the status of cooperative banks in SHG-BLP in Uttarakhand.

Methodology-

The study is based on secondary data, primarily on the “Status of Microfinance in India” report released by NABARD. SMI report of last ten years has been analyzed and CAGR has been calculated to understand the growth of SHG coverage, savings and loan disbursement. Other related reports of RBI and NABARD have also been used.

$$CAGR = (Beginning\ Value / Ending\ Value)^{1/n} - 1$$

SHG-Bank Linkage Programme in Uttarakhand-

Uttarakhand a hilly state has 13 districts for administrative purpose with an agrarian economy where primary sector has the dominant role. Of the total no. of SHGs in Uttarakhand, only 26% are credit linked as of 57% in the whole India with the total savings of 27539.37 Lakh which is 0.58% of the total SHGs savings in India.

SHG movement has seen a considerable amount of growth since the start of SHG-BLP, in last 10 years there is an overall growth of 62.53% in no of SHGs in India while at the same no of SHG has been doubled in Uttarakhand. While the growth of SHGs nationwide has a positive trend with a CAGR of 0.055 it is slightly higher for Uttarakhand. This shows the positive impact of SHG programs and NLRM. The saving growth is also even for both India and Uttarakhand with a CAGR of 0.214 and 0.215 respectively but the loan disbursement is too less in the state compared to national average. Relative position is too worse for Uttarakhand, while national per SHG saving is 1.70 times of Uttarakhand the per SHG loan disbursal is 2.73 times that of Uttarakhand. Relative loan disbursal has increased as it was 0.09% of total in 2022 while it rose to 0.12% in 2023. Relative no. of SHGs taking loan from cooperatives has increased by 77.29% YoY which shows the trust SHGs have on cooperative institutions.

Table-1 Saving And Loan Disbursement of SHG

Year	No. of SHG		Savings (Amt. ₹ Lakh)		Loan Disbursal (Amt. ₹ Lakh)	
	India	Uttarakhand	India	Uttarakhand	India	Uttarakhand
2012-13	7317551	40316	821725.47	4763.57	2058536.44	4050.22
2013-14	7429500	37294	989741.54	3903.04	2401735.85	1943.16
2014-15	7697469	51067	1105984.07	5038.41	2758231.06	3447.98
2015-16	7903002	42595	1369139.01	5024.88	3728690.09	20904.90
2016-17	8576875	46930	1611422.64	4349.94	3878115.64	2438.07
2017-18	8744437	48141	1959211.52	7987.88	4718587.61	2586.83
2018-19	10014243	54053	2332448.15	8778.33	5831762.88	2979.59
2019-20	10243323	73973	2615204.89	10689.53	7765934.84	4183.58
2020-21	1123400	65659	3747761.37	12982.89	5807067.81	7559.35
2021-22	11893053	81588	4724048.10	27539.37	9972922.50	9423.73
2022-23	13403000	93747	5889267.56	24106.64	14520023.33	17932.78
CAGR	0.055	0.081	0.214	0.215	0.191	0.098

Source- Compiled from [Status of Microfinance in India](#)



Table 2: Relative Position of Microfinance in Uttarakhand as on March 31, 2023 (Amount in Lakh)

Particulars	No. of SHGs	Savings	Per SHG	Loan Disbursed	Per SHG	Outstanding Bank loan against SHG	Per SHG
India	13403000	5889267.56	43939.92	14520023.33	338028.7	165377.84	122681.78
Uttarakhand	93747	24106.64	25714.57	17932.78	123734.08	13423.64	68207.06
Share of UK	0.70%	0.41%		0.12%			

Source- Status of Microfinance in India (2022-23), NABARD

In terms of loan disbursement 9523 SHGs has received a total loan amount of 9423.73 Lakh where majority of the SHGs opted for regional rural banks aggregate loan amount was evenly distributed. To understand the availability and quantum of loan, per SHG loan amount has been calculated where Commercial bank's per SHG loan disbursement is 94806.46 while cooperative banks has the highest share with per SHG loan of 131701.25 for Cooperative banks which clearly suggests that commercial banks are hesitant to give large amounts as loans to SHGs in Uttarakhand. However, the

national average for per SHG loan amount by commercial banks is more than double of what they lend in Uttarakhand. While the no. of SHGs applying loan from cooperatives has increased significantly the year-on-year growth in per SHG loan disbursement from cooperative has reduced to a great extent. Even when commercial banks and RRBs has done a great job with YoY growth of 34.96% and 37.70% respectively, the cooperatives has lagged behind with a growth of only 3.06% which is quite low as compared to national average.

Table 3: Relative position of loan disbursed in Uttarakhand as on 31st March, 2023

	No. of SHGs	% of Total	Bank Loan (in Lakh)	% of total loan	Per SHG Loan disbursed
Commercial Banks	4831	33.33	6181.23	34.47	127949.29
Regional Rural Banks	5407	37.31	5975.97	33.32	110522.84
Cooperative Banks	4255	29.36	5775.58	32.21	135736.31
Total	14493	100%	17932.78	100%	

Source- Status of Microfinance in India (2022-23), NABARD

Table 4: Year on Year Growth in Per SHG Loan Disbursement in Uttarakhand

Year	Commercial banks	RRBs	Cooperative Banks
2021-22	94806.46	82048.41	131701.25
2022-23	127949.29	110522.84	135736.31
YoY Growth	34.96%	34.70%	3.06%
National Average	27.92%	4.37%	11.54%

In Uttarakhand, as it is clear from the table-5 that 28595 SHGs has Rs. 19503.81 Lakh of bank loan as outstanding where cooperative banks in 2021-23 had

the largest share both in terms of aggregate loan outstanding as well as in per SHG outstanding however the per SHG outstanding has come down



significantly this year. This is due to the 72.95% increase in SHGs defaulting in their loan payment which clearly suggests that the recovery from SHGs is a matter of serious concern for Cooperative banks and more study needs to be done on this aspect as well. NPAs as a percentage of total outstanding for SHGs stands at 10.85% on 31st March 2023 as against

17.47% in 2021 which shows improvement thus improvement in asset quality, however it is quite high with respect to the national average of 3.80%. Cooperative banks which were way ahead in loan disbursement and outstanding has a NPA of 13.27% against SHGs which also shows an improvement since last year.

Table 5: Relative position of loan outstanding in Uttarakhand as on 31st March, 2023

Institutions	No. of SHGs	Loan Outstanding (In Lakh)	Per SHG Loan O/S (In Lakh) 2021-22	Per SHG Loan O/S (In Lakh) 2022-23
Commercial Banks	6688	5736.14	65578.70	85767.64
Regional Rural Banks	8131	5603.07	48713.47	68909.97
Cooperative Banks	13776	8164.60	70825	59266.84
Total	28595	19503.81		

Source- Status of Microfinance in India (2022-23), NABARD

Conclusion and Recommendations

Though considerable progress has been achieved in Uttarakhand for linking SHGs to formal source of finance but it is still way behind than the national average. Thus there is a need to revamp the whole microfinance structure with more focused roles assigned to NGOs and banks at the same time SHGs member should also be provided with necessary training so that they can transform SHGs into a micro enterprise where they can get revolving funds and later the credit linkage. Commercial banks were way behind in disbursing loans to SHGs even though the NPAs against SHG loans are low but they have improved significantly in recent year. Cooperative banks are performing well not only in terms of aggregate loan disbursement but also in per SHG loan which further proves the role and importance of cooperative institutions, however, they are lagging behind in credit recovery which will impact the health of cooperative institutions in the long run. “Deendayal Upadhyay Cooperative Farmers Welfare Scheme” operated by cooperative department of Uttarakhand which provides five lakh rupees loan to SHGs through PACS should be promoted as PACS due to their local coverage has more information about SHGs and thus it reduces

the information asymmetry and chances of further NPAs.

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