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PROBLEMS AND PROSPECTS OF SELF-HELP GROUPS IN WEST BENGAL THROUGH MICROFINANCE: A STATISTICAL ANALYSIS OF SECONDARY DATA

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RESEARCH ARTICLE

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Abstract

Self-Help Groups (SHGs) linked to microfinance institutions have become a central instrument of rural financial inclusion in West Bengal, yet questions remain about the depth and sustainability of this progress. This paper examines the problems and prospects of SHGs in West Bengal using secondary data drawn from NABARD's Status of Microfinance in India reports, RBI/NABARD state focus papers, and published research. Descriptive statistics, compound annual growth rate (CAGR) analysis, and correlation analysis are applied to national and West Bengal-specific indicators covering 2012-13 to 2022-23. The results show strong and statistically consistent growth in SHG-bank linkage (CAGR 6.24% in SHG numbers, 21.77% in savings, and 21.57% in loans disbursed), with very high positive correlations ($r > 0.94$) among savings, credit linkage and outstanding loans, indicating that these dimensions move together as an integrated financial-inclusion process. In West Bengal specifically, as of March 2022 only about 57% of savings-linked SHGs had achieved credit linkage, with non-performing assets (NPA) in the 5-10% range, pointing to a persistent credit-absorption gap despite strong savings mobilisation. The paper concludes that while the prospects for SHG-led financial inclusion in West Bengal are strong, converting savings linkage into productive credit use requires targeted capacity building, digital financial literacy, and stronger institutional monitoring.

Keywords: *Self-Help Groups, Microfinance, West Bengal, SHG-Bank Linkage, Financial Inclusion, Secondary Data, Statistical Analysis*

Introduction

Self-Help Groups (SHGs) are small, community-based associations of 10-20 members, typically women, who pool savings and extend internal credit before graduating to formal bank linkage. In India, the SHG-Bank Linkage Programme (SHG-BLP), piloted by NABARD in 1992 with about 500 groups, has grown into the world's largest coordinated microfinance programme, now covering tens of millions of rural households. West Bengal has been one of the more active states in this programme: together with Bihar, Maharashtra and Rajasthan, it has accounted for a large share of the annual net addition of SHGs nationally, and the Eastern Region's share of national SHG-bank linkage rose sharply from the programme's early southern-dominated years. Microfinance, delivered through SHGs, gives rural households, especially women, access to savings, credit and insurance products that are otherwise unavailable through the formal banking system. In West Bengal this has translated into rising SHG savings, expanding bank credit linkage, and growing participation in income-generating activity. At the same time, the programme faces persistent problems: delays in credit disbursement, high dependence on microfinance institutions (MFIs) charging comparatively high interest rates, uneven financial literacy, and socio-cultural constraints on women's participation in group decision-making.

This paper uses secondary, publicly available statistical data, mainly NABARD's annual Status of Microfinance in India reports and NABARD/RBI state focus papers on West Bengal, to quantify the scale and pace of SHG-bank linkage and to statistically examine the relationships among its key financial indicators. The purpose is to move beyond a narrative description of SHG performance and instead ground the assessment of problems and prospects in measurable trends, growth rates and correlations drawn from official secondary sources.

Review of Literature

A substantial body of research links SHGs to rural financial inclusion and women's empowerment in India. Early studies argued that SHGs allow marginalised households, especially women, to pool resources and access credit that formal banks would

otherwise deny them, building social capital alongside financial capital. Research specific to West Bengal has generally found that SHGs have improved rural women's economic standing but has flagged structural constraints, including limited access to capital, weak financial literacy, and bureaucratic delay in loan processing, as recurring barriers to their full effectiveness.
Other studies emphasise the credit dimension: SHG members frequently face delays in loan disbursement and comparatively high interest rates from MFIs, which increases indebtedness risk, while socio-cultural norms continue to restrict women's meeting attendance and decision-making authority within groups. On the policy side, research on the SHG-Bank Linkage Programme and NABARD's own annual reporting has documented steady national growth in SHG numbers, savings and credit but has also noted regional disparities in non-performing assets (NPAs) and credit penetration, with Eastern-region states, including West Bengal, showing NPA levels in the moderate 5-10% band, lower than the northern and north-eastern regions but higher than the south. A more recent secondary-data study of the SHG-BLP for 2012-13 to 2022-23 found sustained double-digit growth in savings and credit, with occasional contractions during the COVID-19 period followed by strong post-pandemic recovery. This paper builds directly on that body of secondary statistical evidence, narrowing the focus to West Bengal's problems and prospects.

Objectives of the Study

1. To examine the growth trend of SHG-bank linkage in India over an eleven-year period as a benchmark for assessing West Bengal's performance.
2. To statistically analyse the relationship among key SHG-BLP financial indicators — savings, credit linkage and loan outstanding — using secondary data.
3. To assess West Bengal-specific indicators of SHG savings linkage, credit linkage and asset quality (NPA).
4. To identify the principal problems constraining SHG performance in West Bengal.
5. To outline the prospects for strengthening SHG-led microfinance in the state and offer policy-relevant recommendations.

Research Methodology

Research Design: This study adopts a descriptive-cum-analytical research design based entirely on secondary data, appropriate for quantifying trends and relationships in an established, well-documented programme such as the SHG-BLP.

Data Sources: Secondary data were compiled from NABARD's annual Status of Microfinance in India reports (2014-15 to 2022-23), NABARD/RBI State Focus Papers on Financial Inclusion Outreach in West Bengal, and peer-reviewed secondary-data studies on the SHG-BLP.

Period of Study: National-level indicators are analysed for the eleven-year period 2012-13 to 2022-23; West Bengal-specific indicators are drawn from the most recent published state focus paper (position as on 31 March 2022).

Statistical Tools: Descriptive statistics (absolute levels, ratios) are used to summarise the data. Compound Annual Growth Rate (CAGR) is computed for each indicator to measure the average pace of expansion over the study period. Pearson's correlation coefficient is computed among the four core national indicators — number of SHGs linked, savings amount, loans disbursed and loan amount outstanding — to test the strength of association between savings mobilisation and credit deployment. All calculations were performed on the compiled secondary dataset using standard statistical computation.

Data Analysis and Results

Growth of the SHG-Bank Linkage Programme in India

Table 1 summarises the growth of the SHG-BLP nationally at selected points between 2012-13 and 2022-23, drawn from NABARD's Status of Microfinance reports. The number of SHGs linked with banks rose from 73.18 lakh to 134.03 lakh, savings held by SHGs rose more than seven-fold, and both loans disbursed and loan outstanding amounts grew substantially, with a temporary contraction in loan disbursement during 2020-21 attributable to pandemic-related disruption.

Table 1: SHG-Bank Linkage Programme in India — Key Indicators, 2012-13 to 2022-23

Year	SHGs Linked (lakh)	Savings (₹ crore)	Loans Disbursed (₹ crore)	Loan Outstanding (₹ crore)
2012-13	73.18	8,217.25	20,585.36	39,375.30
2014-15	76.97	11,059.84	27,582.31	51,545.46
2016-17	85.77	16,114.23	38,781.16	61,581.30
2018-19	100.14	23,324.48	58,317.63	87,098.15
2020-21	112.23	37,477.61	58,070.68	1,03,289.71
2022-23	134.03	58,892.68	1,45,200.23	1,88,078.80

Source: NABARD, Status of Microfinance in India (various years, 2014-15 to 2022-23), Mumbai.

Compound Annual Growth Rate (CAGR)

CAGR analysis (Table 2) shows that savings mobilisation (21.77% p.a.) and loan disbursement (21.57% p.a.) grew markedly faster than the base of SHGs linked with banks (6.24% p.a.). This indicates that growth in the programme over the decade has come increasingly from deepening — larger savings and credit per existing group — rather than solely from adding new groups. The average loan disbursed per SHG rose from about ₹1.69 lakh in 2012-13 to about ₹3.38 lakh in 2022-23, while average savings per SHG rose from roughly ₹11,229 to ₹43,940 over the same period, both indicating intensifying financial engagement per group.

Table 2: CAGR of Key SHG-BLP Indicators, 2012-13 to 2022-23

Indicator	2012-13	2022-23	CAGR (%)
Number of SHGs linked with banks (lakh)	73.18	134.03	6.24
Savings of SHGs with banks (₹ crore)	8,217.25	58,892.68	21.77
Number of SHGs availing bank loans (lakh)	12.20	42.96	13.41
Loan amount disbursed to SHGs (₹ crore)	20,585.36	1,45,200.23	21.57
Loan amount outstanding (₹ crore)	39,375.30	1,88,078.80	16.93

Source: Computed by the author from NABARD data reported in Table 1 and related annual reports.

Correlation among SHG-BLP Indicators

Pearson correlation coefficients (Table 3) among SHGs linked, savings, loans disbursed and loan outstanding are uniformly high ($r = 0.947$ to 0.989), confirming that these indicators have moved together throughout the study period. The strongest association is between loans disbursed and loan outstanding ($r = 0.989$), which is expected given that outstanding balances are a direct function of fresh disbursement less repayment. The association between savings and credit-linkage variables ($r \approx 0.95$-0.98) is also very strong, supporting the view that savings mobilisation through SHGs functions as a leading indicator of subsequent credit absorption, consistent with the programme's savings-first design (the 'Panchsutras' principle of regular savings preceding internal and bank lending).

Table 3: Pearson Correlation Coefficients among SHG-BLP Indicators (National, 2012-13 to 2022-23)

	SHGs Linked	Savings	Loans Disbursed	Loan Outstanding
SHGs Linked	1.000	0.985	0.947	0.976
Savings	0.985	1.000	0.953	0.983
Loans Disbursed	0.947	0.953	1.000	0.989
Loan Outstanding	0.976	0.983	0.989	1.000

Source: Computed by the author from the data in Table 1.

West Bengal Snapshot

Table 4 presents West Bengal-specific figures as on 31 March 2022. Of the 10.83 lakh SHGs that were savings-linked with banks in the state, only 6.13 lakh (about 57%) had achieved credit linkage, a gap of roughly 43%. This credit-linkage gap is wider than the near-saturation levels reported for southern states and points to unmet demand or supply-side friction in converting savings relationships into credit relationships. The gross NPA on SHG loans in West Bengal falls in the 5-10% band — better than the northern and north-eastern regions (which exceed 15-19%) but above the southern states (under 5%) — indicating a moderate but manageable asset-quality position.

Table 4: West Bengal SHG-Bank Linkage Snapshot (as on 31 March 2022)

Indicator	West Bengal (as on 31 March 2022)
SHGs savings-linked with banks	10.83 lakh
SHGs credit-linked with banks	6.13 lakh
Credit-linkage ratio (credit-linked ÷ savings-linked)	≈ 56.6%
Gross NPA of SHG loans in West Bengal	Between 5% and 10%
Share of Eastern Region (incl. West Bengal) in national SHG-BLP net addition	Among top contributing states, with Bihar, Maharashtra, Rajasthan and West Bengal together accounting for 63% of net SHG additions nationally

Source: NABARD/RBI, Financial Inclusion Outreach in West Bengal, 2022-23 State Focus Paper; NABARD SHG-BLP impact and sustainability reports.

Problems Identified

- A persistent savings-to-credit linkage gap: only about 57% of savings-linked SHGs in West Bengal have progressed to bank credit, suggesting procedural delay, inadequate loan appraisal capacity, or insufficient demand articulation by groups.
- Dependence on MFIs charging higher interest rates than banks, which increases the debt-servicing burden on SHG members relative to direct bank credit.
- Uneven financial literacy and bookkeeping capacity among SHG members, limiting effective utilisation of available credit.
- Socio-cultural constraints on women's participation in decision-making, which can affect group cohesion and the consistency of loan repayment and meeting attendance.
- Moderate but non-trivial NPA levels (5-10%), which, if unaddressed, could constrain banks' willingness to extend further credit to SHGs in the state.

Prospects and Opportunities

- Strong underlying momentum: national CAGR figures of over 20% per annum in savings and credit disbursement over the past decade indicate a programme with substantial room for continued expansion in West Bengal.
- A large pool of already savings-linked but not yet credit-linked SHGs (roughly 4.7 lakh groups) represents a ready base for targeted credit deepening without the cost of forming new groups.
- Digital and mobile banking channels offer a low-cost route to improving financial literacy, reducing loan-processing delays, and enabling more SHGs to diversify into entrepreneurship, agriculture-linked activity, and small-scale manufacturing.
- Government and NGO capacity-building programmes, combined with NABARD's continuing institutional support, can help convert savings-linked SHGs into credit-linked and eventually self-sustaining groups with internal capital.

Discussion of Findings

The statistical evidence supports a nuanced reading of SHG performance in West Bengal. At the national level, growth has been rapid and the core financial indicators are tightly correlated, indicating a maturing and internally consistent programme. However, the West Bengal-specific credit-linkage ratio of about 57% suggests that the state's SHGs have been more successful at savings mobilisation than at translating those savings relationships into productive bank credit. This is consistent with the literature's emphasis on bureaucratic delay and limited institutional capacity as binding constraints, rather than a lack of underlying demand or group formation. The moderate NPA range further suggests that credit risk, while real, is not the primary bottleneck; the more binding constraint appears to be the pace and depth of credit linkage itself.

Conclusion and Policy Recommendations

This study has used secondary statistical data to quantify the growth, inter-relationships and state-specific performance of the SHG-Bank Linkage Programme, with a focus on West Bengal. The evidence points to strong national momentum (CAGR of 6-22% across key indicators), very high correlation among savings, credit and outstanding-loan indicators, and a persistent but addressable savings-to-credit linkage gap in West Bengal, alongside moderate NPA levels. The prospects for SHGs in the state remain positive provided that policy attention shifts from group formation, which has largely matured, toward accelerating credit linkage for the substantial pool of already savings-linked groups.

Policy recommendations arising from this analysis include: (i) streamlining loan appraisal and disbursement procedures for savings-linked SHGs to close the credit-linkage gap; (ii) expanding financial and digital literacy training to improve loan utilisation and repayment discipline; (iii) strengthening monitoring of asset quality at the district level to keep NPAs within the current moderate band; and (iv) encouraging SHG federations and market linkages so that credit translates into sustainable income-generating activity rather than consumption smoothing alone.

Limitations of the Study

This study relies exclusively on secondary, aggregate-level data and therefore cannot capture household- or group-level heterogeneity within West Bengal's districts. National-level correlation analysis, while statistically strong, reflects association rather than causation between savings and credit variables. West Bengal-specific figures are drawn from the most recent published state focus paper and may not reflect subsequent developments. Primary survey-based validation at the district or SHG level would strengthen and localise these findings further.

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