



Role of NABARD: An analysis of SHG: Bank linkage programme in Haryana: An overview

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Abstract

NABARD and the Reserve Bank of India (RBI) are focussing in designing suitable rural credit policies that are favourable for overall rural development. In this context, NABARD has implemented many agricultural and rural development projects covering a variety of aspect of agricultural based rural economy, out of this SHG-Bank Linkage Programme was one of them through which the Apex Development Bank providing banking facilities to the rural poor. The scheme like SHG-Bank Linkage Programme has emerged as the most effective means for linking the rural people to the banking system and helps in reducing poverty by providing a regular source of livelihood in a significant manner. The present paper emphasis the functions of NABARD and inspect the progress of the SHG-BLP which has become world largest microfinance programme in India. The next part analysis the progress of Agency-wise saving, loans disbursed, NPAs and Credit to Saving Ratio in the state of Haryana. The suggestions and policy implications are discussed in the last section.

Keywords: rural credit, microfinance, development, rural economy, SGH-BLP, livelihood

Introduction

National Bank for Agriculture and Rural Development (NABARD) Come into existence on 12 July 1982 by transferring the agricultural credit function of Reserve Bank of India (RBI) and the then Agricultural Refinance and Development Corporation (ARDC). It is an Apex Development Bank in India for financing and promoting agriculture, small scale industries, handicrafts, cottage and village industries and other rural crafts so as to promote integrated rural development. With a paid up capital as on 31st March 2015 stood at Rs.5000 crore contributed by Govt. of India and RBI. NABARD shares its experience and proficiency with its constituents and also supports the Central Bank of the country in designing suitable rural credit policies that are favourable for overall rural development. The Development Bank has implemented many agricultural and rural development projects covering a variety of aspect of agricultural based rural economy.

Major Functions of NABARD

NABARD undertakes verities of inter-related functions to achieve its targets of promoting sustainable and sound agricultural and rural development through a number of initiatives and these relate to the following four categories:

- Credit dispensation
- Development and promotional functions including institution building
- Supervisory function
- Advisory role

Refinance Support by NABARD

The total refinance support of NABARD to Cooperative Banks, Commercial Banks, Regional Rural Banks and the

financial supports to the State Govt. stood at Rs.90150 crore for the year ended March, 2015. The different types of loans provided by NABARD

- Investment credit reached Rs.48, 064 crore during 2015–16, marking a growth of 53 % over the previous year, facilitating acceleration of capital formation in the rural economy.
- Short term production and marketing credit facilities was provided with a corpus of Rs. 200 crore for the promotion of 2,000 farmer producer organisations (FPOs) by March 2016, was a major intervention aimed at facilitating aggregation of input supplies and output marketing.
- Rural Infrastructure Development Fund (RIDF) has been an important project financing option for state governments for the creation of rural infrastructure. During the year 2015–16 NABARD sanction the loan amount of Rs.28, 830 crore under RIDF, with the share of irrigation and agriculture sectors being 50 per cent of the total sanction.
- Climate change Fund has channelled for building climate change resilience of rural livelihoods. NABARD as the National Implementing Entity (NIE) under funding mechanisms, viz. Adaptation Fund (AF) and Green Climate Fund (GCF) of the United Nations Framework Convention for Climate Change (UNFCCC).

Needs for Individual Banking to Mass Banking

NABARD report reveals that Indian economy has undergone a structural change due to a sharp decline in the share of primary sector in the total gross domestic product (GDP) from 52% in 1951-52 to an estimated 15.4% for 2015-16, even though the agriculture sector still provides employment stood at 48.9 % of the workforce of the country population. Further,

the average growth of GDP in agriculture and allied sectors at 2.3 per cent (during 2011-12 to 2015-16) has been below the 4 per cent target fixed by the 12th Five Year Plan. The decreasing share of agriculture is emerged as a central problem for farmer's indebtedness in India. The problem of indebtedness damaged the social status of a farmer and triggered to commit suicide. In India, on an average, there is one farmer suicide in every 30 minutes since 2002 (Sainat: 2008) ^[8], while in case of Haryana, the suicide number of farmers is 4.8 per one lakh farmers, National Crime Record Bureau (NCRB). The results of the study indicate that the informal mechanism of credit delivery is playing an important role for marginal and small farmers' in meeting their credit requirement in the State (Kuldip S. Chhikara *et al.* 2013) ^[15]. The Government has been rightly emphasizing rural and agriculture development for poverty alleviation. The need and potential for banking with the poor has received the attention of Indian policy makers since the days of nationalisation of private sector commercial banks in 1969. The banking network underwent a massive expansion after the implementation of new economic policy in the year 1991. Credit came to be recognised as a remedy for many of the ills. Credit packages and programmes were designed based on the needs of the deprived as supposed by the policy maker's. Therefore, several questions started being raised in the mind of planners.

- Adequate and timely provision of credit for the poor.
- The types of the credit packages.
- Mode of delivery of these packages.
- Credit management capability of the poor.
- Expansion in the coverage of credit facilities to the poor masses.
- Provision of capital and interest subsidies.
- The impact of these programmes and approaches.
- Level of participation of the poor in the decision making process.

An Overview NABARD Approach to Micro-Finance in India

Then NABARD began a search for alternative policies, system and procedures, savings and loan products, other complementary services and new delivery mechanisms, which would fulfil the requirement of the poorest, especially of the

women members of such households. The emphasis therefore was on improving the access of the poor to microfinance rather than just micro-credit. NABARD develop the Self Help Group-Bank Linkage Programme (SHG-BLP) model as the core strategy that could be used by the banking system in India for increasing their outreach to the poorest of the poor who were hitherto getting by passed by the banks.

Any long journey starts from a small, single step. So was the journey of the SHG-BLP from linking a pilot of 500 SHGs of rural poor two decades ago, it now boasts of the world largest microfinance initiatives with over 79.03 lakh saving linked SHGs as on 31 March 2016 out of these exclusive women SHGs are 67.63 lakh. The savings outstanding of SHGs with banks as on 31 March 2016 has reached an all-time high of `13,691 crore out of which exclusively women SHGs contribution are amount Rs. 12038 crore. Assuming that about one-third of thrift of SHG is kept as savings with banks and rest used for internal lending, total thrift mobilized by SHGs may be to the tune of `41,000 crore as per the NABARD report 2015-16.

An Overview of Micro-Finance in Haryana

The cumulative number of Self-Help Groups (SHGs) in Haryana as of 31 March 2016 was recorded to be 42927. Haryana accounted for only 0.05 per cent of all SHGs in India. The total bank loans provided to all these SHGs in financial year 2015-16 was Rs. 5398.91 lakhs and out of this Rs. 5134.94 lakh was disbursed to women SHGs only. An analysis of spread of SHGs district-wise through out of Haryana reveals that Karnal district leading following by Sirsa, Hisar, Fatehabad, Gurgaon and Rohtak etc. In spite of that the total no of person below poverty line in Haryana was 28.83 lakhs in the year 2011-12 as per the report published by the planning commission Govt. of India (GOI) during the year 2013.

Progress of Agency-wise Saving of SHGs in Haryana

All the Regional Rural Banks (RRBs), District Central Co-operative Banks (DCCBs) and Commercial Banks in the State took part in the SHG-BLP. Commercial banks and RRBs are the major players in this programme. The agency-wise details of SHGs saving linked with banks are given in table-1.

Table 1: Agency-wise Saving of SHGs in Haryana as on 31 March, 2016 (Amount in Rs. Lakh)

Name of the Agency	Total Savings of SHGs with Banks as on 31 March 2016			Out of Total-Under NRLM/SGSY Scheme			Out of Total-Exclusive Women SHGs		
	No. of SHGs	No. of Members	Saving Amount	No. of SHGs	No. of Members	Saving Amount	No. of SHGs	No. of Members	Saving Amount
Commercial Banks	21987	236217	13709.97	17060	76829	577.73	15772	174910	11707.52
Regional Rural Banks	17031	188192	1844.00	8147	95890	1133.00	13583	151722	1249.00
Cooperative Banks	3909	37991	337.47	1608	17047	156.40	2925	28811	265.24
Total	42927	462400	15891.44	26815	189766	1867.13	32280	355443	13221.76

Source: Status of Micro-Finance in India Annual Report 2015-16

The number of saving linked SHGs now stands at 42927 with a membership of over 4.62 lakhs poor households out of these 32280 SHGs linked to banks are exclusive women groups with having saving amount of Rs.13221/-, which is one of the most distinguishing features of micro-finance sector in the State. The share of commercial banks in formation of SHGs is

51.2 per cent followed by RRBs with 39.6 per cent share whereas the share of cooperative banks is 9.1 per cent least both in terms of number of SHGs and saving linked.

Among the public sector commercial banks, Punjab National Bank is leading with a total of 10522 SHGs formed as on 31st March, 2016. Oriental Bank of Commerce, State Bank of

India, State Bank of Patiala, Canara Bank and Punjab & Sind Bank are also among the top in regard to SHGs formation. Among the private commercial banks the YES Bank has ventured in the top of SHG Bank Linkage Programme in Haryana with 2007 SHGs. The Haryana Gramin Bank is formed 17031 SHGs with 100 per cent credit support provided by RRBs in Haryana under the SHG-BLP. District Central Cooperative Banks (DCCB) remained slow in SHG-BLP as this agency was a party for linking only 8.7 per cent of the SHGs in the state. The Sonapat DCCB with 1165 SHGs and Hisar DCCB with 384 SHGs lead the race among the DCCBs followed by Sirsa DCCB. These two DCCBs account for 39.62 per cent of SHGs with 22.84 per cent of credit support

extended by DCCBs under the SHG- BLP. As per the latest data, Sonapat 1165, Hisar 384 and Sirsa 332 have large number of SHGs under DCCBs. There are also various NGOs working with the NABARD Linkage Programme in the State.

Progress of Agency-wise loans disbursed to SHGs in Haryana

The loans amount disbursed Rs.5398/- lakh to the No. of SHGs 3869 out of these under NRLM/SGSY scheme SHGs are 1677 with the loans disbursed amount of Rs. 1357/- lakh. Over 3519 SHGs were loan disbursed Rs.5134/- lakh for exclusive women groups exhibits in table-2.

Table 2: Agency-wise loans disbursed to SHGs in Haryana as on 31 March 2016 (Amount in Rs. Lakh)

Name of the Agency	Loans disbursed to SHGs by Banks as on 31 March 2016		Out of Total-Under NRLM/SGSY Scheme.		Out of Total-Exclusive Women SHGs	
	No. of SHGs	Loans disbursed	No. of SHGs	Loans disbursed	No. of SHGs	Loans disbursed
Commercial Banks	2649	4249.12	575	385.09	2333	4040.83
Regional Rural Banks	1168	1082.00	1078	928.00	1147	1049.00
Cooperative Banks	52	67.79	24	44.28	42	45.11
Total	3869	5398.91	1677	1357.37	3519	5134.94

Source: Status of Micro-Finance in India Annual Report 2015-16

This is one of the most distinguishing features of micro-finance sector for empowerment of women in Haryana. The shares of commercial Banks in loan disbursement are 78.70 per cent more than the shares of RRBs which is 20 per cent followed by the share of cooperative banks is 1.25 per cent in terms of loan disbursement in the State.

Progress of Agency-wise NPAs of Bank Loans to SHGs in Haryana

The increase in NPA against loans to SHGs was serious problem to the micro-finance sector. Table-3 illustrates the agency-wise comparative position of NPAs against loans to SHGs by Bank as on 31st March, 2016.

Table 3: Agency-wise NPA against Bank loans to SHGs in Haryana as on 31 March 2016 (Amount in Rs. Lakh)

Name of the Agency	Gross NPA data of SHG against Bank Loan			Gross NPA data of SHG under SGSY/NRLM Scheme.		
	Total loans o/s against SHGs	Amount of NPAs	NPAs as % to Total loans o/s	Total loans o/s against SHGs	Amount of NPAs	NPAs as % to Total loans o/s
Commercial Banks	13076.82	2101.09	16.06	2565.27	1000.60	39.00
Regional Rural Banks	6847.00	284.00	4.15	5566.00	188.00	3.38
Cooperative Banks	589.07	440.00	74.69	484.73	412.34	85.07
Total	20512.89	2825.09	13.77	8616.00	1600.94	18.58

Source: Status of Micro-Finance in India Annual Report 2015-16

In absolute terms, the gross NPA against loans to SHGs increased 13.77 % and the total gross NPA against loans to SHGs stood at Rs. 2825 lakh as on 31st March, 2016 against the total outstanding loan of Rs. 20512.89 lakh, out of which the total gross NPA under SGSY/NRLM scheme Rs. 1600.94 lakh against the total outstanding loan of Rs. 8616 lakh which is 18.58 % out of the total amount sanctioned under the SGSY/NRLM scheme as on 31st March, 2016. Among the agency-wise NPA as percentage of total loan outstanding, the share of Cooperative Banks is 74.69 % followed by public

sector commercial banks 16.06 % and RRBs with 4.15 %.The percentage increased of NPA among the different banks is a matter of grave concern for the micro-finance sector and the causes for the poor performance of recovery are to be analyzed and corrective action initiated immediately.

Agency-wise Credit to Saving Ratio in Haryana:

The average loan outstanding per SHGs among different banks revealed that there was significant change during the reference year. It could be analyzed from Table- 4.

Table 4: Agency-wise Credit to Saving Ratio in Haryana as on 31 March, 2016 (Amount in Rs. Lakh)

Name of Agency	Agency-wise Credit to Saving Ratio		
	Average loan o/s per SHG	Average saving per SHG	Loans to saving ratio
Public Sector Commercial Banks	1.60	0.62	2.58
Regional Rural Banks	0.92	0.10	9.2
Cooperative Banks	1.30	0.08	3.51
Average Total:	1.39	0.37	3.75

Source: Status of Micro-Finance in India Annual Report 2015-16

The commercial banks are leading in average loan outstanding per SHGs Rs. 1.60 Lakh followed by cooperative banks with Rs. 1.30 Lakh. But in case of average saving ratio commercial banks are higher with amount of Rs. 0.62 Lakh per SHGs followed by RRBs with amount of Rs. 0.10 Lakh, whereas the share of cooperative banks is least in term of average saving per SHGs. Comparison of loans to saving ratio RRBs are leading with 9.2 % followed by cooperative banks with 3.51 % and commercial banks with 2.58 %. It is found that the higher loan to saving ratio is the major factor where banks are cautious in financing groups.

Conclusion and Policy Implications

The Indian SHG-BLP is the largest microfinance programmes in the world. In spite of that the micro-finance sector has faced major challenges which need to be addressed urgently. Engaging poor sections of society to mainstream is necessary to achieve equitable growth, which is critical for the long-term sustainability of social development and economic prosperity. However, the SHG-BLP is a potent initiative for delivering financial services to the poor in a sustainable manner. The trends in the NPAs against bank loans indicate that the banking system is still cautious on various grounds to delivery credit to the poor and low income groups especially in the rural areas. Under the initiatives of PMJDY all SHG members are directed to open their saving account in the banks. The presence of large number of SHGs in the state highlights the need for creation of right awareness about implementation of conceptual and operational aspects of micro-finance approach among banks and others concerned agencies. Most of the SHGs are lacking employment opportunity without suitable training. Capacity building of SHGs at regular intervals ensures their quality, sustainability and helpful in solving the problems of unemployment among the rural youth. For achieving the goal of rural development through SHG-BLP in the state, it is required to adopt a more effective linkage plan by involving different partner agencies for successful execution of the programme. It is essential to have an effective monitoring and assessment method at all levels. The banks need to play a more pro-active role in digitalization of SHGs record with Aadhaar link for avoiding multiple financing, over indebtedness and identification of income generating activities as well as in encouraging NGOs promoting SHGs in the state. Digitisation is also attempting to update the SHG bookkeeping on real time basis to bring transparency and credibility. There is a need for micro-level planning to identify key livelihood activities at local level on behalf of all concerned agencies in the State. One important point of suggestion is about the micro-financing agencies may have to play the lead role in taking the financial services to the marginal and small farmers with the help of Farmer- Club along with the large sections of disadvantaged and low income groups through the mechanism of SHG-BLP. The SHG members as agents/ BC of banks needs to be taken forward so that its benefits mount up to both the banks and also group members. Bridging the last mile gap and forging partnerships to meet the countless needs of the poor and to ensure sustainable livelihoods to them are the biggest challenges being faced today. All stakeholders agencies work together to bring harmonizing resources to address complex development problems that no one agency

can address alone. These efforts are required to be taken forward on a larger scale so that its benefits are well appreciated by all implementing agency.

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