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STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

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- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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ROLE OF MICRO FINANCE IN OVERALL DEVELOPMENT OF SHGs

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ABSTRACT

Micro-finance interventions are well recognized over world as an effective tool for poverty alleviation and improving socio-economic status of rural poor. In India too, micro-finance is making headway in its effort for reducing poverty and empowering rural women. Microfinance through the network of cooperatives, commercial banks, regional rural banks, NABARD and NGO's has been largely supply-driven and a recent approach. Microfinance institutions are, other than banks, engaged in the provision of financial services to the poor. More focus should be on micro-finance through SHGs, however, credit accessibility to poor through SHGs has enhanced tremendously and recovery is comparatively higher. Rural women play a significant role in the domestic and socio-economic life of the society and therefore, national development is not possible without developing this segment of the society. The review of studies related to credit accessibility to women simply demonstrates that the direct access to institutional credit to rural women is very limited and there is sex bias in extending the credit to them. However, women from the non-farm sector have better access to banks than the women working in the farm sector. Even, male members of women borrowers have greater influence on accessibility to credit utilization and its repayment. The SHGs became a regular component of the Indian financial system since 1996. The SHGs are small, informal and homogenous groups. These groups have proved as cyclic agents of development in both the rural and urban areas. This paper mainly focuses on the SHGs after being formed how they start collecting a fixed amount of thrift from each member regularly. After accumulating a reasonable amount of resource, how the group starts lending to its members for petty consumption needs. With what pre-requites of the group thus the bank be satisfied, alike (i) genuineness of demand for credit (ii) credit handling capacity of the members (iii) repayment behaviour within the groups and (iv) the accounting system and maintenance of the records and what kind of benefits the SHGs are expecting just like (i) savings mobilized by the poor (ii) access to the required amount of appropriate credit by the poor (iii) meeting the demand and supply of credit structure and opening of new market for financing institutions (iv) reduction in transaction cost for both lenders and borrowers (v) tremendous improvement in recovery (vi) heralding a new realization of subsidy less and corruption-less credit and (vii) remarkable empowerment of poor women.

KEYWORDS

micro finance, SHGs.

INTRODUCTION

The initiative of 1992 to make the traditional and formal banks to extend financial services to deprived sections through informal Self Help Groups (SHGs), has now blossomed into a "monolith" microFinance initiative. It has been recognized as a decentralized, cost effective and fastest growing microFinance initiative in the world, enabling over 103 million poor households' access to a variety of sustainable financial services from the banking system by becoming members of nearly 8 million SHGs. The linkage with banks has provided the members of the Groups the facility of not only pooling their thrift / savings and access to credit from the banking system, but also created a platform through which they could launch a number of livelihood initiatives and also facilitate the empowerment process.

While the first decade of the programme was meant to demonstrate the potential of SHGs to organize themselves and be instrumental in managing their own savings and extending emergent micro credit needs, the second decade laid emphasis on establishing the replicability of the model across the regions, with focus on resource poor regions of the country. This decade also witnessed greater confidence among the financing banks to "own" up the programme as a potential business model thereby extending its outreach to the current level. The development planners including the Government of India and the State Governments also recognized the real potential of the SHG movement in development of the poor and it was made an essential ingredient of all poverty alleviation programmes of the Government. Even the private sector started realising the untapped potential of SHGs for deep penetration to the emerging rural markets. The turbulence witnessed in the micro Finance sector in the recent past due to the mushrooming growth of microFinance Institutions (mFIs) and their questionable ways in which they went ahead in extending their outreach and credit intensification, could not make any significant dent in the popularity of the SHG-Bank Linkage Programme.

The small beginning of linking only 500 SHGs to banks in 1992, had grown to over 0.5 million SHGs by March 2002 and further to 8 million SHGs by March 2012. From almost 100% of the SHGs linked to Banks at the pilot stage from southern states, the share of southern States in the total number of SHGs linked shrank to 46% by March 2012, while the share of eastern States (especially, West Bengal, Odissa, Bihar) shot up to over 20%. The third decade of the programme promises to be one of maturing the linkage programme with livelihoods support, lot more innovations in the product range offered through SHGs and path breaking reforms in leveraging technology to improve efficiency, while extending its outreach to more geographical regions, especially the most resource poor regions of the country. It is widely believed that the SHGs of the poor will be the vehicles leading the march of India's emergence as a super economic power in the next decade. A number of countries, especially the developing countries and international agencies are turning to India to learn from its experiments with micro Finance and to explore possibilities of replication of the model in other parts of the globe.

Together the 8 million SHGs of the poor maintain a balance of over Rs.6550 crore in the Savings Bank accounts with the Banks, while they are estimated to have harnessed savings of over Rs.22000 crore of which nearly 70% (over Rs.15000 crore) goes for internal lending. Over 4.4 million SHGs are regularly availing credit facilities from the Banks. During 2011-12 alone, over 1.15 million Groups availed loans amounting to Rs.16535 crore from Banks and together 4.4 million Groups have loans to the extent of Rs.36340 crore outstanding against them with the financing banks as on 31.3.2012. As the credit availed by the Groups along with their internal savings are revolved many times within the group for shorter durations, the multiplier effect makes the process much larger than the basic figures indicate.

NABARD had been publishing data on microFinance in India every year along with an analysis of the data compiled through various stakeholders like partner NGOs, financial institutions, Government Departments, etc. and this publication and data contained therein are based on returns submitted by participant banks covering Commercial Banks, Regional Rural Banks (RRBs) and Cooperative Banks. In addition to the analysis of data on the extent of savings harnessed by the SHGs, credit availed by SHGs across agencies and across the geographical spread, the publication also highlights the facilitating role played by NABARD in further

refining the SHG-Bank linkage programme by bringing in more stakeholders into this sector, helping it to extend its outreach to more unbanked areas and by extending the scope of financial services rendered through such groups. The publication also highlights a brief of the discussions at a National Colloquium organised during the year with participation from different stakeholders soliciting issues connected with the design of the SHGs, a few pilot innovations made by NABARD, product innovations to support livelihood groups like JLGs, etc.

PROGRESS UNDER MICROFINANCE DURING 2011-12

An update on microFinance as at the end of March 2012 is being presented in 3 different sections. The progress under the SHG-Bank linkage programme has been covered in the first part, while the activities of mFIs have been covered in the second part. Various innovative initiatives and support services like capacity building of all stakeholders of micro Finance programme etc. is covered in the third part. Maps detailing statistical information on the progress of these activities have been presented.

1. SHG-BANK LINKAGE PROGRAMME

Detailed analysis of the SHG-Bank Linkage Programme across the geographical spread of the country and across the financing agencies is being presented in this section. The analysis covers the broader components of the programme, namely inclusive growth, savings, loans and the recovery performance. Table-1 gives the growth of SHGs-saving as well as credit linked for the last 3 years, separately for all Groups, Groups formed under SGSY and exclusive Women Groups.

Under the SHG-Bank linkage programme, over 103 million rural households have now access to regular savings through 7.96 million SHGs linked to banks. About 27% of these SHGs are savings linked through the SGSY programme - the rural poverty alleviation programme of the Government of India where predominantly households below the poverty line are admitted as members. There has been a decline in the amount of savings balance with banks to the extent of 6.7% as compared to the previous year although the number of SHGs saving linked has shown a growth of 6.7% during the year. This decline is almost entirely attributable to the groups formed under SGSY where the decline was to the extent of 23.2%. Increasing awareness at the SHG level about the advantage of using the savings for internal loaning is also partly responsible for the decline in saving balance with banks.

The number of saving linked SHGs now stands at 7.96 million with a membership of over 103 million poor households. While bulk of these savings is used for internal lending within the Group (over 70%), the balance is maintained in the savings accounts with the financing banks. Over 79% of SHGs linked to banks are exclusive women groups, which is one of the most distinguishing features of microFinance sector in the country.

The balance in the savings accounts of the banks as at the end of March 2012 stood at Rs.6551.41 crore. Among the major States, Karnataka SHGs maintain the highest S.B. balance of over Rs.16000 per SHG followed by Punjab of nearly Rs.12500 per SHG. Among the regions, southern region is highest at Rs.10080 per SHG and northeastern region recorded the lowest balance of Rs.4159 per SHG. On an average, the SHGs maintain a balance of Rs.8230. Commercial Banks account for 58% of the savings account maintained by SHGs and RRBs 27% and Cooperative Banks the remaining 15%.

Further, over 4.36 million SHGs have now access to direct credit facilities from the banks and the total bank loans outstanding against these groups is over Rs.36340 crore as on 31 March 2012 i.e. an average of Rs.83500 per group. About 1.15 million SHGs were extended fresh loans to the extent of Rs.16535 crore during 2011-12 by all banks averaging Rs.1.44 lakh per group. Although fresh lending to SHGs during the year showed an increase of 13.7% over last year, the steady decline in the number of SHGs being extended fresh loans by banks for the last 3 years is a matter of concern.

TABLE-1: OVERALL PROGRESS UNDER SHG-BANK LINKAGE FOR LAST 3 YEARS (Amount Rs. in crore / Numbers in lakh)

Particulars		2009-10		2010-11		2011-12	
		No. of SHGs	No. of SHGs	No. of SHGs	Amount	No. of SHGs	Amount
SHG Savings with Banks as on 31st March	Total SHGs	69.53 (13.6%)	6198.71 (11.8%)	74.62 (7.3%)	7016.30 (13.2%)	79.60 (6.7%)	6551.41 (-6.7%)
	Of which SGSY Groups	16.94 (12.5%)	1292.62 (-17.3%)	20.23 (19.4%)	1817.12 (40.6%)	21.23 (5.0%)	1395.25 (-23.2%)
	% of SGSY Groups to Total	24.4	20.9	27.1	25.9	26.7	21.3
	All women SHGs	53.10 (9.18%)	4498.66 (1.46%)	60.98 (14.8%)	5298.65 (17.8%)	62.99 (3.3%)	5104.33 (-3.7%)
	% of Women Groups	76.4	72.6	81.7	75.5	79.1	77.9
Loans Disbursed to SHGs during the year	Total SHGs	15.87 (-1.4%)	14453.3 (17.9%)	11.96 (-24.6%)	14547.73 (0.01)	11.48 (-4%)	16534.77 (13.7%)
	Of which SGSY Groups	2.67 (1.0%)	2198 (9.1%)	2.41 (-9.9%)	2480.37 (12.8%)	2.10 (-12.9%)	2643.56 (6.6%)
	% of SGSY Groups to Total	16.9	15.2	20.1	17.0	18.3	16.0
	All women SHGs	12.94 (5.8%)	12429.37 (18.1%)	10.17 (-21.4%)	12622.33 (1.6%)	9.23 (-9.2%)	14132.02 (12.0%)
	% of Women Groups	81.6	86	85	86.8	80.4	85.5
Loans Outstanding against SHGs as on 31st March	Total SHGs	48.51 (14.8%)	28038.28 (23.6%)	47.87 (-1.3%)	31221.17 (11.4%)	43.54 (-9.0%)	36340.00 (16.4%)
	Of which SGSY Groups	12.45 (27.5%	6251.08 (6.6%)	12.86 (3.4%)	7829.39 (25.2%)	12.16 (-5.4%)	8054.83 (2.9%)
	% of SGSY Groups to Total	25.7	22.3	26.9	25.1	27.9	22.2
	All women SHGs	38.98 (18.9%)	23030.36 (23.9%)	39.84 (2.2%)	26123.75 (13.4%)	36.49 (-8.4%)	30465.28 (16.6%)
	% of Women Groups	80.3	82.1	83.2	83.7	83.8	83.8

Source: Status of microFinance in India 2011-12, NABARD, Mumbai.

Number of SHGs having outstanding loans with banks is also showing a decline partly due to the continued decline in the number of SHGs being extended fresh loans by banks for the last 3 years.

FIG. 1: SHOWS A GRAPHICAL PRESENTATION OF THE SAVINGS, FRESH LOANS AND THE LOAN OUTSTANDING OF SHGs WITH BANKS FOR THE LAST 4 YEARS
(Amounts in rupees)

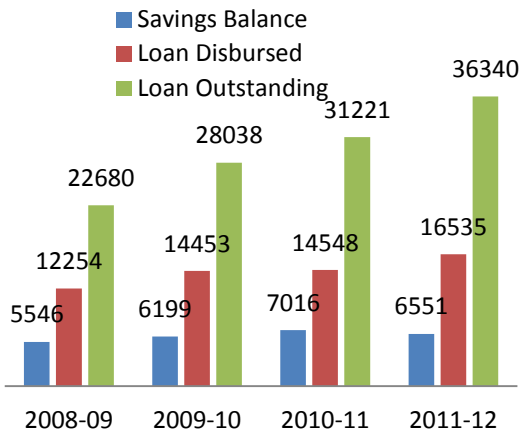


FIG. 2: AGENCY-WISE NUMBER OF SAVING LINKED SHGs

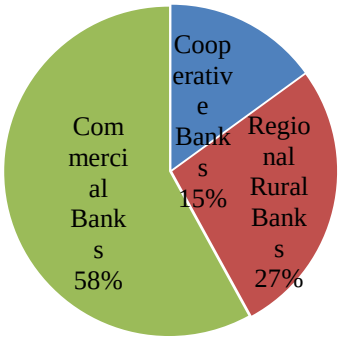
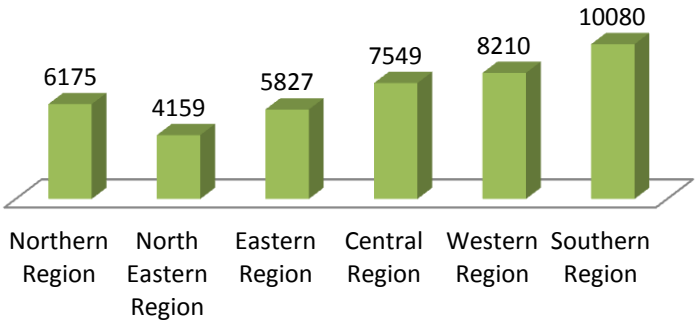
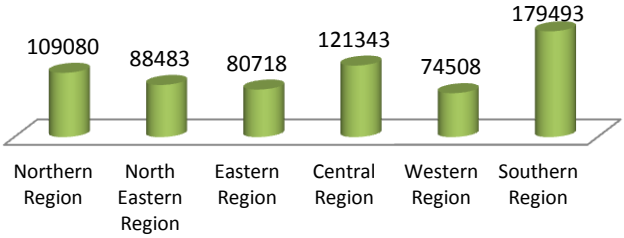


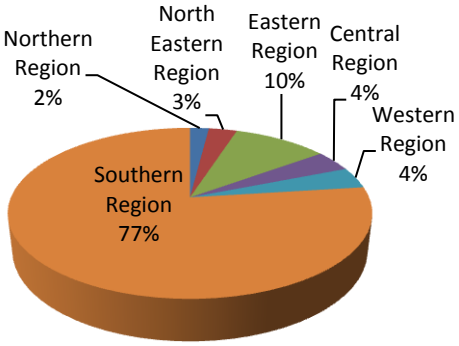
FIG. 3: REGION-WISE AVERAGE SAVINGS BALANCE OF SHGs WITH BANKS (Amounts in rupees)



While the quantum of fresh loans issued to SHGs by banks rose by 13.7% during the year to Rs.16535 crore (to 11.48 lakh SHGs) as against Rs.14548 crore disbursed last year (to 11.96 lakh SHGs), the number of SHGs obtaining fresh loans from banks during the year declined by 4%. What causes more concern is the fact that the number has been declining during the last 3 years, though the rate of decline has come down from nearly 24% last year to 4% this year. Kerala, West Bengal and Odissa reported maximum decline in the number of SHGs being extended fresh loans during the year. The average size of fresh loans extended ranged from Rs.1.80 lakh per SHG in the southern region (Rs.1.5 lakh last year) to Rs.0.75 lakh in the western region (the lowest average was Rs. 0.65 lakh for eastern region last year). The average loan size across the regions was Rs. 1.44 lakh per SHG. Considering that on an average 80% of the SHG members avail loan at a time, the average per member loan issued works out to Rs.14000. Among the financing banks, Commercial Banks and RRBs extended loan of Rs.1.65 lakh on an average per SHG while cooperative Banks lent Rs.0.65 lakh only per SHG. While Commercial Banks accounted for 63% of the savings balance of SHGs, their share in fresh lending to SHGs was only 60% whereas RRBs with a Savings share of only 20% accounted for 30% of the fresh loans issued during the year. This is suggestive of cautious attitude of the Commercial Banks in lending for SHGs as compared to RRBs.

FIG. 4: REGION-WISE BANK LOANS ISSUED TO PER SHG DURING 2011-12

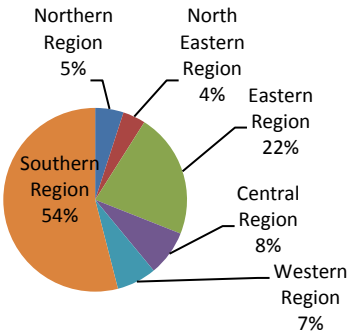




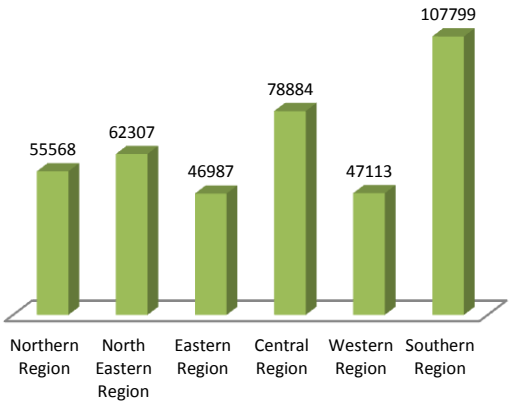
The number of SHGs having loans outstanding against them from banks declined by 9% during the year to 43.54 lakh as against 47.87 lakh last year although the quantum of loans outstanding increased to Rs.36340 crore (16.4% increase over last year). Partly the decline can be attributed to the continued decline in the number of SHGs being extended fresh loans by banks over the last 3 years. All states except Karnataka, Himachal Pradesh and Pudhucherry in the southern region recorded decline in the number of SHGs having outstanding loans. Average amount of loan outstanding ranged from Rs.47000 per SHG in eastern and western region to Rs.1.08 lakh in the southern region. The average loan outstanding across the regions works out to Rs.0.83 lakh per SHG. Among the States, all southern states averaged about Rs.1.07 lakh (Karnataka being the highest at Rs.1.30 lakh per SHG) or above per SHG while Gujarat recorded the lowest average of Rs. 24000 per SHG. Among the agencies, Commercial Banks had an average outstanding loan of Rs.1 lakh per SHG while RRBs had Rs.0.67 lakh and Cooperative Banks Rs.0.43 lakh. Considering that substantial portion (nearly 70%) of the savings from the members of SHGs also goes for internal lending besides the outstanding credit from the banks; the total pooled resources outstanding at the members' level can be pegged at over Rs.51000 crore.

FIG. 5: DETAILS OF CREDIT LINKED SHGs

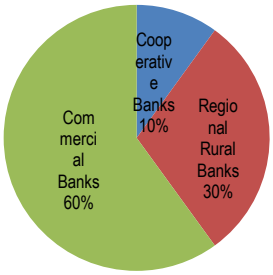
REGIONAL SPREAD CREDIT LINKED SHGs



REGIONAL VARIATION PER SHG LOANS OUTSTANDING WITH BANKS (Rupees)



AGENCY-WISE CREDIT LINKED SHGs



The increase in NPA against loans to SHGs continued to escalate during the current year as well. In absolute terms, the gross NPA against loans to SHGs increased from Rs.1474 crore at the end of March 2011 to Rs.2213 crore by March 2012. In percentage terms it increased from 4.72% last year to 6.09% during the current year. It was only 2.9% during 2009-10. This is a matter of concern for the microFinance sector and the causes for the declining performance of recovery are to be analysed and remedial action initiated urgently. The total gross NPA against loans to SHGs stood at Rs.2212.74 crore as on 31.3.2012 against the total outstanding loan of Rs.36340 crore. Among the regions, southern region with a NPA of 4.98% (3.79% last year) was the lowest while Central Region with an alarming 13.2% (10.7% last year) was the highest. What causes grave concern is the high NPAs in major states like Uttar Pradesh (12.5%), Odissa (11.9%), Tamil Nadu (9.6%) and Kerala (9%). Table 2 and 3 illustrate the comparative position of NPAs against loans to SHGs by banks during the last 3 years while Fig 6 and 7 gives the graphical presentation of the NPA position.

TABLE-2: AGENCY WISE NPAS OF BANK LOANS TO SHGs (Rs. in Crore)

Agency	Loans Outstanding against SHGs- Position as on			Amount of NPAs as on			Percentage of NPAs to Loan Outstanding as on		
	31.3.2010	31.3.2011	31.3.2012	31.3.2010	31.3.2011	31.3.2012	31.3.2010	31.3.2011	31.3.2012
CBs(Public Sector)	19724.42	21412.75	24406.57	513.53	1019.90	1581.05	2.60	4.76	6.48
CBs(Pvt. Sector)	440.29	470.51	1403.72	23.93	47.09	74.37	5.44	10.10	5.30
RRBs	6144.58	7430.05	8613.58	218.53	272.82	426.34	3.56	3.67	4.95
Coop. Banks	1728.99	1907.86	1916.14	67.04	134.30	130.97	3.88	7.04	6.84
Total	28038.28	31221.17	36340.00	823.04	1474.11	2212.73	2.94	4.72	6.09

Source: Status of micro Finance in India 2011-12, NABARD, Mumbai.

TABLE-3: REGION WISE NPAS OF BANK LOANS TO SHGs (Rs. in Crore)

Region	Loans Outstanding against SHGs- Position as on			Amount of NPAs as on			Percentage of NPAs to Loan Outstanding as on		
	31.3.2010	31.3.2011	31.3.2012	31.3.2010	31.3.2011	31.3.2012	31.3.2010	31.3.2011	31.3.2012
Northern	815.13	903.14	1178.28	53.91	63.66	81.55	6.61	7.05	6.92
North Eastern	673.48	695.25	993.27	37.13	58.56	51.33	5.51	8.42	5.17
Eastern	3694.91	4202.55	4629.80	118.74	181.07	337.08	3.21	4.31	7.28
Central	2462.40	2365.40	2780.29	198.65	254.04	367.03	8.07	10.74	13.20
Western	1369.49	1246.23	1363.78	61.06	90.42	112.14	4.46	7.26	8.22
Southern	19022.88	21808.59	25394.59	356.53	826.36	1263.59	1.87	3.79	4.98
All India Total	28038.28	31221.16	36340.00	823.04	1474.11	2212.73	2.94	4.72	6.09

Source: Status of microFinance in India 2011-12, NABARD, Mumbai.

FIG.6: NPA POSITION AGAINST LOANS TO SHGs

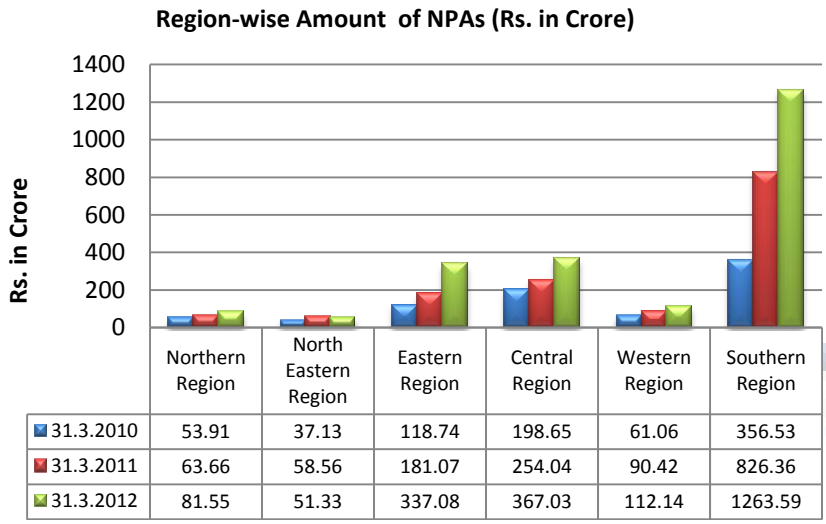
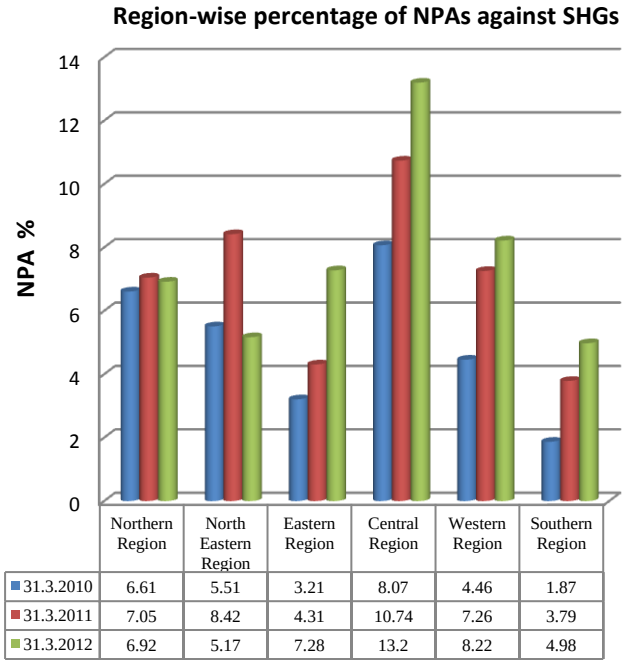
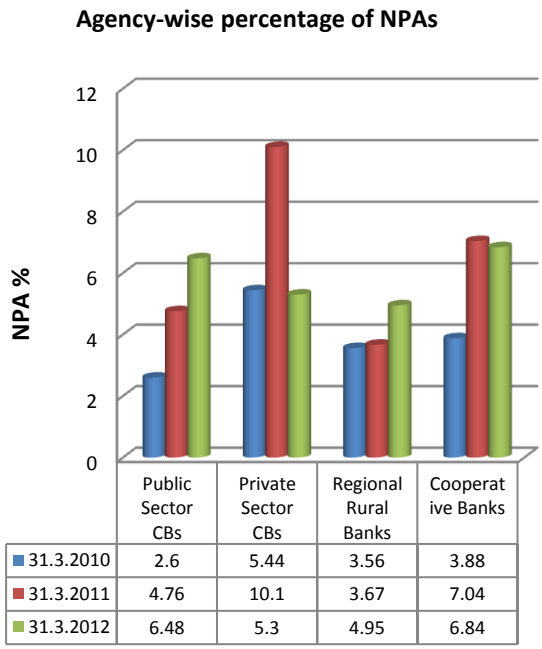


FIG.7: PERCENTAGE OF NPAS TO LOANS OUTSTANDING AGAINST SHGs





2. mFI-BANK LINKAGE PROGRAMME

mFIs act as an important conduit for extending financial services to the micro finance sector in the country by raising resources from Banks and other institutions. mFIs could be (i) NGO mFIs - registered under the Societies Registration Act, 1860 or the Indian Trusts Act, 1880 (ii) Cooperative mFIs -registered under the State Cooperative Societies Act or Mutually Aided Cooperative societies Act or Multi State Cooperative Societies Act (iii) NBFC mFIs incorporated under Section 25 of Companies Act, 1956 (These NBFCs are working "not for profit"), (iv) NBFC mFIs incorporated under the Companies Act, 1956 and registered with RBI.

In addition to their internal resources, these mFIs seek and obtain bulk loans from Banks / other Financial Institutions for providing micro credit. Though most of these mFIs entered the micro finance sector only after the SHG-Bank linkage programme was well entrenched, the turnover of these institutions grew at a much larger scale than the former. They were more aggressive and innovative in reaching out to the rural poor than the formal banking system. Of late, however, the functioning of these institutions (mostly "for profit" NBFCs) were being subjected to closer public scrutiny on account of alleged unethical business practices and questionable recovery practices. These developments resulted in Andhra Pradesh Government promulgating an ordinance to severely restricting their lending operations and recovery mechanism. As a result, the lending operations of these institutions virtually came to a halt not only in AP where most of their lending operations were concentrated but in other areas as well while the recovery of loans nose-dived. The Reserve Bank of India has since notified guidelines for the lending operations of mFIs based on the Malegam Committee recommendations. A new class of financial organisations named as NBFC- mFIs has been created and subject to certain conditions regarding the capital to be employed, lendings to SHG members, cap on interest to be charged and margin to be retained, etc. the loans extended to these NBFC-mFIs by banks now qualifies for priority sector loan.

The Progress under mFI-Banks linkage programme during the last 4 years is shown in Table-4 reveals that Commercial Banks (and financial institutions like SIDBI) are losing their confidence in lending to mFIs is evident from the fact that the fresh lending to mFIs by banks during the year declined by over 38% as compared to last year.

TABLE-4: PROGRESS UNDER MFI-BANK LINKAGE PROGRAMME (Rs. in Crore)

Particulars	2008-09		2009-10		2010-11		2011-12	
	No. of mFIs	Amount	No. of mFIs	Amount	No. of mFIs	Amount	No. of mFIs	Amount
Loans disbursed by banks to mFIs	581 (12.2)	3732.33 (89.4)	779 (34.00)	10728.50 (187.4)	471 (-39.5)	8448.96 (-21.3)	465 (-1.3)	5205.29 (-38.39)
Loans outstanding against mFIs as on 31 March	1915 (72.7)	5009.09 (82.2)	1659 (-13.4)	13955.75 (178.6)	2315 (39.5)	13730.62 (-2.0)	1960 (-15.3)	11450.35 (-16.6)
Fresh loans as % of Loan utstanding		74.5		76.9		61.5		45.5

Note: Actual number of MFIs availing loans from Banks would be less than the figures shown as most of mFIs avail loans from more than one Bank.

Source: Status of microFinance in India 2011-12, NABARD, Mumbai.

There has also been a marginal decline in the number of mFIs availing fresh loans from Banks inspite of the fact that the loan outstanding against mFIs has come down by almost 17% during the year. If the trend continues, this sector is likely to face serious resource crunch and could affect its outreach plans in the near future. The Regional Rural Banks on the other hand have increased their lendings to mFIs during the year, while, reducing the outstanding loans although they still remain an insignificant player in this arena. The agency wise details of loans extended to mFIs are shown in Table-5.

TABLE-5: LOANS TO MFIS BY BANKS/FINANCIAL INSTITUTIONS

Financing	Agency Period	Loans disbursed to mFIs during the year		Loan outstanding against mFIs as on 31 March	
		No. of mFIs	Amount (crore)	No. of mFIs	Amount (crore)
All Commercial Banks	2008-09	522	3718.93	1762	4977.89
	2009-10	645	8038.61	1407	10095.32
	2010-11	460	7601.02	2153	10646.84
	2011-12	336	4950.98	1684	9810.98
Regional Rural Banks	2008-09	59	13.40	153	31.20
	2009-10	46	24.14	103	52.22
	2010-11	9	4.16	23	42.01
	2011-12	113	13.28	128	37.51
Cooperative Banks	2008-09	NA	NA	NA	NA
	2009-10	--	--	3	0.01
	2010-11	NA	NA	NA	NA
	2011-12	4	1.61	19	4.75
SIDBI	2008-09	NA	NA	NA	NA
	2009-10	88	2665.75	146	3808.20
	2010-11	2	843.78	139	3041.77
	2011-12	12	239.42	129	1597.11
Total by all agencies	2008-09	581	3732.33	1915	5009.09
	2009-10	779	10728.50	1659	13955.75
	2010-11	471	8448.96	2315	13730.62
	2011-12	465	5205.29	1960	11450.35

Source: Status of microFinance in India 2011-12, NABARD, Mumbai.

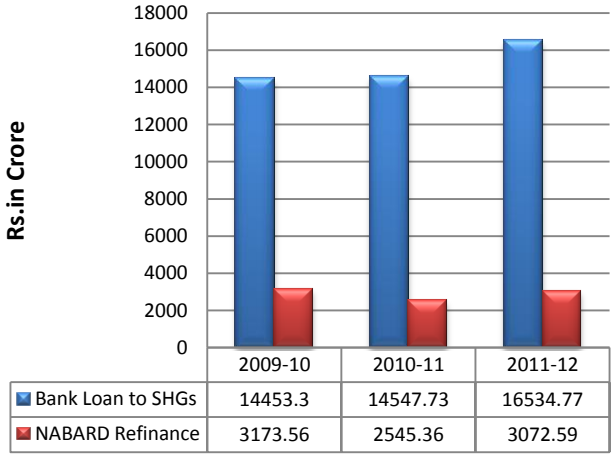
3. NABARD AS FACILITATOR OF MICROFINANCE

Besides, conceiving the SHG-Bank Linkage Programme two decades back, NABARD had assigned to itself the role of a facilitator and a mentor of the initiative. The focus was on bringing in various stakeholders on a common platform, building capacity among the stakeholders to take the movement forward while extending 100% refinance to all banks participating in the programme. A large number of seminars, workshops and training programmes were organised to create awareness about the microFinance programme among all the stakeholders – the bankers, the Government agencies, the NGO partners and more importantly the SHG members. The NGO sector who played the key role of organising and nurturing the SHGs as the Self Help Promoting Institutions – later joined by many others including the rural financial institutions, Farmers Clubs, etc. – were encouraged by way of promotional grant assistance by NABARD for taking up such work. The phenomenal growth of SHG-Bank linkage programme during the last 20 years owe a great deal to these promotional efforts actively supported by NABARD and participated by the stakeholders. The rapid growth of the SHG linkage programme and its success in taking financial services to the poor, led to its recognition as the most important tool for financial inclusion – the main focus of the XI Five Year Plan. Simultaneously, efforts were also on to experiment innovative initiatives in improving the efficacy and reach of the programme with the involvement of all microFinance practitioners facilitated by NABARD. A glimpse of the facilitator role played by NABARD, the ICT initiatives taken, policy changes etc in this sector during 2011-12.

REFINANCE TO BANKS

During the initial years of the movement NABARD was extending refinance to the extent of 100% to banks for lending to SHGs since the SHG-Bank Linkage Programme was launched. Initially, this was intended to encourage the banks to actively participate in the programme. As the banks gained confidence in lending to SHGs and realised the business potential in extending financial services through SHGs, they have been increasingly deploying their own resources in a mutually beneficial relationship with the SHGs. SHGs had been instrumental in bringing in more business for the financing banks by way of improving credible client base, also promoting rural and inclusive banking. Banks have also extended other financial services like remittance, housing, insurance, etc, though in a limited way, to this segment. As a result, the banks have started "owning up" the movement, as a sound business proposition and became less dependent on promotional support from NABARD. The gap between the total loans issued by banks to SHGs and the refinance extended by NABARD for such loans started widening as a result as would be seen from the graph shown (Fig.8). The refinance support from NABARD, however, continues to supplement resource mobilisation for the programme. During 2011-12, NABARD extended refinance to the extent of Rs.3072.59 crore as against Rs.2545.36 crore disbursed during the previous year. Cumulative is bursement of refinance by NABARD for SHG lending now stands at Rs.18479.60 crore.

FIG.8: LOANS ISSUED TO SHGS BY BANKS AND NABARD REFINANCE TO BANKS



MICROFINANCE DEVELOPMENT AND EQUITY FUND

The micro-finance Development and Equity Fund (mFDEF) is being utilised for promotion of various micro-finance activities such as formation and linkage of SHGs through SHPIs, training and capacity building of stake holders, livelihood propagation, studies, documentation, etc. During 2011-12, Rs.33.31 crore was released of which Rs.28.68 crore was grant support for promotional activities and Rs.4.63 crore for capital support and lending resources to mFIs. As against a total corpus of Rs.200 crore contributed by RBI, NABARD and commercial banks, the actual (cumulative) utilisation of the fund stood at Rs.278.31 crore as on 31 March 2012. NABARD has been augmenting this fund from its own resources and has also been crediting interest on the unutilised portion of this fund. There have been no further receipts forthcoming from other contributors of this fund.

SUPPORT FOR TRAINING AND CAPACITY BUILDING OF MICROFINANCE CLIENTS

NABARD has been continuously imparting training to various partners and stakeholders of SHGBank Linkage Programme such as bankers, NGOs, government officials, SHG members and trainers. During 2011-12, about 1.87 lakh officials of various agencies participated in NABARD supported training programmes and exposure visits and cumulatively 28.48 lakh officials have been trained. NABARD in association with GIZ has initiated the process of revising the content, coverage of training modules. Training needs of all the stakeholders are being assessed for the purpose.

GRANT SUPPORT TO PARTNER AGENCIES FOR PROMOTION AND NURTURING OF SHGs

Ever since the SHG-Bank Linkage Programme was launched by NABARD, the Self Help Promoting institutions (SHPI) such as NGOs, Banks (RRBs, DCCBs), Farmers Clubs and Individual Rural Volunteers (IRV) are being extended grant support to organise and nurture SHGs of the poor. In fact, the phenomenal growth of SHG-Bank Linkage Programme in the country is the result of the painstaking efforts put in by these agencies in forming and nurturing SHGs especially in areas where the concept never existed. The financial support extended by NABARD to various SHPIs during the year is indicated in Table-6.

TABLE-6: GRANT SUPPORT TO PARTNER AGENCIES

Agency	Cumulative Sanction		Cumulative Achievement (31.3.2012)	
	Amount	SHG Nos.	Amount	SHG Nos.
NGOs	16200.59	499909	4882.31	283007
RRBs	542.19	53145	197.10	56070
Coop. Banks	857.81	71695	289.19	47515
IRVs	733.58	43223	86.02	13105
Farmers Clubs	83.16	7689	73.81	17356
Total	**18417.33**	**675661**	**5528.43**	**417053**

Source: Status of microFinance in India 2011-12, NABARD, Mumbai.

MICRO ENTERPRISE DEVELOPMENT PROGRAMME

The Micro Enterprise Development Programme launched by NABARD in 2006 is intended to nurture the entrepreneurial talents of members of mature SHGs to set up and run micro enterprises as a livelihood option in farm or non-farm sector, either on individual basis or on group basis. Support is extended under the programme to members of such SHGs to enrich their knowledge on enterprise management, business dynamics and rural markets. Nearly 5000 skill upgradation training programmes have been conducted under these initiatives covering nearly 2 lakh members of mature SHGs. Most of the trained SHG members have since started on their journey to become promising entrepreneurs by availing loans from their SHGs. West Bengal, Tamil Nadu and Chhattisgarh are major States where maximum number of SHG members were given skill training.

FINANCING OF JOINT LIABILITY GROUPS

Joint Liability Groups (JLG) are informal groups of 4-10 members who are engaged in similar or independent economic activities like crop production, dairy farming or other allied agriculture or

Nonfarm based activities and who are willing to jointly undertake (mutual guarantee) to repay the loans taken by the Group from the Banks. Unlike in the case of SHGs, JLGs are intended basically as credit groups of tenant farmers / small farmers who do not have proper title of their farmland and are unable to provide tangible collateral for their borrowing from banks. Regular savings by group members is purely voluntary and intended to bind the members. Credit needs of the group members are to be met through loans from financial institutions and such loans could be individual loans or group loans. Financing of JLGs was introduced as a pilot project in 2004-05 by NABARD in 8 States with the support of 13 RRBs. Apart from extending refinance support to Banks, NABARD also extends financial support for awareness creation and capacity building of all stakeholders of this Programme. NABARD also extends grant support for formation and nurturing of JLGs to banks and other JLG promoting agencies. An amount of Rs.36.68 crore was sanctioned as grant for promotion of 1.95 lakh JLG across the country till 31 March 2012. During the year, 191662 new JLGs were promoted (36% growth over the previous year) and fresh loans to the extent of Rs.1700.39 crore (48% increase over the previous year) was disbursed to JLGs by banks taking the cumulative number of JLGs to 3,32,707 and the cumulative loan disbursed to Rs.2845.69 crore. The growth of JLGs in the country is less skewed than the SHGs with Odissa leading the table with over 53000 JLGs followed closely by West Bengal with nearly 49000 groups though southern region States top among the quantum of loans disbursed with almost 69% loans disbursed to JLGs in the region.

KAMADHENU – JLGS OF WOMEN SHOW THE WAY

This is a unique success story of how groups of poor rural women can transform the economy of a whole region. In early 2011, the Mandal Mahila Samakhya (Block Level Federation of women SHGs)-MMS - in Chittoor District of Andhra Pradesh were deliberating on ways to improve their economic conditions. They realized that though there is heavy demand for milk, the production was lagging for want of supply as well as processing facilities. The State Government agreed to provide enough number of Bulk Milk Chilling Units to be operated by the MMS in the district provided they could arrange production and procurement of milk from the area. The next question was how to induct more number of milk animals into the area. At the instance of NABARD, they agreed to form Joint Liability

Groups of Women members of SHGs of Federation to seek and obtain bank loans for purchase of milk animals. NABARD also agreed to kick start the programme on pilot basis by providing a loan of Rs.5 crore for lending to these JLGs. Each member of the JLG was to be given loan for purchase of a dairy unit consisting of two milk animals each on the basis of the group guarantee. The MMS was given the responsibility of organizing the JLGs and selection of beneficiaries and extending the loans through the SHGs and also for recovery of the loan installments through purchase of milk by the BMCU managed by MMS. The State Animal Husbandry Department agreed to extend the necessary animal health and artificial insemination facilities to the dairy farmer members of MMS.

Once the project was launched in 2011, the response was beyond the expectations of the planners. By January 2012, as many as 12000 dairy units were financed under this initiative through over 2500 JLGs of women in the district involving an estimated bank loan of nearly Rs.75 crore. 65 BMCUs have already become operational and 111 bank branches are now involved in lending for the JLGs under the programme. The milk procurement in the area is estimated to reach 5 lakh litres per day per MMS by December 2012 from a little over 2 lakh litres per day at the start of the programme a year back. The poor rural women in Chittoor District have demonstrated what they can achieve if necessary support is extended to them. This is what the Chief Minister of the State had to say about this initiative.

"The story of this transformation has the potential to become another "Amul" and needs to be replicated in other districts of the State. I would like to congratulate and commend the efforts of NABARD, the District Administration, and the bankers in the district for making the 'Project Kamadhenu' happen in the district and call upon other districts to emulate the experiment in their Districts".

CONCLUSION

The microfinance has been playing a pivotal role in transforming the Self Help Groups from the state of pecuniar to the state of perk. Decentralized and cost-effective micro financial services being provided through the network of cooperatives, commercial banks, regional rural banks, NABARD and NGO's to poor households from the banking system by the mFIs is enormous. The linkage with banks has provided the group members the facility of not only pooling their savings and access to credit from the banking system has enhanced tremendously and recovery is comparatively higher, but also creates a platform through which they are able to launch a number of livelihood initiatives and facilitates the employment process which was primarily found out during the period of the study and subsequent empirical analysis with fruitful interpretations been made.

The kind of role played by the mFIs in the overall development of Self Help Groups is magnanimous, by contributing a lot in the form of providing both financial and non-financial services to the poor households. The SHG-Bank linkage programme playing a catalytic role in mobilizing savings from them by paying satisfactory interest and in return disbursing the accepted deposits in the form of loans at justifiable interest rates, before evaluating the past credit repayment performance. Moreover, mFIs acting as an important conduit for extending financial services to the micro finance sector in the country by raising resources from Banks and other institutions.(NPA)

Secondarily what was found out during the period of the study that the banks do have to expect the following pre-requisites from the self help groups and poor rural households while providing the financial assistance, namely, genuineness of demand for credit, credit handling capacity of the members , repayment behaviour within the groups and the accounting system and maintenance of the records and what kind of benefits the SHGs are expecting just like ,savings mobilized by the poor ,access to the required amount of appropriate credit by the poor ,meeting the demand and supply of credit structure and opening of new market for financing institutions ,reduction in transaction cost for both lenders and borrowers, tremendous improvement in recovery, heralding a new realization of subsidy less and corruption-less credit and remarkable empowerment of poor women. Concurrently, the SHGs also facing barriers like the direct access to institutional credit to rural women is very limited and there is sex bias in extending the credit to them, women from the non-farm sector have better access to banks than the women working in the farm sector, male members of women borrowers have greater influence on accessibility to credit utilization and its repayment.

The SHGs became a regular component of the Indian financial system. Rural women play a significant role in the domestic and socio-economic life of the society and therefore, national development is not possible without developing this segment of the society. Hence, mFIs must have to act as effective tool for poverty alleviation and improving socio-economic status of rural poor.

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