



## POVERTY ALLEVIATION THROUGH BANKS: A COMPARATIVE STUDY ON COOPERATIVE BANKS, RRBs and COMMERCIAL BANKS

**Dr. Vootla Shireesha**

*Associate Professor in Commerce, Government City College, Nayapul, Hyderabad.*

### **Abstract**

*Co-operative banks in India have done commendable work in terms of rural credit, especially agricultural loans. Since credit unions primarily serve the needs of the common people, their role in ensuring inclusive, equitable and equitable economic growth is crucial. However, most credit unions have their share of problems and shortcomings, which in turn prevent them from effectively performing the tasks assigned to them. Since the performance and economic viability of many co-operative banks in India is a matter of concern, it is necessary to examine the exact problems faced by them, the nature and extent of their operational constraints etc... Developing prudent corrective strategies. Take the case of "Poverty Reduction by Banks: A Comparative Study of Co-operative Banks, Regional Rural Banks and Commercial Banks"; this document addresses the above issues relating to cooperatives and presents some strategies for corrective actions.*

### **Introduction**

To help India achieve its long-term vision of a country free of poverty and economic exclusion, the World Bank adapted India's National Strategy for the Government of India's objectives in FY 09-12. The Eleventh Five Year Plan, its development plan for the period 2007-2012. The elements of the Indian country strategy revolve around three main challenges:

- Achieve rapid and inclusive growth;
- Ensuring sustainable development; Yes
- Increase in efficiency of service delivery.

Over the past decade, India has experienced rapid economic growth, made progress towards most of the Millennium Development Goals set by the World Bank, and emerged as a global player; the world's fourth-highest country in terms of equity has become a major economy purchasing power. However, poverty still remains a major challenge. In order to achieve the above goals in an inclusive manner, the focus should be on strengthening the rural population, as majority of the Indian population lives in rural areas. The above studies suggest that "working households in rural areas borrow from informal sources of credit for various purposes. In the study by Burgess, R., et. Alabama. (2004) it was found in India that the sample was rural. About 33% of working households in the regions have credit, 23% of household credit came from formal sources, ie. largely by banks. 11% of cooperatives to the extent of 8%, from the state at the rate of 4%. , while borrowed up to 72% from informal sources, mainly loan sharks, at a rate of 22%, from shopkeepers or merchants where they make their daily purchases, 21%, and from friends 16% and employers or landlords 13% but with unreasonable interest rates (far more than formal sources of funding). National credit and savings programs through the SHG bank linkage program are being implemented in India and many other low-income countries and emerging economies, but reach the poor. is still widely disputed".

Kumar, Pankaj and Golet, Ramesh (2009) noted that the spirit of bank nationalization was to provide access to banking services to all citizens of the country. In India, this turning point in the creation of an excellent and efficient financial architecture reflects the national quest for rapid and equitable economic and social development. Following the nationalization of banks, the Indian economy saw a significant



expansion of financial services and the banking system into previously disadvantaged areas, regions and people, especially rural areas. Progress has been made in providing formal credit institutions to the rural population, with about 70% of all commercial bank branches and about 100,000 co-operative credit points now operating in rural areas. In addition to their role as financial institutions, these networks also play an important role in the growth and transformation of rural and agricultural economies."

Thanks to their generous support, loans to the three main formal institutions have grown over a sustained period. This is can be seen in table number 1.

**Table No - 1**  
**All-India Bank-wise Ground Level Credit Flow (2006–07 to 2017–18) (Rs. Crore)**

Agency	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Co-op banks	42,480	48,258	45,966	63,497	78,007	87,963	111,203	119,964	138,470	153,295	142,758	150,242
RRBs	20,435	25,312	26,765	35,217	44,293	54,450	63,681	82,653	102,483	119,260	123,216	142,415
CBs	166,485	181,088	228,951	285,800	345,877	368,616	432,491	527,506	604,376	642,954	799,781	886,771
Total	229,400	254,658	301,908	384,514	468,291	511,029	607,375	730,123	845,328	915,509	10,65,755	11,79,428

Sources: NABARD Annual Reports

This credit, provided by cooperative banks, was close to SEK 42,480 in 2006-07, while it rose to SEK 78,007 in 2010-11, followed by SEK 138,470 in 2014-15 and 12 CARG.17%.

In the case of rural regional banks (RRB), loans in 2006/07 were about half the volume of cooperative banks. As for the proportion of loans granted by the RRB, it stabilized slowly and steadily in 2017-18. This improvement is a commendable achievement for the RRB. The loan granted was only Rs 20,435 crore during fiscal year 2006-07 and peaked at Rs 142,415 crore during fiscal year 2017-18 with a CARG of 19.30%. The CARG captured by the RRB is almost one and a half times that of credit unions. Credit union operations have declined and credit union fraud has occurred, particularly in suburban areas, which may explain the lower growth of credit unions than rural regional banks. Another reason may be that the development in the field with improved technology and computerization of banking functions is commendable.

Central governments and the central bank (RBI) have also recommended that commercial banks improve their rural credit ratings under the SHG-Bank Linkage program and induce financial discipline with greater savings and financially excluded credit facilities. The expansion of commercial bank branches in rural areas can be seen across the country. They gave more generous credit to the rural poor through priority sector loans and specially designed programs, especially for women's self-help groups, as they were more genuine and committed to the cause they won. the probability of default was lower. Total credit provided by commercial banks was 166 485 crore in 2006-07 and increased to 599 691 crore at the end of 2014-15 and further to a point of Rs 886 771 crore for the 2017-18 financial year. The registered CARG for commercial bank loans was 16.42%, which is between regional rural banks and credit unions, slightly more than credit unions and slightly less than regional rural banks.



**Table No - 2**  
**Common Size Statement of All-India Bank-Wise Ground Level Credit Flow (2006-07 to 2017-2018)**

Agency	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Co-op banks	18.52	18.95	15.24	16.51	16.66	17.21	18.31	16.43	16.38	16.74	13.40	12.74
RRBs	8.91	9.94	8.87	9.16	9.46	10.65	10.48	11.32	12.12	13.03	11.56	12.07
CBs	72.57	71.11	75.89	74.33	73.88	72.13	71.21	72.25	71.50	70.23	75.04	75.19
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Table 2 shows that loans granted by credit unions were around 18.52% in 2006/07, rose to 18.95% in the following year and then dropped to 15.24% more than in the year they were 18, 31% increase. percent for 12-13 years then began to decline again, dropping to 12.74% during the 2017-18 fiscal years. But from 2009-10, rural regional banks showed a steady increase and increased their lending rate. to 13.03% in the 2015-16 financial year, but declined slightly and dropped to 12.07% at the end of the 2017-18 financial year. That's about one and a half times the improvement in about eleven years. Commercial banks led the expansion of financial services to the poor at 72.57% during fiscal 2006-07, and maintained this with their lending to the poor at 75.19% for 2017-18.

**Table No – 3, All India Progress under SHG-Bank Linkage**

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14		2014-15		
	No of SHGs (lakh)	Amount (Crores)	No of SHGs (lakh)	Amount (Crores)	No of SHGs (lakh)	Amount (Crores)	No of SHGs (lakh)	Amount (Crores)	No of SHGs (lakh)	Amount (Crores)	No of SHGs (lakh)	Amount (Crores)	
SHG savings with banks as on 31 march	Total SHGs	70	6199	75	7016	80	6551	80	6551	73	8217	74	9897
	Of which SGSY grps	17	1293	20	1817	21	1395	21	1395	20	1822	23	2478
	% of SGSY groups	24	21	27	26	27	21						
	All women SHGs	53	4499	61	5299	63	5104						
	% of women grps	76	73	82	76	79	78						
Loans disbursed to SHGs during the year	Total SHGs	16	14453	12	14548	11	16535	11	16535	12	20585	14	24017
	Of which SGSY grps	3	2198	2	2480	2	2644	2	2644	2	2207	2	3481
	% of SGSY groups	17	15	20	17	18	16						
	All	13	12429	10	12622	9	14132						



	women SHGs												
	% of women grps	82	86	85	87	80	85						
Loans outstanding against SHGs as on 31 March	Total SHGs	49	28038	48	31221	44	36340	44	36340	45	39375	42	42928
	Of which SGSY grps	12	6251	13	7829	12	8055	12	8055	12	8597	13	10177
	% of SGSY groups	26	22	27	25	28	22						
	All women SHGs	39	23030	40	26124	36	30465						
	% of women grps	80	82	83	84	84	84						
Particulars		(Numbers in lakh/Amount crore)											
		2015-16		2016-17		2017-18							
		No of SHGs	Amount	No of SHGs	Amount	No of SHGs	Amount						
SHG savings with banks as on 31 st march	Total SHG Nos	79.03 (2.68%)	13691 (23.79%)	85.77 (8.53%)	16114 (17.69%)	87.44 (1.95%)	19592.12 (21.59%)						
	All woman SHGs	67.63 (1.68%)	12035.78 (29.92%)	73.22 (8.26%)	14283.42 (18.67%)	73.90 (0.94%)	17497.86 (22.51%)						
	Percentage of Women	85.58	87.91	85.36	88.64	84.51	89.31						
	Of which SGSY	34.57 (13.27%)	6244.97 (41.16%)	37.44 (8.30%)	7552.70 (20.94%)	41.84 (11.76%)	10434.03 (38.15)						
	% of SGSY Groups	43.74	45.61	43.65	46.87	47.85	53.26						
Loans Disbursed to SHGs during the year	Total SHG Nos extended loans	18.32 (12.67%)	37286.90 (35.18%)	18.98 (3.60%)	38781.16 (4.01%)	22.61 (19.13%)	47185.88 (21.57%)						
	All woman SHGs	16.29 (12.50%)	34411.42 (40.92%)	17.16 (5.34%)	36103.13 (4.92%)	20.75 (20.92%)	44558.74 (23.42%)						
	Percentage of Women	88.92	92.29	90.42	93.09	91.78	94.43						
	Of which SGSY	8.16 (26.91%)	6785.78 (76.92%)	8.86 (8.58%)	17336.26 (3.28%)	12.70 (43.41%)	25055.18 (44.52%)						
	% of SGSY Groups	44.54	45.02	46.69	44.7	56.2	53.1						
Loans outstanding against SHGs as on 31 March	Total SHG Nos linked	46.73 (4.59%)	57119.23 (10.81%)	48.48 (3.74%)	61581.30 (7.81%)	50.20 (3.55%)	75598 (22.76%)						
	All woman SHGs	40.36 (4.61%)	51428.91 (12.04%)	42.84 (6.14%)	56444.24 (9.75%)	45.49 (6.20%)	70401.73 (24.73%)						
	Percentage of Women	86.37	90.04	88.36	91.66	90.62	93.13						
	Of which SGSY	21.91 (18.69)	26610.16 (34.72%)	24.91 (13.69%)	29994.43 (12.72%)	27.93 (12.13%)	38225.29 (27.44%)						
	% of SGSY Groups	46.89	46.59	51.37	48.71	55.63	50.56						

Notes: SHG: Self-help group; SGSY: Swarnajayanti Gram Swarozgar Yojana.



Table #3 shows the progress for all India under SHG bank account from 2009-10 to 2014-15, it shows that during 2009-10 SHG Savings in banks, the amount of SHG increased from 70 lakhs to 80 lakhs in lakhs until 2012-13 and fell again to 74 lakhs in 2014-15 and rose to 87.44 lakhs during the 2017-18 fiscal year. The registered CARG for the SHG number in the period is 2.81%. Loans disbursed by SHG during 2009-10 financial year amounted to 16 lakhs and for 2012-13 it decreased to 11 lakhs, also the amount of disbursed loans from SHG increased to 22.61 lakhs in 2017- 18. The CARG of loans disbursed to SHG during the year was 4.42%. Outstanding loans to the SHG for 2009-2010 were 49 lakhs and were reduced to 46.73 for the 2017-2018 financial years, indicating a reduction in outstanding loans, indicating that the repayments of the loans taken out by the SHG are higher and faster.

The All India Common Size progress under the SHG Bank Binding Program for the number of SHG shows that the number of SHG savings in banks was 51.92% in 2009-10, increased to 55 in 2011-12, 50% and the following year, 2012-13, it rose again to 59.13%. The following year, that is. H. 2013-14 was the same and decreased to 56.34% the following year, it rose to 57.18% in 2014-15. Furthermore, it dropped to 54.38% in the 2017-2018 financial years, which indicates the saturation of SHG education in villages across the country. The disbursed loan to SHGs in 2009-10 was 11.85% and the following year 8.9% and also 8.53% and the following year it was the same and in 2010-11 it was 9.39% and in 2014 - 15 rose to 10.51%. Furthermore, it rose to 14.38% in the 2017-18 financial years, which indicates the banks' confidence in the existing SHG village. Loans outstanding were at 36.23% during the 2019 fiscal year and began to decline slowly and steadily to 32.3% during the 2014-15 fiscal year and then to 31.24% during the 2017-15 fiscal year. 18, which reflects the successful payment of those lent by SHG credits. (See table n° - 4)

**Table No - 4 Common size statement of All-India Progress under SHG-Bank Linkage (2009–10 to 2014-15)**

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2016-17	2017-18
SHG savings with banks	51.92	55.5	59.13	59.13	56.34	57.18	56.20	54.38
Loans disbursed to SHGs	11.85	8.9	8.53	8.53	9.39	10.51	12.42	14.38
Loans o/s against SHGs	36.23	35.6	32.34	32.34	34.27	32.3	31.38	31.24
<b>Total</b>	100	100	100	100	100	100	100	100

The SHG Savings SHG Bank Linkage Scheme Report Progress across India shows that savings under SHG Bank Linkage were 6,199 crore during FY2009-10, although it increased to 7,016 crore, the same showed a decrease in the two financial years following 2011 -12 and 2012-13 to Rs 6,551 crores after rising to Rs 19,592 for the final financial year 2017-2018, indicating a compound annual growth rate of 15.47% On the other hand, progress in the amount of loans disbursed for SHG also increased over the period. (Refer Table No. - 5)

**Table No - 5 All-India Progresses under SHG-Bank Linkage (Rs. in Crore)**

PARTICULARS	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2016-17	2017-18
SHG savings with banks	6,199	7,016	6,551	6,551	8,217	9,897	16,114	19,592
Loans disbursed to SHGs	14,453	14,548	16,535	16,535	20,585	24,017	38,781	47,186
Loans o/s against SHGs	28,038	31,221	36,340	36,340	39,375	42,928	61,581	75,598
<b>Total</b>	48,690	52,785	59,426	59,426	68,178	76,842	116,476	142,376





Loans disbursed to SHG amounted to SEK 14,453 in 2009-10, with only a small increase in 2010-11, namely SEK 14,548. In 2011-12 it was Rs 16,535 crores and the same in 2012-13. In 2013-14 to Rs 20,585 crores and in 2014-15 there was a further increase of Rs 24,017 crores. Furthermore, it rose to Rs.47, 186 crore for the fiscal year ended 2017-2018. The CARG for disbursed loans to SHG was 15.94%. (See table n<sup>o</sup> - 5)

Likewise, outstanding loans to SHG each year from 2009-10 to 2014-15 amounted to Rs 28,038 crore in 2009-10 and increased to Rs. The loan amount was the same for 2011-12 and 2012-13 for Rs 36,340 crore. It rose again to Rs 39,375 million in 2013-14 and again to Rs 42,928 in 2014-15. Furthermore, the amount increased to Rs 75,598 crore during the 2017-18 financial years. If we look at the ratio of loans outstanding to loans disbursed, it appears to be about twice as high as loans disbursed during FY2009-10, while the same ratio was up to 1.60 times, indicating an improvement in amortization credits. SHG contractors. . The CARG of outstanding credits versus SHG was 13.20%. (See table n<sup>o</sup> - 5)

**Table No – 6, Common size statement of All-India Progress under SHG-Bank Linkage (Rs. in Crore)**

PARTICULARS	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2016-17	2017-18
SHG savings with banks	12.73	13.29	11.02	11.02	12.05	12.88	13.83	13.76
Loans disbursed to SHGs	29.68	27.56	27.82	27.82	30.19	31.26	33.30	33.14
Loans o/s against SHGs	57.58	59.15	61.15	61.15	57.75	55.86	52.87	53.10
Total	100	100	100	100	100	100	100	100

Table 6 also shows that the amount of savings deposits for SHG with banks was 12.73% in 2009-10 and increased to 13.29% in the following year and that there was a decrease and reached 11.02% in the same year. . And there was an increase to 12.05% and in 2014-15 it reached 12.88%. The table also shows the percentage increase in the number of loans disbursed to SHG. In 2009-2010 it was 29.68% and dropped to 27.56% the following year. During 2011-2012, there was a slight increase to 27.82%. In 2012-2013 it was the same. The following year there was an increase to 30.19% and in 2014-2015 it increased again to 31.26%. 15. 2009-2010 was 57.58% and rose again the following year to 59.15%. And in 2011-12 and 2012-13 it was the same 61.15%, in the following year 2013-14 it fell by 57.75% and in 2014-15 it fell again by 55.86%. In addition, savings in 2017-2018 are only 14%, with disbursed credit increasing to 33.14% and outstanding credit at around 53.10%, banks' exposure to the probability of bankruptcy of these borrowers is very low.

The number of SHG units across India has increased in recent years from 70 lakhs in 2009-10 to 74 lakhs in 2014-15, although during the 2011-12 and 2012 exercises it peaked at 80 lakhs. 13 in the middle of the entire reporting period of about six years. Furthermore, it rose to 87.44 lakh SHG nationwide. In the mentioned number of SHG units, female SHG units were 57 lakh units and reached 73.90 lakh female SHG units nationwide, which reveals the belief that banks raped women and that women also build trust among bankers in due course. economic integration and the trust that banks and the public place in women in their commitment to achievement and honesty in the mission they assume. (Table No. - 3).

According to Sri Mulyani Indrawati, CEO and COO of the World Bank, "when a woman has an account and a safe place to save outside the home, she also has more control over her family's finances and



income and has access to formal savings and More credit in the economy by allocating funds to emergencies, education or starting a business. This is an important step towards moving out of poverty and towards more gender equality, especially in developing countries and has risen to 78%, with the highest proportion in the bank-led SHG program, which reached 84.51% during the 2017-2018 financial year.

### Conclusion

The Indian banking sector is going through a period of intense competition like never before. On the one hand, there are many opportunities for successful banks, on the other hand, the survival and existence of banks that failed to catch up with the best banks is questionable. The case of credit unions deserves special mention because of their generally deteriorated public image. The bank's development so far is considered entirely satisfactory. However, there is room for further performance improvements in the coming days due to increased competition and more demanding customers.

### References

1. **Firose P. S (2012)**, Technical Efficiency and its Decomposition in District Co-operative Banks in Kerala: A Data Envelopment Analysis Approach”, South Asian Academic Research Journals (SARJ), Vol. 2, Issue 3, March 2012, pp. 21-36.
2. **Government of India**, Economic Survey 2013-14. (July 2014), New Delhi.
3. **National Bank of Agriculture and Rural Development (NABARD)**, Government of India, Annual Reports (for the years, 2002-03 to 2013-14). (Available at [www.nabard.org](http://www.nabard.org)).
4. Official website of the National Bank of Agriculture and Rural Development (NABARD), Government of India, [www.nabard.org](http://www.nabard.org)
5. Official website of the **Reserve Bank of India (RBI)**, Government of India, [www.rbi.org.in](http://www.rbi.org.in).
6. **Reserve Bank of India (RBI)**, Government of India, Trend and Progress of Banking in India, (for the years, 2002-03 to 2013-14). (Available online at [www.rbi.org.in](http://www.rbi.org.in)).
7. **Thirunarayana, R (1996)**, Co-operative Banking in India, Mittal Publications, New Delhi.