

# Catalysts of change? Analyzing the impact of self-help groups in North East India's development landscape

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**To cite this article:**

Rehman A., (2024). *Catalysts of change? Analysing the impact of self-help groups and financial institutions in North East India's development landscape*. *Romanian Journal of Economics*, 58(1), pp. 84 – 93

**Abstract:** *This study provides a comprehensive examination of financial inclusion in India, with a dual focus on the disbursement of loans to Microfinance Institutions (MFIs) and the socio-economic impact of Self-Help Groups (SHGs), specifically highlighting the extent of bank-SHG linkages. Employing a rich dataset spanning 15 years sourced from the National Bank for Agriculture and Rural Development (NABARD), our analysis reveals the central role of commercial banks in facilitating access to financial resources for both MFIs and SHGs, notably contributing to 50% of loan disbursements to MFIs. Moreover, we discern distinct patterns in loan disbursements that correspond with the onset of the COVID-19 pandemic, signalling a temporary decline during the pandemic followed by a post-pandemic resurgence, reflecting the adaptive financial needs of businesses and households amidst the pandemic-induced economic upheaval. Concurrently, our research unveils substantial regional disparities in savings behaviour, with the southern region demonstrating notably higher savings levels when contrasted with the North Eastern Region. This disjunction underscores the imperative for tailored financial inclusion strategies in the latter, underscoring the exigency of region-specific approaches to foster economic growth and stability. Therefore, our findings reveal the transformative potential of SHGs in synergy with commercial banks for catalyzing socio-economic development, all the while calling attention to regional variations in financial habits that necessitate due consideration for achieving comprehensive financial inclusion and sustainable economic development across India.*

**Keywords:** *SHG-Bank Linkage, Financial Institutions, North Eastern Region, NABARD, Commercial Bank*

**JEL classifications:** *C01, G21, 012*

## 1. Introduction

Self-Help Groups (SHGs) constitute informal financial collectives, typically composed of 10 to 15 female members, united by the common objective of enhancing their financial well-being. These SHGs have garnered considerable significance not only in India but also across several South Asian nations. The genesis of SHGs can be traced back to 1972 with the establishment of the Self-Employed Women's Association (SEWA). Nevertheless, a pivotal milestone in the evolution of SHGs unfolded in 1992 when the National Bank for Agriculture and Rural Development (NABARD) introduced the formalized SHG Bank Linkage Project. This initiative has since burgeoned into the largest global microfinance undertaking.

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The roots of SHGs in India trace back to the early 1970s, exemplified by the inception of SEWA. The year 1993 witnessed the formal establishment of the SHG-bank linkage program, which fundamentally reshaped the landscape of SHGs, positioning them as integral players in poverty alleviation initiatives. Subsequently, in 1999, the Government of India launched the Swarn Jayanti Gram Swarozgar Yojna (SJSY) to promote self-employment in rural regions and foster structured, skilled SHGs.

The proliferation of SHGs in Indian society has yielded profound effects on social cohesion, especially among women who often confront various forms of discrimination. SHGs have emerged as the voices of marginalized rural populations in India. Additionally, the financial support extended by SHGs has empowered members to invest in education, healthcare, and improved nutrition. Beyond the realm of poverty alleviation, SHGs have served as instruments of women's empowerment, bolstering their confidence in household and community decision-making. Nevertheless, challenges in SHG operations include the exclusion of the poorest families from membership and the need for qualified and skilled personnel to oversee SHG activities.

The presence of SHGs is of paramount importance in Indian society, offering collateral-free loans to members and extending assistance to those in need. They have evolved into a lifeline in India over recent decades, providing critical financial services to marginalized communities often excluded from formal banking sectors, particularly in rural areas. According to the Ministry of Rural Development, SHGs in the Northeast Region (NER) of India accessed Rs. 11 lakh crore in bank credits under "DAY-NRLM" in the fiscal year 2020-21, while SHGs in the rest of India accessed approximately Rs. 73 lakh crore in bank credits. Despite their pivotal role in poverty alleviation, NABARD reports indicate that SHGs have encountered challenges in realizing their full potential in the North Eastern Region of India.

The rest of the study is organised as follows: Section 2 provides a literature review, Section 3 discusses data and methods, Section 4 presents the results and discussion, Section 5 gives the conclusion and policy suggestions and Section 6 gives a brief explanation on the contribution and originality of the study.

## 2. Literature Review

The proliferation of Self-Help Groups (SHGs) in India has followed an uneven growth trajectory, often leading to operational and organizational challenges that overshadow their core mission of improving the financial well-being of their members (Reddy, 2011). However, it's vital to recognize the positive initiatives undertaken by SHGs, such as the implementation of school meal programs designed to engage rural children, thereby contributing not only to rural education but also addressing nutritional needs (Paltasingh and Bhue, 2022).

Quality healthcare, educational facilities, and access to nutritious food significantly influence the efficacy of SHGs in rural areas (Nikhitha et al., 2022). Factors like the age of entrepreneurs and proximity to markets have a significant impact on the prevalence of SHGs in different regions (Joshi, 2019). Additionally, the frequency of meetings among SHG members and their supporting organizations plays a pivotal role in expanding the coverage and reach of SHGs (Nichols, 2021).

To regulate and streamline SHG operations, several regulatory policies have been introduced, including the Pradhan Mantri Adarsh Gram Yojna, Rashtriya Gram Swaraj Abhiyan, and various policies under the Ministry of Rural Development. Recommendations by the Y.H. Malegam Committee have triggered significant policy changes within the banking sector, notably the introduction of Microfinance Institutions (MFIs) to enhance regulation and serve marginalized communities (Dev, 2006).

Despite these concerted efforts, concerns have arisen regarding selection bias within SHGs when it comes to accessing loans from financial institutions, raising questions about potential misconduct within the group's functioning (Chiu, 2007). Furthermore, the presence and reach of SHGs in the North Eastern Region (NER) of India have been subjects of ongoing debate and discussion (Anduanbessa, 2009). Various programs and campaigns have been initiated in the NER to promote comprehensive development, encompassing living standards, healthcare, and education, but demographic constraints have been observed, particularly concerning the limited outreach of SHGs in

this region (Kalpana, 2005). Policymakers have advocated for infrastructural approaches to overcome these outreach challenges (Basu and Srivastava, 2005).

Despite a substantial body of literature on SHG operations in India, limited research has explored the context of the NER, which possesses a unique socio-economic and political landscape compared to mainland India. Therefore, this study, drawing on data from the National Bank for Agriculture and Rural Development (NABARD), seeks to address this gap by analysing the trends in loans disbursed to SHGs by banks and their corresponding percentage shares in savings linked with banks.

Microfinance institutions (MFIs) play a crucial role in poverty reduction and financial inclusion, with sustainability and outreach being pivotal considerations (Javed and Abrar, 2015). While urban-rural disparities exist in countries like India, the macro-level impact of MFIs in promoting financial inclusion cannot be understated (Saqfalhait, 2019). The uncollateralized small loans to micro-enterprises have raised concerns about the outreach of MFIs (Swangwan and Nayak, 2020). The amount of loans disbursed to MFIs and the financial strength of these institutions significantly influence their sustainability (Lensink and Hermes, 2007). This has led to suggestions to formalize the microfinance industry into more organized financial institutions to better serve marginalized populations (Ghosh, 2013). The asset size and self-sufficiency of MFIs are positively correlated (Bogan, 2012). Although existing literature has examined various aspects of MFIs and their outreach, there has been limited research on the trends of loans disbursed to MFIs and on SHG operations in India in special reference to NER, which possesses a unique socio-economic and political landscape compared to mainland India. Utilizing data from the National Bank for Agriculture and Rural Development (NABARD), aims to bridge this gap by examining trends in loans disbursed to SHGs by banks and their corresponding percentage shares in savings linked with banks. In addition, with the amount of loans disbursed which defines the asset size of these institutions.

### **3. Data and Methods**

The data for this study was sourced from the National Bank for Agriculture and Rural Development (NABARD) to analyse the trends of the loan disbursed to microfinance institutions by financial institutions over the past fifteen years. The same data is used to compute the growth rate and percentage share of the loan disbursed, to observe the highest and lowest share of loan disbursed by financial institutions. The growth dimension was captured using AAGR (Average Annual Growth Rate) method to comparatively observe the growth rate of the loan disbursed annually. The dataset also included information on the number of Self-Help Groups (SHGs), bank loans disbursed by financial institutions, and savings amounts linked to banks. We analysed the data by constructing a bar graph to observe trends in SHG loans disbursed by different types of financial institutions. Additionally, we organized the data by region (Northern Region, North Eastern Region, Eastern Region, Central Region, Western Region, and Southern Region) to examine SHG outreach and performance across different parts of India, calculating descriptive statistics such as means, maximum, and minimum values for each region.

### **4. Results and Discussion**

#### **4.1. Loan disbursement by financial institutions and banks to microfinance institutions**

This section will give a brief picture of the loan disbursed by financial institutions and banks to microfinance using time series data from NABARD. We will also compute the average loan disbursed by different financial institutions and banks to microfinance over the past 15 years i.e. from 2006-2021. These data on the amounts of loans disbursed by financial institutions and banks to microfinance institutions will enable the study to comparatively analyse the loan disbursements over different time periods during the past 15 years.

**Table 1: Loan disbursed by banks and financial institutions to Microfinance Institutions, (Rupees in Millions)**

Year	Commercial banks (Total)	Commercial banks (Public sector banks)	Commercial banks (Private sector banks)	Commercial banks (Foreign banks)	Regional rural banks	Co-operative banks	Total
2006-07	11,513.40	3,307.40	7,393.30	812.6	2.30	-	23,029.00
2007-08	19,686.00	4,692.70	14,809.80	183.5	15.1	0.4	39,387.50
2008-09	37,189.30	5,619.40	27,091.60	4,478.30	134	0.00	74,512.60
2009-10	80,386.10	42,766.00	33,620.90	3,999.20	241.4	-	1,61,013.60
2010-11	76,010.20	37,426.70	38,428.60	155	41.6	-	1,52,062.10
2011-12	49,509.80	37,239.20	12,270.60	0.00	132.8	16.1	99,168.50
2012-13	74,226.60	43,773.20	30,453.40	0.00	45.8	40	1,48,539.00
2013-14	94,688.30	57,138.00	36,650.20	900	1,631.80	44.8	1,91,053.10
2014-15	1,38,586.40	66,869.80	69,916.60	1,800.00	476.9	-	2,77,649.70
2015-16	1,93,241.40	57,954.90	1,16,206.40	19,080.00	524.2	60	3,87,066.90
2016-17	1,70,913.30	51,411.30	1,18,527.00	975	378.3	2,073.30	3,44,278.20
2017-18	2,21,336.00	94,861.40	1,24,217.10	2,257.50	559.3	387	4,43,618.30
2018-19	1,36,452.30	89,280.90	39,716.40	1,520.00	51.6	705.6	2,67,726.80
2019-20	1,86,269.10	87,425.10	96,754.00	1,400.00	130.7	4,930.20	3,76,909.10
2020-21	1,06,258.40	35,567.50	76,380.80		192.6	15,152.40	2,33,551.70
<b>Total</b>	<b>15,96,266.60</b>	<b>7,15,333.50</b>	<b>8,42,436.70</b>	<b>37,561.10</b>	<b>4,558.40</b>	<b>23,409.80</b>	<b>32,19,566.10</b>
<b>Mean</b>	<b>1,06,417.77</b>	<b>47,688.90</b>	<b>56,162.45</b>	<b>2,682.94</b>	<b>303.89</b>	<b>2,128.16</b>	<b>2,14,637.74</b>
<b>Max</b>	<b>2,21,336.00</b>	<b>94,861.40</b>	<b>1,24,217.10</b>	<b>19,080.00</b>	<b>1,631.80</b>	<b>15,152.40</b>	<b>4,43,618.30</b>
<b>Min</b>	<b>11,513.40</b>	<b>3,307.40</b>	<b>7,393.30</b>	<b>0.00</b>	<b>2.30</b>	<b>0.00</b>	<b>23,029.00</b>
<b>CAGR</b>	<b>15.97%</b>	<b>17.16%</b>	<b>16.84%</b>	<b>-100.00%</b>	<b>34.34%</b>	<b>202.32%</b>	<b>-9.61%</b>

Source: Author's Estimate.

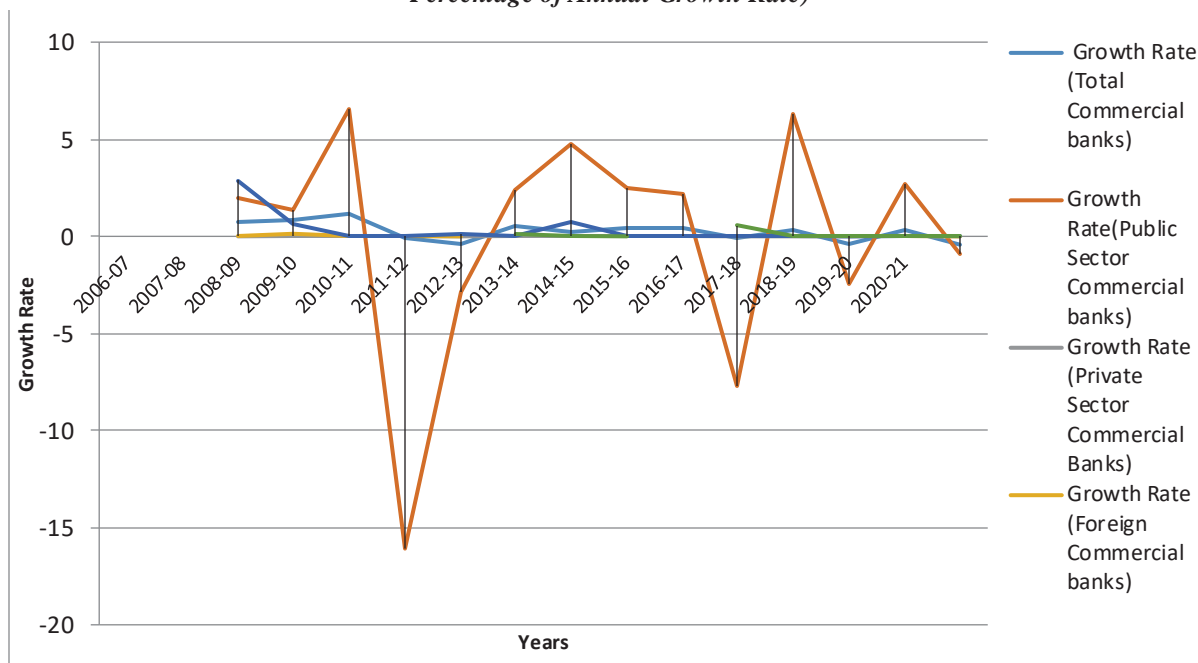
The above table comparatively illustrates the loan disbursements by various banks and financial institutions over the past 15 years. The data has been mined from NABARD. The statistics reveal that the highest loan disbursement to microfinance institutions was from the Total Commercial Banks, amounting to 15,96,266.60 million rupees. The lowest loan disbursed was from the Regional Rural Banks with just 4,558.40 million rupees. Over the past 15 years, from 2006 to 2021, the total loan disbursed by Public Sector Commercial Banks was Rs. 7,15,333.50 million, by Private Sector Commercial Banks was Rs. 8,42,436.70 million, by Foreign Commercial Banks was Rs. 37,561.10 million, and by Co-operative banks was Rs. 23,409.80 million. It has been observed from the data that, in the year 2017-18, the loan disbursement by Total Commercial Banks, Public Sector Commercial Banks, and Private Sector Commercial Banks was the highest compared to other years, while in 2007-2007, these three financial institutions had the lowest disbursements. For Foreign Commercial Banks, Regional Rural Banks and Co-Operative Banks, the highest loan disbursements were in the years 2015-16, 2013-14 and 2020-21, respectively. The computed annual growth rates (CAGR) for all the financial institutions were 15.97%, 17.16%, 16.84%, -100.00%, 34.34%, and 202.32%, respectively.

#### **4.2. Annual Growth Rate of Loan Disbursed by Financial Institutions and Banks to Microfinance Institutions**

In this section we will analyse the annual growth rate of the loan disbursed by different financial institutions to microfinance institutions over the past 15 years. The data have been mined from NABARD and the annual growth rate was computed and then the average annual growth rate. This statistical representation will help us to document the trends over time.

Figure 1 illustrates the annual trends of the loan disbursement by the financial institutions and banks to microfinance institutions. Though, we have demonstrated the overall trends over time. But, in this figure we will observe the average annual growth rate changes over the past fifteen years. Thus, this will give us the annual trend and also a clear annual fluctuation in the loan disbursement to microfinance institutions. From the above figure, we can observe that there has been fluctuation in the loan disbursement of the financial institutions and banks to the microfinance institutions, but the trend waves of Public Sector Commercial Banks seem to be the most fluctuating over time. From the figure, it has been documented that there was a sharp decline in loan disbursement for FY 2011-12, followed by an increase in loan disbursement by Public Sector Commercial Banks, starting from 2013.

**Figure 1: Annual Growth Trend of loan disbursement by Financial Institutions and Banks, (Unit: Percentage of Annual Growth Rate)**



Source: Author's Estimates

However, post-demonetization in FY 2017-18, there was a sharp fall in loan disbursement. In FY 2018-19, it has been shooting high with a slight fall during the Covid-19 pandemic period. But, in the post pandemic period it has been increasing again. Moreover, the fluctuation in loan disbursement by other banks seems to be more or less consistent over time.

### 4.3 Percentage share of each Financial Institutions and Bank to Microfinance Institutions

Table 2 presents the percentage share of loan disbursement by each financial institution and bank to microfinance institutions. The table shows that a larger share in the loan disbursed for the period 2006 to 2010 originated from the Commercial Banks. Examining this bank group wise, it has been observed that the private sector banks occupied a dominant share with an average of 49.63 percent for the period under study.

Therefore, the formula used to calculate percentage share is given below:

Percentage Share = Loan Disbursed to a particular bank giving microcredit in a particular year/Total Loan Disbursed to all the banks and financial institutions giving microcredit in a year\*100.

Table 2 shows the percentage share of each category of financial institution and banks to microfinance institutions. Over the past fifteen years the average annual percentage share of loan disbursed to microfinance institutions was highest by the commercial banks with 49.63 percent, while the lowest share of loan disbursed to microfinance institutions was by the regional rural banks (RRBs) with 0.14 percent.

**Table 2: Percentage Share of Loan Disbursement by Financial Institutions and Banks to Microfinance Institutions (Unit: Percentage %)**

Year	Commercial Banks (% Share)	Public Sector Banks (% Share)	Private Sector Banks (% Share)	Foreign Banks (% Share)	RRBs (% Share)	Cooperative Banks (% Share)	Total
2006-07	50.00	14.36	32.10	3.53	0.01	0	100.00
2007-08	49.98	11.91	37.60	0.47	0.04	0	100.00
2008-09	49.91	7.54	36.36	6.01	0.18	0	100.00
2009-10	49.93	26.56	20.88	2.48	0.15	0	100.00
2010-11	49.99	24.61	25.27	0.10	0.03	0	100.00
2011-12	49.92	37.55	12.37	0	0.13	0.02	100.00

Year	Commercial Banks (% Share)	Public Sector Banks (% Share)	Private Sector Banks (% Share)	Foreign Banks (% Share)	RRBs (% Share)	Cooperative Banks (% Share)	Total
2012-13	49.97	29.47	20.50	0	0.03	0.03	100.00
2013-14	49.56	29.91	19.18	0.47	0.85	0.02	100.00
2014-15	49.91	24.08	25.18	0.65	0.17	0	100.00
2015-16	49.92	14.97	30.02	4.93	0.14	0.02	100.00
2016-17	49.64	14.93	34.43	0.28	0.11	0.60	100.00
2017-18	49.89	21.38	28.00	0.51	0.13	0.09	100.00
2018-19	50.97	33.35	14.83	0.57	0.02	0.26	100.00
2019-20	49.42	23.20	25.67	0.37	0.03	1.31	100.00
2020-21	45.50	15.23	32.70	0	0.08	6.49	100.00
Average %	49.63	21.94	26.34	1.36	0.14	0.59	100.00
Max % Share	50.97	37.55	37.60	6.01	0.85	6.49	100.00
Min % Share	45.50	7.54	12.37	0.00	0.01	0.00	100.00

Source: Author's Estimates.

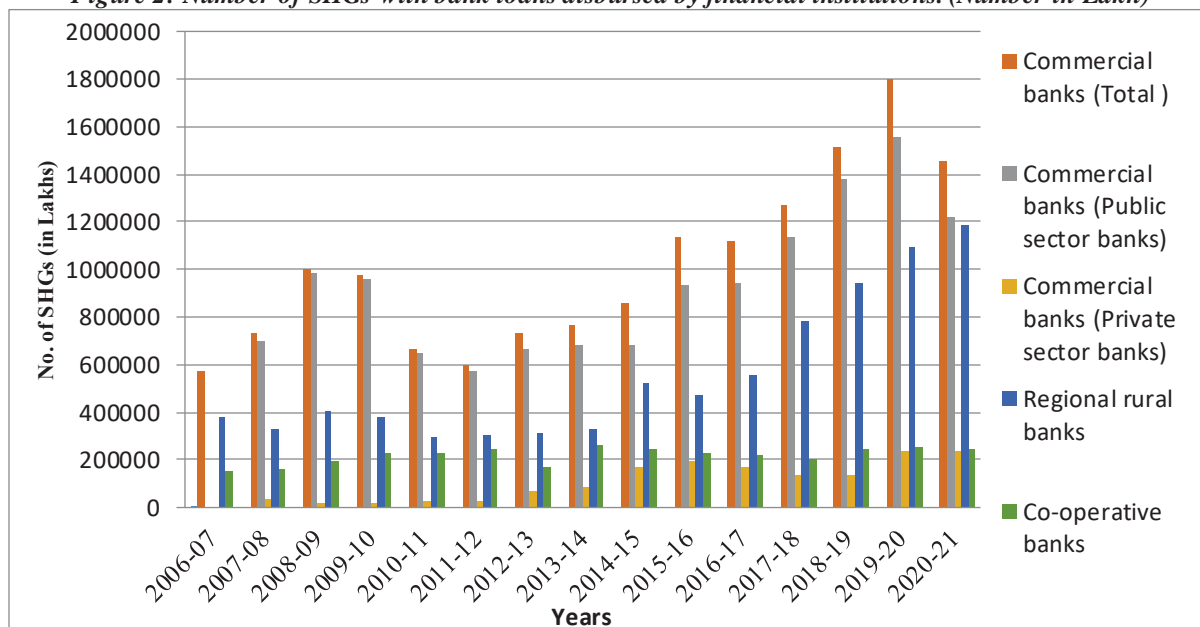
This also finds support from the literature review (Dev, 2006; Lensink and Hermes, 2007; Anduanbessa, 2009), which argues that due to profit driven motive, the commercial banks somehow dominate the microfinance sector. Therefore, the highest percentage share of the commercial banks in the loan disbursement to microfinance institutions is no surprise in the study.

#### 4.4. Number of SHGs with bank loans disbursed by financial institutions

To analyse the count of SHGs benefiting from bank loans provided by financial institutions, we have documented a graphical representation by employing secondary data from NABARD.

The provided figure offers insights into the disbursement of bank loans to Self-Help Groups (SHGs) by different financial institutions and banks over a span of 15 years. Notably, commercial banks emerged as the dominant contributors to SHGs' access to loans during this period, with an exponential surge in disbursements observed in the fiscal year 2019-20. Public Sector Banks also played a substantial role in providing loans to SHGs. In contrast, the disbursement shares of Regional Rural Banks and Co-Operative Banks to SHGs remained consistently low throughout the studied timeframe.

Figure 2: Number of SHGs with bank loans disbursed by financial institutions. (Number in Lakh)



Source: Author's Estimate

However, it's worth noting that the post-COVID-19 year, specifically in 2020-21, marked a slight decline in the number of SHGs receiving loans, possibly attributed to the pandemic-related restrictions that hindered the social gatherings and operational efficiency of SHGs. Remarkably, the presence of substantial loan disbursement shares by Commercial Banks remained relatively constant, underscoring the enduring influence of profit-driven entities in the financial landscape. This observation underscores the resilience of commercial banks in supporting the financial needs of SHGs, even during challenging times.

#### 4.5. Region-wise saving amount of Self-Help Groups

To assess the extent of Self-Help Groups' (SHGs) presence across various regions in India, we have employed data from NABARD and documented a comparative analysis.

*Table 3: Summary Statistics of the Region-wise number of SHGs and savings-amount, (Rupees in Lakh and Numbers in Lakh)*

Regions	2018-19		2019-20		2020-21	
	No. of SHGs (Lakh)	Savings-Amount (Rupees)	No. of SHGs (Lakh)	Savings-Amount (Rupees)	No. of SHGs (Lakh)	Savings-Amount (Rupees)
Northern Region	5,48,624	62,453	5,77,122	59,550	6,09,808	1,74,345
North Eastern Region	5,23,469	40,407	5,56,899	48,141	6,33,714	83,126
Eastern Region	26,54,358	6,01,155	28,11,130	6,64,333	31,22,424	7,74,912
Central Region	10,62,759	1,33,230	11,35,083	1,71,217	13,45,575	2,11,870
Western Region	13,88,615	2,05,275	14,73,853	2,01,880	15,50,176	3,74,023
Southern Region	38,36,418	12,89,928	36,89,236	14,70,085	39,61,703	21,29,485
<b>Total</b>	<b>1,00,14,243</b>	<b>23,32,448</b>	<b>1,02,43,323</b>	<b>26,15,205</b>	<b>1,12,23,400</b>	<b>37,47,761</b>
<b>Mean</b>	<b>16,69,041</b>	<b>3,88,741</b>	<b>17,07,221</b>	<b>4,35,868</b>	<b>18,70,567</b>	<b>6,24,627</b>
<b>Max</b>	<b>38,36,418</b>	<b>12,89,928</b>	<b>36,89,236</b>	<b>14,70,085</b>	<b>39,61,703</b>	<b>21,29,485</b>
<b>Min</b>	<b>5,23,469</b>	<b>40,407</b>	<b>5,56,899</b>	<b>48,141</b>	<b>6,09,808</b>	<b>83,126</b>

Source: Author's Estimate.

The table presented above offers a comparative assessment of SHG prevalence across diverse regions within India for the years 2018-19, 2019-20, and 2020-21. The dataset reveals substantial variations in both SHG numbers and associated savings amounts in these distinct geographic areas. It is noteworthy that the Southern Region consistently demonstrates the highest count of SHGs, reaching a peak of 21,29,485 in 2020-21. Conversely, the North Eastern Region (NER) exhibits the lowest SHGs presence, with only 83,126 SHGs registered during the same period. This marked difference underscores the possibility of demographic constraints or regional disparities that may impede SHG formation in the NER. Conversely, in terms of savings amounts, the Southern Region maintains its lead, recording the highest savings of Rs. 21,29,485 lakhs in 2020-21. In sharp contrast, the NER reports the lowest savings amount, with a mere Rs. 40,407 lakhs in 2018-19. It is noteworthy that there has been an upswing in savings within the NER in 2020-21, totalling Rs. 83,126 lakhs. However, this uptum, while encouraging, is insufficient to bridge the gap with other regions. This data underscores the imperative for region-specific interventions to stimulate SHG development and foster financial inclusion within the NER, addressing the distinctive demographic challenges impacting its performance.

#### 4.6. Results

The results from the above analysis reveal that over the past decades, there has been an increasing trend in the loans disbursed to microfinance institutions from 2006 to 2012. However, during the pandemic there has been a decline in the disbursement of loans to MFIs, which is quite relevant given the declining growth rate in the years 2018-19 to 2019-20 as shown in Table 1. Furthermore, upon analysing the growth rates, it was revealed that Regional Rural Banks had the highest growth rate with 31.30%, followed by co-operative banks with 8.60%, and the Private Sector commercial banks with the

lowest rate at just 0.01%. However, when we take the aggregate of all the Commercial banks, we find that the average annual growth rate computed was 26.58%, which is the highest among all the financial institutions and banks. The percentage share of loan disbursed to microfinance institutions revealed that commercial banks dominated with 49.63 percent, while regional rural banks (RRBs) had the lowest percentage share at 0.14 percent. This also finds support from the literature review, which argues that due to profit driven motive, the commercial banks somehow dominate the microfinance sector. The comparative assessment of Self-Help Group (SHG) prevalence across diverse regions in India for the years 2018-19, 2019-20, and 2020-21 reveals substantial variations. The Southern Region consistently records the highest SHG numbers, peaking at 21,29,485 SHGs in 2020-21, while the North Eastern Region (NER) exhibits the lowest presence with only 83,126 SHGs during the same period. This disparity highlights potential demographic constraints in the NER. In terms of savings, the Southern Region maintains its lead, reporting the highest savings of Rs. 21,29,485 lakhs in 2020-21, with the NER lagging significantly at Rs. 40,407 lakhs in 2018-19 but showing an improvement at Rs. 83,126 lakhs in 2020-21. However, this upturn, while positive, is insufficient to bridge the gap with other regions. The data underscores the need for targeted interventions in the NER to stimulate SHG development, addressing distinctive demographic challenges and promoting financial inclusion.

## 5. Conclusion and Policy Suggestion

In conclusion, this study rigorously examines the evolving trends in loans disbursed to microfinance institutions by financial institutions and banks over time. It meticulously assesses the growth rates of loan disbursements and analyzes the percentage contributions of various financial entities in this process. Additionally, the research delves into the role and impact of Self-Help Groups (SHGs) in the North Eastern Region (NER) of India compared to the rest of the country. Leveraging data from the National Bank for Agriculture and Rural Development (NABARD), this study has provided valuable insights into the outreach and performance of SHGs across diverse regions in India.

The findings of this study reveal a notable increase in loan disbursements over the years, with commercial banks consistently contributing approximately 50% of the total loans to microfinance institutions since 2006-07. Moreover, the research underscores significant disparities between the NER and the rest of India concerning SHG presence and their linkages with savings at banks. Firstly, the data demonstrates that the NER lags significantly behind the rest of the country in terms of the number of SHGs. While other regions have witnessed a surge in SHG formation, the NER grapples with demographic constraints, resulting in a substantially lower number of SHGs, limiting the reach and impact of this empowering financial model. Secondly, when assessing the linkages of savings amounts with banks, the study reveals that the NER continues to fall behind other regions. Despite a modest increase in savings amounts in the NER in recent years, a substantial gap persists.

Furthermore, the study identifies a post-COVID-19 increase in loan disbursements to microfinance institutions by various financial institutions and banks. This surge is likely attributed to the economic and financial crises experienced by businesses and households during the pandemic, indicating the unique challenges faced by the region in harnessing SHGs for savings and financial inclusion. These findings underscore the imperative for region-specific policies tailored to address the disparities in Self-Help Group (SHG) prevalence and savings. Although the Government of India previously launched the Swarn Jayanti Gram Swarozgar Yojna (SJSY) and recently established "Women SHG Development Fund" under the Ministry of Finance, in the light of policy suggestions, the policymakers must prioritize underserved regions, such as the North Eastern Region (NER), by implementing interventions that foster SHG formation and active participation. These efforts should encompass comprehensive initiatives to enhance banking access, foster collaboration with non-governmental organizations (NGOs), and prioritize regional empowerment within SHGs. Regular monitoring and data-driven decision-making are paramount for assessing the efficacy of these policies, ultimately contributing to economic empowerment and facilitating financial inclusion across diverse regions in India. Such strategic endeavours are pivotal for advancing financial inclusion, reducing disparities, and promoting holistic socio-economic development in India.



## 6. Contribution and Originality

The study provides a comprehensive analysis of financial inclusion in India, specifically focusing on the disbursement of loans to Microfinance Institutions (MFIs) and the socio-economic impact of Self-Help Groups (SHGs), emphasizing the significance of bank-SHG linkages. This research using a rich dataset from NABARD examines the substantial role of commercial banks in facilitating access to financial resources for both MFIs and SHGs, revealing their pivotal contributions. Further, it delves into the fluctuations in loan disbursements during the COVID-19 pandemic, highlighting adaptive financial needs and discernible regional disparities in savings behaviour. The originality lies in its nuanced examination of regional variations, notably the North Eastern Region's (NER) distinct financial habits, shedding light on the imperative for tailored financial inclusion strategies. Future research could delve deeper into the efficacy of specific interventions, exploring the impact of targeted policies on SHG formation, banking access, and socio-economic development within the NER compared to other regions, fostering a nuanced understanding of financial inclusion's diverse landscapes across India.

*Acknowledgement: I sincerely acknowledge the valuable comments and insightful suggestions made by the anonymous reviewers, which have contributed to the significance of the manuscript.*

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