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ORIGINAL RESEARCH PAPER | **Commerce**

REGION WISE ANALYSIS OF NABARD'S SHG BLP WITH SPECIAL REFERENCE TO MICRO SAVING AND MICRO CREDIT IN INDIA

KEY WORDS: Self Help Groups, SHG BLP, Microfinance, Regional Discrepancies, Saving, Credit

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ABSTRACT

NABARD's SHG-BLP is program which aims to increase financial accessibility in rural areas through providing opportunities and avenues for micro savings and loaning. In it homogeneous Self help groups are formed. Groups were financially trained to rotate funds. Group capacities were improved through targeted programs. Improvement in terms of banking and financial dealings is observed after participation. SHG, Savings of SHGs, Credit outlay and outstanding were studied in all six regions of India (Northern, North Eastern, Eastern, Central, Western and Southern) to identify regional disparities. 15 years data from NABARD's yearly reports "Status of Microfinance in India" is compiled for bank linked SHGs along with amount of saving, loan outlay and loan outstanding. Trend in saving and credit were studied. Increase in amount and rate of growth for saving and credit differs in different regions. Suggestions for reduction in disparities and gaps were also provided.

1.0 INTRODUCTION

NABARD's Self Help Group Bank Linkage Program (SHG-BLP) is working on improving the socio-economic conditions of rural India for last three decades. Financial inclusion is an important aspect to improve lives rural unbanked population. This program is a combination of finance-credit, improving capacity and livelihood improvement. Till date it has reached millions in rural India. Studies and reports suggest that it has improved socio-economic condition of participants (SOMFI, 2024). In its development initiative SHG-BLP groups are formed, conducts capacity building programs, saving habits are developed, linking of groups to banks for saving, provide credit facilities to bring lower strata of society in mainstream and giving them opportunity to uplift themselves. Groups are preferably formed of women with homogeneous living area, ethnicity and other economic factors (Baland, Somanathan and Vandawalle, 2011). As program is working for last three decades many impact assessment studies assessing the impact of SHG-BLP various initiatives in rural India has been conducted. Programme has helped in reaching poor, enhancing their income, alleviating poverty levels and contributed in overall socio-economic development of rural India (Sinha, Parida and Baurah, 2012). SHG-BLP has helped India to reach sustainable development goals by increasing confidence and trusts among participants, by empowering women through entrepreneurship, imparted technical skills, provided market access and help in establishing sustainable livelihood (Al-Kubati and Selveratnam (2023) This paper studies the initiative in respect to saving linked SHGs formation, savings of SHGs and credit provided and outstanding under the programme for the period of 15 years (from 2007-08 to 2023-24). Paper also tries to highlight the regional variation between six regions namely Northern, North Eastern, Eastern, Central, Western and Southern regions of India. This will help in understanding the disparities in regional development in India and can help formulate innovative solutions and policies (Fouillet and Augsburg, 2007).

2.0 Objectives of Study: Objective is to study the number of SHG, their Savings, Loan outlay and outstanding against SHGs and to:

1. To analyze the growth trends over the past 15 years.
2. To study the relationship between them.
3. To examine the regional disparities in across different regions.
4. To study the number of SHGs formation and improvement in financial inclusion.
5. Suggestions to improve financial inclusion based on regional performance.

3.0 Research Methodology

15 yearly reports published by NABARD on microfinance status were referred. Data related to savings, loan disbursed and outstanding was extracted from these reports. Then methods like mean analysis, trend analysis, correlation analysis, Theil index, Fixed effect panel regression and Krushal-Wallis test is applied to study they objectives framed for the study.

4.0 Data Analysis

4.1 Growth Trend of SHG-BLP in India Over the Past 15 Years.

4.1.1. Trend Analysis

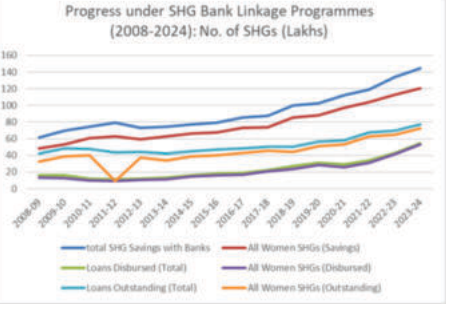

Figure 1

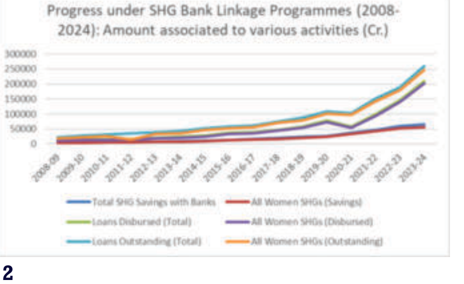

Figure 2

Study of 15 year data (2008-09 to 2023-24) suggests that number of self help groups, total savings with banks, total savings of all women groups, total loan outlay, total women group outlay, total loan outstanding and total women group loan outstanding has increased regularly year on year basis with few exceptions.

In 2008-09 SHGs with saving accounts were 61.21 lakhs which increased to 144.22 lakhs in 2023-24. All women SHGs also increased as they stood at 48.64 lakhs in 2008-09 and 120.44

lakhs in 2023-24. This shows that SHG BLP programme has significant impact in increasing number of saving linked SHGs.

SHG BLP programme has impacted saving in similar fashion as saving has also significantly increased. Amount of saving in SHG accounts was Rs. 5,545 crore in 2008-09 which consistently increased and reached levels of Rs. 65,089 crore in 2023-24.

SHG BLP programme has targeted unbanked population and it can be termed as successful as last 15 year data shows increasing participation and improvement in saving capabilities.

Beyond SHG accounts and motivation for saving SHG BLP also proved loans to participants. Improvement in amount of loan outlay and loan outstanding showed better results than saving parameters as data shows loan outlay in 2008-09 was Rs. 12,253 crore which increased to Rs. Rs. 2.09 lakh crore till 2023-24 and loan outstanding in 2008-09 was Rs. 22,679 crore which increased to Rs. Rs. 2.59 lakh crore till 2023-24

SHG BLP participation and data on amount of loan outlay and outstanding suggests that participants received banking facilities and programme is successful on the front of financial inclusion.

SHG BLP has also contributed to the women empowerment through increasing their saving, loan outlay and loan outstanding. This will further need to be supported with proper policies to continue this growth, continuous association with formal financial system and regular loan repayments. Further usage of loan for productive purposes can be targeted for long term effects.

4.1.2 Relationship Between Number of SHGs and Financial Indicators (Savings, Loan Outlay and Loan Outstanding)

Table 1: Correlation Analysis

Variables	totalshgsavingswithbanks	allwomenshgssavings	loansdisbursedtotal	allwomenshgsdisbursed	loansoutstandingtotal	allwomenshgsoutstanding
totalshgsavingswithbanks	1	0.9992	0.9569	0.9553	0.9778	0.979
Allwomenshgssavings	0.9992	1	0.9495	0.9477	0.9723	0.974
loansdisbursedtotal	0.9569	0.9495	1	0.9999	0.9943	0.9922
allwomenshgsdisbursed	0.9553	0.9477	0.9999	1	0.9935	0.9915
loansoutstandingtotal	0.9778	0.9723	0.9943	0.9935	1	0.9979
allwomenshgsoutstanding	0.979	0.974	0.9922	0.9915	0.9979	1

Correlation analysis was conducted on SHGs with bank accounts, total savings, savings with all women groups, total loan outlay, loan outlay to all women groups, loan outstanding and all women group loan outstanding.

Correlation coefficients above 0.94 shows extremely strong positive relationships among SHGs with bank accounts, savings (total and women groups), loan outlay (total and women groups) and loan outstanding (total and women groups).

SHG BLP emphasis women empowerment as majority groups are exclusive women group and total and all women SHG specific data shows similar growth movements and. Correlation between total and all women SHGs saving (r = 0.9992) shows that women are saving almost equally to other SHGs. Loan outlay data provide even more promising picture with highest correlation (≈0.9999) means women SHGs are leading from the front when it comes to credit and financial inclusion through this initiative.

Correlation analysis between saving and loan shows that they are correlated (high). But there correlation is marginally lower than others. It means loan (outlay and outstanding) is increasing more than growth in amount of savings.

Overall study of relationship between SHGs with bank accounts, total savings, savings with all women groups, total loan outlay, loan outlay to all women groups, total loan outstanding and loan outstanding of all women groups highlights inter linkages and shows there simultaneous forward movement. It also highlighted that important role of women SHGs in saving, loan and credit expansion.

4.2.3 Regional Disparities in SHG BLP Performance

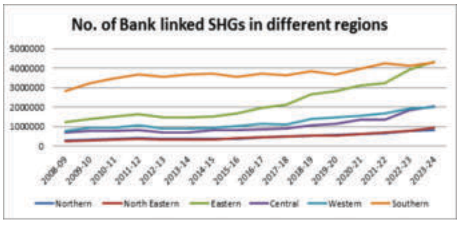

Figure 3

Bank linked SHGs have risen steadily but area wise growth and numbers vary. Southern area is leading and eastern region picked up growth after 2015-16. Central area and Western area witness minor growth rate initially but has picked slight pace after 2017-18. The region still lagging far behind are Northern and North Eastern regions. Government should prioritize lagging regions, prepare customized policy and should identify reasons and remedies for the same.

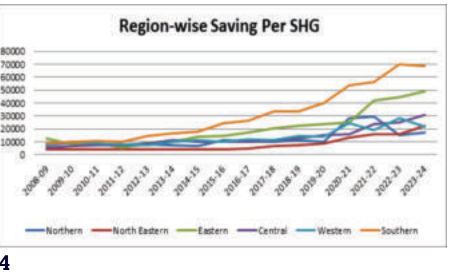

Figure 4

Southern region has highest average savings. It is leading the SHG BLP initiative success with impressive growth rate. Eastern region has shown impressive growth rate in recent years when it comes to savings. Other four regions are showing slow and steady growth except few years.

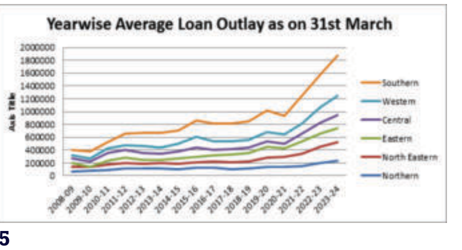

Figure 5

Average loan outlay in 2008-08 was Rs. 4,01,681 which was incresed to Rs. 18,78,307 in 2023-24. Total and average loan outlay increased steadily al these years with few exceptions but considerable amouunt of rise can be seen in years starting from 2020-21. It shows government focus on lending after economic downfall faced after Covid-19 pandemic. In last two years 2022-23 and 2023-24 increase was sharpest showing interest of participants and banking system in lending to this sector.

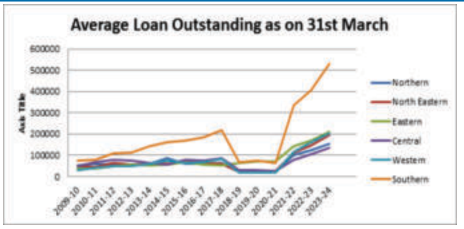

Figure 6

Average loan outstanding for southern region increased consistently till 2016-17 after which fallen sharply due to reasons like high high expectation of loan waivers, NPAs and demonetization. This trend is witnessed in other regions as well. But from 2020-21 loan outstanding has risen sharply in all regions. Improvement in economic conditions and increase in intentional lending in the aftermath of Covid-19 are the reasons for sharp rise in loan outstanding. Overall loan outstanding has been rising sharply in last few years. But overall impact can only be commented after contemplating on various related information which are outside the scope of this study.

Theil Index

Theil index is a statistical tool. It measures inequality 'with-in' and between groups. To find out rate of growth of SHG saving among regions are equal or not this tool is used. It might be possible that some regions saving are increasing at faster rate than others or some regions savings are not improving. It will monitor change in saving during time of study. Further it will also tells about degree of disparities in saving over time. It provide better results than averaging methods as it use proportionate share of each area. If inequality among saving will be high it will be indicated with high Theil index. If inequality among saving will be low then Theil index value will be low.

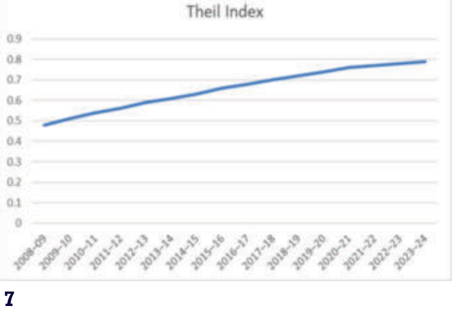

Figure 7

Theil index for SHGs Savings in 2008-09 was 0.48 which rose consistently and stood at 0.79 in 2023-24. This indicates regional differences in SHG savings are increasing consistently. Study shows that though all India saving is increasing but some regions are saving far more than others and also suggests that the growth among the regions is not consistent. This means that some regions are growing faster than others. Earlier introduction of program, better infrastructure, education status, interest of governments in program implementation are few reasons for difference in growth. Southern area performed well when it comes to increase in savings and Eastern area growth rate has sharply increased in past few years. Areas where government should focus their efforts are Northern and North Eastern as they are not equally benefited by the program. Policy recommendation is 'targeted planning'. Areas specific problem identification and area specific changes to the broad plan are suggested. It will result in equitable growth and inclusive financial inclusion.

Fixed Effects Panel Regression

The Fixed Effects (FE) panel regression model is employed to analyze regional disparities in SHG-linked savings across India from 2008 to 2024. This method delineates the inherent disparities in savings accumulation among regions. It also encompasses temporal trends and distinctive characteristics of each region. FE accounts for unobserved heterogeneity, referring to the region-specific characteristics that remain invariant over time. This differs from basic mean comparisons or ANOVA. The overall increase in SHG savings is evaluated by incorporating regional baselines and a time-based trend. This method offers explicit insights regarding which sectors are performing better than others and which are underperforming in financial inclusion.

Table 2: Fixed Effects Panel Regression

Region	α_i (Fixed Effect)	Interpretation
Northern	75,000	Baseline low-moderate savings
North Eastern	90,000	Slightly higher baseline than North
Eastern	3,50,000	High intrinsic savings
Central	2,50,000	Moderate savings potential
Western	2,80,000	Above-average baseline savings
Southern	5,50,000	Leading region in SHG savings
β (Year Trend)	12,000	Average annual growth across regions

As per the FE regression there is significant geographical variation in SHG-linked savings. The variations in α_i shows that certain areas continuously perform better than others Highest α_i values in Southern and Eastern regions shows that contribution of savings by this region in total saving is highest. Eastern and Western areas have high intrinsic savings and moderate saving potential. But Northern and North Eastern regions are far behind than Southern and eastern region. According to the year trend coefficient (β = 12,000), SHG savings had grown steadily over the years, averaging Rs. 12,000 annually across all regions.

This variation in savings may be because of various reasons. Different regions have different stages of development. Some have better physical and financial infrastructure, different education levels, different government priorities or policies, different implementation setup, different self employment opportunities sets. These impact the program outcomes and results in different levels of achievement.

Noteworthy regional differences found in the regional financial efficiency analysis. Southern area has highest saving and loan outlay numbers. Western and Eastern areas are performing moderately on program parameters. But Northern and North Eastern areas are unable to utilize program specific synergies. After the study it can be concluded that SHG-BLP has performed over the years but with different pace in different areas. For further improvement in performance and further penetration of scheme area specific interventions are required. Areas must be studied for reasons of success where program outcome is inspiring. Areas where improvement is needed must be observed for reasons of slow progress. Then customized solutions should be designed after discussions with local stakeholders.

5.0 Conclusion and Policy Suggestions

As the study revealed that the growth of SHG-BLP is impressive when it comes to outreach and credit facilities distribution. But regional analysis of the data reveals that the growth is highly uneven and Southern and Eastern regions are most advantageous among all regions. Government should amend their plan to improve the outreach and credit facilities among those regions which are lagging behind. Following suggestions are provided for improved and inclusive policy formulation:

1. Improvement in banking infrastructure in under-

developed areas: To improve usage of credit and savings facilities, formal banking services should be made more accessible in the Northern-North Eastern, and Central areas.

2. Customized Capacity-Building programs: As the requirement of different regions vary as their development state and other environment factors like education, financial literacy etc. improvised and customized approach should be used to build their capacities in required areas like bookkeeping, financial literacy, marketing, self employment opportunities etc.
3. Improving financial awareness: Financial awareness and education improves ones changes of success after availability of banking services. Educational programs for improving the financial awareness of rural people must be undertaken. Training can be provided on the practical aspects of finance as compounding effect of savings and money rotation in self employment.
4. Provide incentives to Banks: Banks who are performing well as per objectives of the program must be motivated incentives for their contribution in this cause. This will motivate more banks for doing same.
5. Reducing Regional Inequalities: By designing area specific programs unequal growth can be reduced. For this data from the areas must be collected on different program parameters and should be analyzed for corrective measures.