



MICRO-FINANCE SCENARIO OF EASTERN PART OF INDIA UNDER SGSY

Gobinda Mula, S. C. Sarker, Patra Sarathi Patra and Asutosh Sarker

Department of Agricultural Economics, Uttar Banga Krishi Viswavidyalaya, Pundibari, Cooch Behar, West Bengal, India

E-mail: gobindamula@yahoo.co.in

ABSTRACT

Microfinance in group approach (SHGs) has become one of the key instruments to reduce poverty and empowering rural poor particularly rural women by shifting them from debt-trap of informal credit sources to formal credit system. Of late, after launching, Microfinance under SGSY flourished very quickly in all parts of the country. The study attempted to examine the growth and promotion of SHGs and performance of financial institution in microfinance in Cooch Behar District. The study revealed that district took the 2nd position in credit linkage in spite of being slower physical growth of SHGs (7th position) in the state. The investigation also revealed a skewed growth of SHGs in the different stages of promotion among the different blocks. Although the overall rate of credit linkage was observed more than 80% over 1st graded SHGs, but the rate of linking with project was only 5.46% and promotional rate to 2nd grading over 1st grading was found only 27.58%. But, more than 95% of PLGs were women SHGs indicated that empowerment of women was highly valued. As far as banking aspects, only one RRB (UBKGB) and two commercial banks (CBI, SBI) took leading role in growth and promotion of SHGs through Microfinance. Further, although the rate of credit linkage to SHGs in most of the banks was found more than 75% but their performance in promotion of SHGs to entrepreneurship level, credit disbursement and thereby recovery of credit was too impressive to boost the rural development.

Keywords: microfinance, SGSY, credit, linkage groups, project, savings.

INTRODUCTION

With prime objective of poverty alleviation Microfinance has been emerging as one of the most powerful instruments in the new economy of liberalization and globalization over the world. In India, Microfinance is dominated by Self-Help-Groups (SHGs), aimed at ensuring a cost effective mechanism for providing financial services to the rural poor, particularly rural women for the improvement of standard of living through the generation of self-employment and income. Based on the philosophy of peer pressure and common collective savings, the microfinance programme has achieved success not only in designing financial products meeting productive and consumptive contingency needs of the rural poor but also in strengthening them to fund management and enter into small enterprise activity at local level to make them self-sufficiency leading to their empowerment. Some successful women forums and organizations like Sri Mahila Griha Udyog Lijjat Papad or Lijjat- stating as a small group of seven women in 1959 acted as a catalyst in empowering poor urban women, SEWA (The Self-Employment Women's Association) - is an Ahmedabad based union established in 1972, has set up 16 organizations including SEWA bank to fight for Self-employment, WWF (The Working Women's Forum- established in Madras in 1978, acts as to provide group loan to poor women and also provide social works on health, nutrition family planning etc. By learning from the example of Grameen Bank model of Micro-finance developed by Prof. Muhammad Yunus in 1976 in Bangladesh many NGOs, particularly Mysore Resettlement and Development Agency (MYRADA) in Karnataka and Professional Assistance for Development

Action (PRADAN) in Rajasthan came forward to form SHGs (Self Help Groups) with rural poor and provide financial services to the rural poor. The promotion of SHGs in India began more formal in 1992 with the launch of SHG-Bank Linkage programme by National Bank for Agriculture and Rural Development (NABARD). Government of India has launched Microfinance programme under the scheme of Swarna Jayanti Gram Swarajgar Yojana (SGSY) from 1st April, 1999 by replacing all others erstwhile poverty alleviation programmes like Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), Supply of Improved Tool Kits to Rural Artisans (SITRA) and Ganga Kalyan Yojana (GKY). The SGSY is conceived as a holistic programme of micro enterprise development in rural areas with emphasis on organizing the rural poor into self-help groups, capacity-building, planning of activity clusters, infrastructure support, technology, credit and marketing linkages. The SHG may consist of 10 to 20 members. Thus SGSY is a credit-cum- subsidy programme, where credit is the major component and subsidy is the minor component. Thus, Micro-finance is a social intervention in which poor people through formation of Self-Help-Groups (SHGs) approach can mobilize their savings, link it with credit and finally become self-employed to make them self-sufficiency through entrepreneurship development. As a dynamic means of micro finance within a short period Self Help Groups (SHGs) have become popular in different parts of the country and has witnessed a rapid growth of SHGs in last one decade or so. As on 31st March, 2009, there are more than 61 lakh saving-linked



SHGs and more than 42 lakh credit linked SHGs and thus about 8.6 crore poor household have been covered under Microfinance (Progress of Microfinance, NABARD, 2008-09). But the performance of credit agencies are very poorly in case of microfinance except southern region (V. Vijay Anand, 2008) and Financial Institutions are primarily concerned with lending and recovering (Gathe, 07). Though comprising commercial Banks, RRB and Co-operative Bank, with a large network of more than 1, 53,000 retail credit outlets (one for every 4100 population) has been established as a multi-agency rural credit delivery structure across the country, yet reaching the poorest of the poor, whose credit requirements are very small, fragment and unpredictable, way found to be difficult (P, Abraham, 2008). The study therefore intended to examine the status and growth of Microfinance and Performance of different banks in this perspective.

MATERIALS AND METHODS

A decisive review of studies on Micro-finance through Self-Help-Groups furnished a good theoretical as well as structural platform for the present investigation and assisted in using of suitable methodology. Through this study, to address the status and growth of Microfinance emphasis is given on the growth of no. of savings linked and credit linked SHGs; promotional rate of savings linked to credit linked, 2nd grading stage, and project linkage stage; per SHGs amount of savings and credit availability and recovery status of loan disbursement. In this part, the profile of the study area, the data sources and the analytical tools are used to address the objective.

Profile of the study area

Cooch Behar lies between 25°57'47" to 26°36'2" North latitude and between 89°54'35" to 88°47'44" East longitude. Cooch Behar is a district under the Jalpaiguri Division of the state of West Bengal. It is located in the north-eastern part of the state and bounded by the district of Jalpaiguri in the north, state of Assam in the east and the international border in the form of Indo-Bangladesh boundary in the south as well as in the west. The total geographical area of the district is 3387 sq. kms, which is 3.82% of the land mass of the State of West Bengal. The total agricultural land is 246491 ha constitutes 72.78 percent of the total geographical area. The district has five administrative subdivision viz. Cooch Behar Sadar, Dinahata, Mathabanga, Mekhliganj and Tufanganj. There are twelve Blocks/Panchayat Samities in the district viz. Cooch Behar I, Cooch Behar - II, Dinahata - I, Dinahata - II, Haldibari, Mathabanga - I, Mathabanga -II, Mekhliganj, Sitai, Sitalkuchi, Tufanganj - I and Tufanganj -II.

Total population of this district is 2479155 out of which 90.90 percent are living in rural areas and 76.44 percent are Hindu and 23.34 percent are Muslim and the percentage of Schedule Caste and Schedule Tribe are 50.10 and 0.58. The overall literacy rate is 66.30 percent but female literacy rate is 56.12 percent. Almost 85 - 90 percent people depend on agriculture for maintaining their

livelihood. The percentages of BPL households and Agricultural labourer are 46.01 and 24.4, respectively (P and RD, 2002).

METHODOLOGY

The present study was carried out on the basis of secondary data collected through personal interview with the official each and every branches of Commercial Banks viz. State Bank of India (SBI), Central Bank of India (CBI) and United Bank of India (UBI); Regional Rural Bank (RRB) i.e., only one branch named Uttar Banga Kshetria Gramin Bank (UBKGB), functioning in the study area to the financial year 2008-09. The information had also been collected from each and every Gram Panchayats (GPs), Block Development Office and District Rural Development Cell (DRDC) of the selected block for cross verification. In order to accomplish the objectives of the study, more importance had been given on tabular methods for analyzing the data and percentile weight age were duly calculated to in light the tabulations as per need based as this method portrays the real picture of the rural economy.

RESULTS AND DISCUSSIONS

The growth of microfinance through Self-Help-Groups under Swarna Jayanti Gram Swarojgar Yojana was revealed skewed over the state among the different districts (Figure-1) with an average credit linking rate of 54.62 percent (Figure-2). The investigation showed that although Cooch Behar district was found in 7th position against the highest physical growth in N. 24 Parganas, but the percentage of SHGs linked with credit was observed 75.73, 2nd highest in the state followed by Darjeeling (Figures 1 and 2). One important feature examined from the investigation that the districts with slow physical progress in terms of no. of SHGs, were well ahead in relation to promotion of SHGs.

Block-wise physical status of SHGs demonstrated (Table-1) that the percentage of Grade-I SHGs over saving linked SHGs in all the blocks was above 80 % except MTB-I and more than 95% of SHGs were women groups but the overall 27.58% Grade-I groups have been promoted to Grade-II while percentage of Grade-II groups in SLK and HLDB blocks was found to be less than 10% only. The Table also revealed that more than 80% of savings linked groups were linked with credit except three Blocks viz. MTB-II (64.23%), HLDB (72.22%) and COB-II (73.75%) but it was disheartening that only 16.42% of total Grade-II groups were promoted to Project Linkage stage. The no. of project linkage group was found to be more than hundred only in two blocks viz. Sitai (133) DIN-II (101) and less than fifty in all the other blocks except DIN-I. It was also found that above 95% of project linkage groups were women groups indicating that rural women were more empowered for the socio-economic development. But in respect to economic growth and sustainability, the growth and promotion of microfinance was lagged behind particularly after 1st grading and onwards in this district.



www.arpnjournals.com

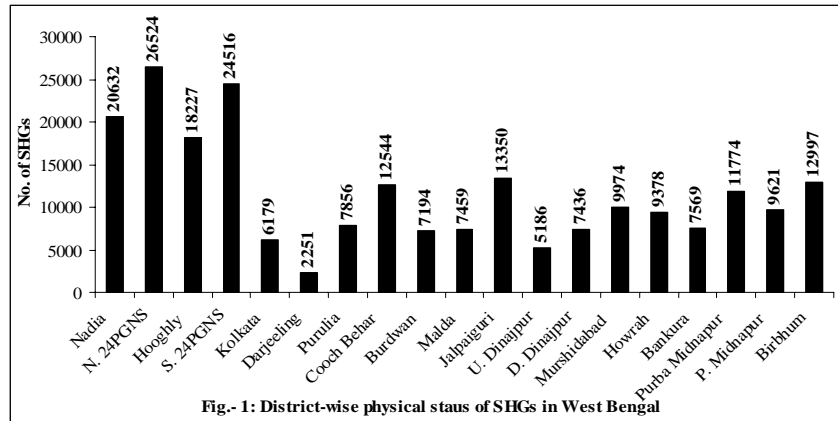


Fig. 1: District-wise physical status of SHGs in West Bengal

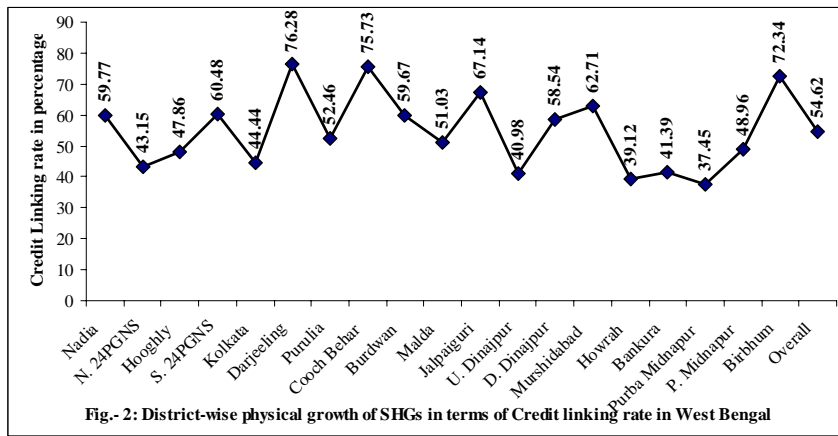


Fig. 2: District-wise physical growth of SHGs in terms of Credit linking rate in West Bengal

Table-1: Block-wise physical progress of SHGs

Blocks	Savings linked SHGs	% of women groups	Grade - I		Grade-II over Grade-I		No. of Credit linked SHGs over Grade-I		No. of Project Linkage Groups over Grade-II		
			No.	%	No.	%	No.	%	Total	Women	%
COB-I	1430	97.85	1408	98.46	479	34.02	1183	84.02	36 [7.52]	33	91.67
COB-II	1526	95.10	1360	89.36	279	20.51	1003	73.75	44 [15.77]	43	97.73
DIN-I	1333	99.88	1211	90.85	406	33.53	1024	84.56	71 [17.49]	62	87.32
DIN-II	965	98.58	883	91.50	291	32.96	851	96.38	106 [36.43]	101	95.28
HLDB	476	79.68	432	90.76	21	4.86	312	72.22	8 [38.09]	7	87.50
MKJ	732	98.96	697	94.70	89	12.77	606	86.94	19 [21.35]	19	100.00
MTB-I	992	98.99	778	78.43	322	41.39	762	97.94	7 [2.17]	7	100.00
MTB-II	1181	93.49	998	84.50	434	43.49	641	64.23	18 [4.15]	18	100.00
SITAI	1075	99.58	1012	94.14	376	37.15	844	83.40	136 [36.17]	133	97.79
SLK	896	98.60	754	84.15	74	9.81	682	90.45	3 [4.05]	3	100.00
TFG-I	1064	98.79	1026	96.43	214	20.86	896	87.33	39 [18.22]	37	94.87
TFG-II	874	98.34	814	93.14	176	21.62	695	85.38	32 [18.18]	32	100.00
Total	12544	97.12	11463	91.38	3161	27.58	9499	82.87	519 [16.42]	495	95.38

*Figure in boxes indicates the percentage value with respect to each block.



A perusal of the Table-2 indicated the Block-wise Financial status of Microfinance under SGSY. The table showed that total no. of credit linked SHGs were highest in COB-I block (1183) and lowest in HLDB block (312). The overall amount of Revolving Fund (RF) released from DRDC was 29.72% of the total credit disbursed with highest in DIN-I (40.26%) and lowest in HLDB (16.51%) and the amount of credit disbursed was greater than 10% of the total disbursed credit in the district in four blocks viz. DIN-II (11.35%), COB-I (11.13%), TFG-I (10.74%) and less than 5% in Sitai (4.82%) and HLDB (4.00%) block. It was also observed from the table that per SHG credit amount was found to be higher than Rs.25000 only in six blocks viz. MTB-II, DIN-II, HLDB, MTB-I, TFG-I and SLK block (Rs.38414). On the other hand, although, the percentage of overall credit linked SHGs was 82.87% (vide Table-1) but the average per SHG credit availability was only

Rs.24997 which might not be sufficient to run any enterprise by the SHGs successfully. On the other hand, as per as project loan was concerned the no. of Project Linkage Groups (EAGs) was found to be highest in SITAI block (136), followed by DIN-II (106) and DIN-I (71) accounting 16.11%, 12.46% and 6.93% of the total no. of PLGs in the districts, respectively. But the overall project linkage group against the total credit linkage group was only 5.46% indicating the insignificant growth of SHGs from credit linkage to project linkage stage. Further, amount of total project loan (Bank loan plus Revolving fund from DRDC) had been disbursed in Sitai Block and lowest in MTB-II accounting 31.39% and 0.70% of the total Project Loan, respectively. On the contrary per SHG project loan disbursement was found to be highest in SLK Block (Rs.275333) against the lowest no. PLGs and lowest in MTB-I (Rs.77737) with average project loan deliberation of Rs.202200.

Table-2: Block-wise financial status of microfinance

Blocks	No. of CLGs	PLGs		Disbursed amount of		% of Revolving fund over		Per SHG amount (in Rs.)	
		No.	% over CLGs	Total credit	Project loan	Total credit	Project loan	Total credit	Project loan
COB-I	1183	36	3.04	264.36 (11.13)	76.1600 (7.26)	37.17	44.73	22347	211556
COB-II	1003	44	4.39	186.47 (7.85)	94.8769 (9.04)	28.05	46.28	18591	215629
DIN-I	1024	71	6.93	226.7 (9.55)	169.6400 (16.17)	40.26	40.69	22139	238930
DIN-II	851	106	12.46	269.39 (11.35)	171.6400 (16.36)	25.09	47.06	31656	161925
HLDB	312	8	2.56	36.58 (4.00)	19.5600 (1.86)	16.51	45.65	30423	244500
MKJ	606	19	3.14	149.3 (6.29)	14.7700 (1.41)	29.97	48.34	24637	77737
MTB-I	762	7	0.92	221.31 (9.32)	7.3300 (0.70)	21.34	42.56	29043	104714
MTB-II	641	18	2.81	246.26 (10.37)	43.3100 (4.13)	38.64	45.60	38418	240611
SITAI	844	136	16.11	114.35 (4.82)	329.4300 (31.39)	26.60	44.63	13549	242228
SLK	682	3	0.44	175.55 (7.39)	8.2600 (0.79)	28.80	41.16	25740	275333
TFG-I	896	39	4.35	255.05 (10.74)	60.6600 (5.78)	18.62	48.73	28465	155538
TFG-II	695	32	4.60	170.82 (7.19)	53.7800 (5.12)	37.17	47.58	24578	168063
GT*	9499	519	5.46	2374.48 (100.00)	1049.4169 (100.00)	29.72	45.01	24997	202200

CLGs = Credit Linkage Groups, PLGs = Project Linkage Groups, GT = Grand Total.

*Figure in parenthesis indicates the percentage value with respect to total.

**Table-3: Status of microfinance of different banks**

Bank branch	No. of savings linked SHGs	SHG passed grade-I		SHG passed grade-II		Amount of savings (in Lakh)	Amount of RF released	Per SHG (in Rs.)	
		No.	%	No.	% to Grade-I			Savings	RF released
Allahabad Bank	617 (4.92)	346	56.08	144	41.62	22.43 (1.83)	31.07 (3.79)	3635	5036
Bank of India	82 (0.65)	74	90.24	18	24.32	2.63 (0.21)	4.77 (0.58)	3207	5811
Bank of Baroda	334 (2.66)	333	99.7	103	30.93	15.41 (1.26)	25.63 (3.12)	4614	7673
CBI	3441 (27.43)	3390	98.52	891	26.28	315.89 (25.81)	237.12 (28.90)	9180	6891
SBI	2250 (17.94)	2051	91.16	507	24.72	188.97 (15.44)	151.60 (18.47)	8399	6738
UBI	664 (5.29)	560	84.34	186	33.21	79.89 (6.53)	32.50 (3.96)	12032	4895
UCO Bank	80 (0.64)	70	87.5	7	10	1.41 (0.12)	3.58 (0.44)	1763	4472
UBKGB	5076 (40.47)	4639	91.39	1305	28.13	597.36 (48.80)	334.32 (40.74)	11768	6586
Total	12544 (100.00)	11463	91.38	3161	27.58	1223.99 (100.00)	820.58 (100.00)	9758	6542

Table-4 demonstrated Status of Microfinance of different banks under SGSY. The table showed that Uttar Banga Kshetrio Gramin Bank (UBKGB), Central Bank of India and State Bank of India (SBI) accomplished the 1st, 2nd and 3rd position by taking the leading role in respect of no. of savings linked SHGs (40.47%, 27.43% and

17.94%), no. of Grade-I SHGs (4639, 3390 and 2051), no. of 2nd graded SHGs (1305, 891 and 507), amount of savings (48.80%, 25.81% and 15.44% of the total) and amount of Revolving Fund (40.74%, 28.90% and 18.47% of the total) released from DRDC, respectively.

Table-4: Performance of different banks in credit management through microfinance

Banks	No. of saving linked (SL) SHG	Credit linked SHGs		Amount of Credit disbursed (in Lakh)	Per SHG amount of credit (in Rs.)	Recovery of credit	
		Total	% over SL			Amount (in Lakh)	%
Allahabad Bank	617	254 (2.67)	41.17	88.72 (3.74)	34929	35.36	39.86
Bank of India	82	74 (0.72)	81.71	11.9 (0.50)	16081	5.68	47.73
Bank of Baroda	334	283 (2.98)	84.73	90.39 (3.81)	31940	41.2563	45.64
CBI	3441	2896 (30.49)	84.16	735.32 (30.67)	25391	341.269	46.41
SBI	2250	1655 (17.42)	73.56	416.67 (17.55)	25176	278.013	66.72
UBI	664	342 (3.60)	51.51	73.73 (3.11)	21558	31.263	42.4
UCO Bank	80	38 (0.40)	47.5	9.55 (0.40)	25132	3.26	34.14
UBKGB	5076	3957 (41.66)	77.96	948.20 (39.93)	23963	440.73	46.48
Total	12544	9499 (100.00)	75.73	2374.48 (100.00)	24997	1176.83	49.56

*Figure in parenthesis indicates the percentage value with respect to total.

The table also revealed that the overall promotion of SHGs to Grade-I was 91.38% of total savings linked SHGs but the overall promotion rate from Grade-I to Grade-II SHGs found to be only 27.58%. Again considering the per SHG savings amount it was examined

that the highest average per SHGs amount of savings was in UBI (Rs.12032) followed by UBKGB (Rs.11768), CBI (Rs.9180), SBI (Rs.8399), Bank of Baroda (Rs.4614), Allahabad Bank (Rs.3635), Bank of India (Rs.3207) and UCO Bank (Rs.1763) and the per SHG Revolving Fund



provision was observed to be highest in CBI (Rs.6891) and lowest in UCO Bank (Rs.4472). The results indicated there was a wide variation in the performance of different banks in all aspects of SHGs promotion and development.

Through analysis of Performance of different Banks in credit management through Microfinance it was revealed that only three banks viz. UBKGB, the only branch of Regional Rural Banks, CBI and SBI (Commercial Banks) took the leading role to link maximum no. of SHGs with credit (Table-4) by accounting 41.66%, 30.49% and 17.42% of the total of SHGs with the deliberation of 39.93%, 30.97% and 17.55% of total credit disbursement, respectively in the district. As per as per SHG credit amount concerned, it was found to be highest in Allahabad Bank and lowest in Bank of India but the overall amount of credit disbursement (Rs.24997) was not healthful to start an entrepreneurship activity fruitfully. Further, the recovery rate of credit was revealed highest in SBI (66.72%) and lowest in UCO Bank (34.14%) while the overall repayment was only 49.56% which might be good but not significant.

CONCLUSIONS

An analysis of the status of SHGs under SGSY revealed that progress of microfinance in Cooch Behar district was significantly good in terms of rate of credit linkage (2nd position) in spite of being slower physical growth of SHGs (7th position) with respect to other districts in the state. From the investigation of block-wise physical progress of SHGs; it was observed that there was a skewed growth of SHGs at the different stages of promotion among the different blocks. The number of savings linked SHGs found to be more than thousands in 50% of the blocks only. Moreover, although the overall rate of credit linkage was observed to be more than 80 % 1st graded SHGs, but the rate of linking with project was only 5.46 percent of credit linked groups and promotional rate of 2nd grading over 1st grading was revealed only 27.58 percent which indicated a very miserable promotional growth of microfinance in the study area. On the other hand, the number of women SHGs and project linkage groups under different blocks were revealed more than 95 percent which indicated that empowerment of women through microfinance in this district was highly valued.

On the other hand study of the bank wise status of SHGs revealed that only one Regional Rural Bank named UBKGB and two major commercial banks viz. CBI, SBI took leading role in growth and promotion of SHGs through Microfinance. But it was observed from the study that although the rate credit linkage to SHGs in most of the banks was found to be more than 75 percent of savings linked SHGs but their performance in relation to promotion of SHGs to the stage of 2nd grading, per SHG amount of credit disbursement and thereby recovery rate of credit was not impressive. So, from the study it can be concluded that growth of microfinance in respect to

economic growth and promotion of SHGs for their sustainability has been lagging behind.

REFERENES

Borborsa S. and Mahanta R. 2000. Micro Finance through Self-Help-Groups and its impact; Indian Journal of Agricultural Economics. 56(3): 449-450.

Chatterjee S. 2003. Networking SGSY, Bank and SHGs; Kurukshetra. Journal on Rural Development. 51(4):27-29.

Gathe P. 2007. Consumer protection in Indian Microfinance: Lessons from Andhra Pradesh and the Microfinance Bill. Economic and Political Weekly. XLII(13).

Loveleen K. 2006. SHGs and Women; YOJANA. 50(3): 73-74.

Mandal A. 2005. SGSY (Swarna Jayanti Gram Swarajgar Yojana) and SHG, an assessment; Kurukshetra- A Journal on Rural Development. 53(3): 4-9.

Mary J. G. 2008. Women Empowerment through Self-Help-Groups. J. of Southern Economist. 46(21): 28- 30.

Montgomery R. 1996. Disciplining or protecting the poor? Avoiding the social costs of peer pressure in micro credit schemes. J. of International Development. 8(2): 289 -305.

P. Abraham. 2008. Microfinance Scenario of Kerala. Journal of Southern Economist. 47(1): 14-16.

Panda P. K. 2007. Micro-Credit in Managing Poverty; Financing Agriculture - A National Journal of Agriculture and Rural Development. September – October. pp. 11-15.

Pandain P. and Eswaran R. 2002. Empowerment of Women through Micro-Credit; YOJANA. 46: 47-49.

Ramakrishna R. 2001. Credit Needs of the Rural Poor and the role of SHGs. Indian Journal of Agricultural Economics. 56(3): 459-460.

Shah M., Rao R. and Shankar P. S. V. April, 2007. Rural Credit in 20th Century India - Overview of History and Perspectives. The journal of Economic and Political Weekly. XLII(15): 1351-1363.

Shylendra H. S. 2007. Microfinance bill: Missing the Forest for the Trees. The journal of Economic and Political Weekly. 42 (27-28): 2910-2914.

Tripathy K. K. 2004. Self-Help-Groups, A catalyst of Rural Development; Kurukshetra. A Journal on Rural Development. 52(8): 40-43.

Anand V. Vijay. 2008. For Rural Development, YOJANA, 52: 63-64.