

MICRO FINANCE & SELF HELP GROUPS: A COMPARISON BETWEEN NORTH AND SOUTH REGION OF INDIA

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ABSTRACT

Microfinance based credit delivery mechanism ensure viable financial services to address issues like actualising equitable gains from development activities on a sustained basis, and plays a vital role in fighting poverty. National bank of agriculture and rural development (NABARD) has taken the lead in promoting microfinance in India. Its self-help group (SHG) model has created opportunities for commercial banks to lend to the poor. It has been encouraging voluntary agencies, bankers, socially, spirited individual, other formal and informal entities and also government functionaries to promote and nurture SHGs and microfinance institutions (MFIs). Due to the government's active promotion and special schemes, commercial banks have actively started lending capital to SHGs and MFIs, which then further lend to their members overcoming the information asymmetries that the bank would normally have faced. The present study is about analysing these schemes in north and south region of India with the help of comparison charts, and the study concludes that more loans are provided under south region as compare to north region.

Key words: - Micro Finance, NABARD, Self-help groups, SHGs, Poverty Alleviation, CRAFTICARD

INTRODUCTION

Poverty remain a serious concern for Indian economy, though it is one of the fastest growing economy in the world. More than 29.8% of population of 1.35 billion comes under below poverty line. There are many demographic, economic and social factors are contributing to the persistent problem of poverty in the country. These factors are identified and properly address by government of India at regular time intervals, hence government of India run various poverty alleviation policies and programmes in order to tackle the same. Poverty alleviation is one of the objective of government since 1st five-year plan (1951). In addition to policies and programmes government also provides micro finance to poor section so that they can start as a small sized enterprise owner or as well as entrepreneur with low capital. So in this way micro financing becomes the great way to help poor individual to be financially independent. People use these funds offered by bank at very low rate of interest to start their own small venture. Micro finance in the form of bank SHGs linkages model has been able to inspire hope in the lives of thousands of rural people, women in particular, and also enable them to contribute to their families, well-being, through their savings and enterprise.

MICRO FINANCE:

Micro finance covers financial services and the delivery of banking at affordable (minimum) cost to the vast section of low income groups. It is an easy opportunity to approach public goods and services is absolutely necessary for an open, inclusive and efficient society. Micro finance practices involve the provisions of small loans to borrow without conventional collateral for the purpose of poverty alleviation and betterment of the living condition of poor people. Micro finance services also help to entrepreneur and small business who have lack of credit, so in this way it can help to promote the economic development, employment and growth of economy.

NABARD (NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT)

National Bank for Agriculture and Rural Development (NABARD) is an apex development bank in India. The Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) set by Reserve Bank of India at the insistence of Government of India on 30/03/1979 under the Chairmanship of Shri B. Siva Raman, and recommendation of committee results in formation of the National Bank for Agriculture and Rural Development (NABARD) with an objective to uplift rural poor by increasing the credit flow for elevation of agriculture and rural non-farm sector. NABARD was approved by parliament Act 61 of 1981. It came into existence on 12 July 1982 by a special act by the parliament by transferring the agriculture credit function of Reserve Bank of India and refinance function of agriculture, refinance and development corporations.

NABARD takes pride in the fact that the self-help groups bank linkage programme, which is the largest microfinance programme in the world today touches nearly 11 crore household through more than 87 lakh SHGs with deposits of over Rs. 19500 crore and annual loans off take of more than Rs. 47000 crore and loan outstanding of over Rs. 75500 crores. Within two years, NABARD has been able to implement 324 projects and train more than 15000 women SHGs members. In 2015 NABARD started E- Shakti digitisation project for SHGs to bridge the digital divide and provide the technological platform like the rest banking sector.

Role of NABARD:

- It is an apex institution having power to deal with all matters concerning policy, planning as well as operations in giving credit for agriculture and other economic activities in the rural areas.
- It is refinancing agency for those institution that provide investment and production credit for promoting the several development programs for rural development.
- It co- ordinates the rural credit financing activities of all sorts of institutions engaged in development work at the field level while maintaining liaison with government of India, and state government and also RBI and other national level institutions that are concerned with policy formulation.
- It prepares rural credit plans, annually for all district in the country.

SELF HELP GROUPS (SHGs): SHG are the informal mutual help/mutual support groups composed of peers who share a similar physical, mental or emotional problem having a specific number of members 15-20. This scheme mobilizes the poor rural people especially women to form groups for their mutual benefits with a primary focus to enhance member's financial security. In this way these groups play a crucial role in improving the saving and credit and most importantly in reducing poverty and social inequality.

LITERATURE REVIEW

Khandker (2005) examined that microfinance provide small loans to support the informal activities that had a low return and low market demand. Microfinance is a short term income generation intervention. This research paper examined the effect of microfinance on poverty reduction at both the participant and the aggregate levels using panel data from household survey for 1991/92 and 1998/99 from Bangladesh and it concluded that access to micro finance contribute to poverty reduction, especially for female participant, and to overall poverty reduction at the village level. Thus microfinance helps not only to poor participation but also to the local economy. In particular, microfinance reduce the average village poverty level by 1% point each year and some 40% of the observed village level poverty reduction.

Bera (2011) analysed the performance of microfinance activities and to explain the socio- economic impact of micro finance on the SHGs members of purba midmapore district in west Bengal. The study was based on primary and secondary data, primary data collected from two villages taking from two different block. For collecting the primary data used structure questionnaire to 88 sample household taken from 20SHGs through

random sampling. The main objective of this study was to identify and assess the socio economic condition of the member beneficiaries during pre and post SHGs and also examine the utilisation of micro finance services provided by SHGs. The study identified the improvement in the income level and employment generation by the member beneficiaries.

Mansuri (2010) examined a case study of banks linkages programme of NABARD. Poverty is very big issue in India even after more than 50 years of planning and employing various poverty alleviation programme. All the efforts were failed to achieve the target due to faculty planning and improper implementation. To overcome this problem SHGs banks linked from NABARD to reach the poor. Researcher in this study examined the government initiatives, NABARD initiatives, evolution of micro finance and impact of SHGs. The study found that microfinance programme of NABARD through SHGs was working very effectively, but it was a major challenge for non-farm economic activities. Thus microfinance can do very admiration to the rural poor living in remote villages and better enhance their economic conditions.

Moon (2011) studied the role of micro credit and its performance as tool for women empowerment. The study was based on secondary data including reports, article and journal etc. and it was found that micro finance scene was dominated by self-help groups (SHGs) banks linkages programme. Women in India were earnestly constrained by gender inequalities in respect of education, financial resources, and lack of time due to domestic responsibilities and low chance of mobility. Some studies provide the information that women access and control the savings and improved freedom. SHGs provide full support to mature groups that achieve competence to independently handle issues both financial and non-financial. The study concluded that banks played a crucial role in the formation of groups in SHGs banks linkages programme.

OBJECTIVES OF THE STUDY

1. To examine various micro finance schemes facilitated by NABARD.
2. To know about the SHGs and their existence.
3. To study the loan provided by SHGs to northern and southern regions.
4. To compare the northern and southern region on the basis of loan provided to SHGs.

METHODOLOGY

The present study is based on secondary data which is collected by way of observation.

Data sources and duration: - Data for the present study is collected from official website of NABARD. NABARD report regarding status of Microfinance in India for the year (2017-18) is used to compare the north and south region of India on the basis of loans allocation to SHGs and additional information for the study is gathered from various websites, journals and magazines.

Statistical tool/ techniques for present study: - The collected data is analysed through percentage (%) and rank method using Ms- excel for making comparison.

PROGRESS OF SELF HELP GROUPS (SHG) DURING FINANCIAL YEAR (2017-18):

Sr.no	Particulars	Physical(lakh)	Financial(crore)
1.	Total no. of SHGs- savings linked with banks 2017-18	87.44	19592.12

(1)	Out of total SHGs-exclusive women SHGs	73.90	17497.86
(2)	Out of total SHGs- under NRLM/SGSY	41.84	10434.03
(3)	Out of total SHGs- under NULM/SJSRY	4.25	1350.80
2.	Total number of SHGs credit linked during the year 2017-18	22.61	47185.88
(1)	Out of total SHGs – exclusive women SHGs	20.75	44558.74
(2)	Out of total SHGs – under NRLM/SGSY	12.71	25055.18
(3)	Out of total SJHGs – under NULM/SJSRY	1.06	2424.07
3.	Total number of SHGs having loans outstanding as on 31 march 2018	50.20	75598.45
(1)	Out of total SHGs – exclusive Women SHGs	45.49	70401.73
(2)	Out of total SHGs – under NRLM/SGSY	27.93	38225.29
(3)	Out of total SHGs – under NULM/SJSRYS	2.90	5350.63

*Source- NABARD Report (Status of Microfinance in India 2017-18)

During the year 2017-18 the number of self-help groups increased by 1.67 lakh with a corresponding increase in the savings by Rs. 3477.89 Crore. The savings outstanding of self-help groups with banks as on 31 march 2018 has reached an all-time high of Rs. 19592.12 Crore. In 2017-18 banks disbursed loans of Rs. 4718587 crore recording a magnificent increase over the last year. The total loan outstanding of self-help groups also increased by 22.75% and stood at Rs. 75598.45 Crore as against Rs. 61581.30 Crore as on march 2017. The gross NPAs of the bank's loan to SHGs marginally decreased from 6.5% as on 31 march 2017 to 6.12% as on 31 march 2018.

COMPARISON BETWEEN INDIAN NORTH REGION AND SOUTH REGION:

NORTHERN REGION	Commercial banks			Regional rural banks			Cooperative banks			Total						
	SHG NO.	LOAN %	RANKING	SHG NO.	LOAN %	RANKING	SHG NO.	LOAN %	RANKING	SHG NO.	LOAN %	RANKING				
Chandigarh	315	18.97	0.000864	7	0	0	42	4.35	0.00052	7	357	23.32	0.000473	7		
Haryana	16362	1398.89	0.063744	4	18208	1470.58	0.0775	4	3646	355.75	0.042486	4	38216	3225.2	0.065428	3
Himachal Pradesh	17270	1932.35	0.088053	2	11274	2671.58	0.140793	2	20809	2074.14	0.247707	2	49353	6678.07	0.135475	2
Jammu and Kashmir	12218	954.74	0.043505	6	4457	1922.76	0.10133	3	1305	34.45	0.004114	6	17980	2911.95	0.059073	5
New Delhi	4029	1221.66	0.055668	5	0	0	0	6	302	71.81	0.008576	5	4331	1293.47	0.02624	6
Punjab	21049	1552.22	0.070731	3	10343	856.32	0.045128	5	6342	811.87	0.096959	3	37734	3219.41	0.065311	4
Rajasthan	142709	14867.54	0.57748	1	106138	12053.96	0.63249	1	82065	5020.99	0.599639	1	330912	31942.49	0.648001	1
Total	213952	21945.37	1	150420	18975.18	1	114511	8373.36	1	478883	49293.91	1				
SOUTHERN REGION	Commercial banks			Regional rural banks			Cooperative banks			Total						
	SHG NO.	LOAN %	RANKING	SHG NO.	LOAN %	RANKING	SHG NO.	LOAN %	RANKING	SHG NO.	LOAN %	RANKING				
Andhra Pradesh	721771	569345.6	0.69041	1	192665	89454.6	0.303911	2	13120	9441.85	98.3526	3	927556	668242.1	0.549519	2
Karnataka	374901	46008.87	0.055792	4	227993	15096.01	0.051287	3	242749	53596.86	558.3006	1	855643	114701.7	0.094341	3
Kerala	191995	36479.22	0.044236	5	61021	11938	0.040538	4	43273	7812.52	81.3842	4	296289	56229.74	0.046248	5
Lakshadweep	166	11.35	1.38E-05	7	0	0	0	7	0	0	0	7	166	11.35	9.34E-06	7
Puducherry	19088	1710.34	0.002074	6	4781	587.27	0.001995	6	853	1888.25	19.66927	5	24722	4185.86	0.008443	6
Tamil Nadu	786646	77229.47	0.093651	3	84703	7894.58	0.026821	5	175754	22662.93	236.0722	2	1047103	107787	0.088653	4
Telangana	231814	93863.39	0.113822	2	275549	169373.8	0.573427	1	10454	1431.89	14.91552	6	517817	2646669	2.176847	1
Total	2316381	824648.2	1	846712	294344.3	1	486203	96834.3	1008.691	3649296	1215827	1				

*Source- NABARD report (Status of Microfinance in India 2017-18)

NORTHERN REGION:

1. **Commercial banks:** - In northern region there are 8 states to which loans are distributed. Where maximum loan is provided to Rajasthan amounting Rs. 14867.5 lakh (0.67748%) with first (1) rank and minimum loan is provided to Chandigarh that is Rs. 18.97 lakh (0.00086%) with seventh (7) rank.
2. **Regional rural banks:** - In northern region maximum loan provided to Rajasthan by regional rural bank is Rs. 12054 lakhs which is 0.63525% and minimum amount of loan provided by this bank to Chandigarh that is no amount (0%).
3. **Cooperative banks:** - In northern region maximum loan provided by the cooperative bank out of 8 states is Rs.5020.99 lakh to Rajasthan with rank 1 and minimum loan provided to Chandigarh Rs.4.34 lakh which is 0.00052%. So the maximum loan provided by all the banks is 0.648% to Rajasthan and minimum loan to Chandigarh which is Rs. 23.32 lakh (0.00047%).

SOUTHERN REGION:

1. **Commercial banks:** - In southern region maximum loan provided to Andhra Pradesh by commercial banks Rs.569346 lakhs which is 0.69041% with rank 1 and minimum loan provided Rs. 11.35 lakh to Lakshadweep which rank is 7.
2. **Regional rural bank:** - Maximum loan under this region were provided to Telangana amounting Rs. 169374 lakhs with rank (1) and 0.575427% and minimum loan provided to Lakshadweep that is no any amount with ranking 7.
3. **Cooperative bank:** - Maximum loan provided by cooperative bank Rs. 53596 lakhs to Karnataka which is 558.3006% and ranking 1 and minimum loan provided to Lakshadweep state no amount with rank 7.

Analysis and Interpretation-

In northern region maximum loan was provided to Rajasthan that is 31942.5 lakh (0.648%) with 1st rank and minimum loan is provided to Chandigarh that is 23.32 lakh (0.00047%) with 7th rank. In southern region maximum loan is provided to Telangana which is 2646669 lakhs and (2.17685%) and minimum loan is provided to Lakshadweep state which is 11.35%. Overall maximum loans were provided to southern states in comparison with northern states that is more than RS. 1166533.09 Lakh. There are many reasons regarding more micro finance availability to south region one of the major reason is that this region of country witnessed drastic evolution on terms of development and revenue generation as it is one of the best region in terms of gross enrolment ratio, also the states of south region contribute more in Indian GDP as compared to other states. According to Times of India report 40% of the Randstad India's recruitments are provided in South region where North region was close to 25% only. It is proven to be the opportunistic region in terms of business establishments which includes Dairy businesses, healthcare business, restaurant business etc., become home to three of India's seven largest urban centres and accounts for more than half jobs created in south region

CONCLUSION:

This study concludes that properly designed and effectively implemented self-help group linked programme not only alleviate poverty but also empower women, small entrepreneur at grassroots level so that it will further help to solve economic problem of employment, income, poverty etc. So self-help group proved as a revaluation for poor peoples, women, worker and it also help to increase their standard of living and further to solve many types of economic problems like: Unequal distribution of income between rich and poor people, Employment, Standard of living, National income, Economic growth, Development of rural areas. In comparison of northern and southern region we conclude that self-help group (SHGs) provided more loans to southern region states because it is one of the growing and opportunistic region of India economy for establishing business enterprise.

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