

Micro Finance Institution and Self Helping Group: “Helping Hand to Socio-Economic Development in India”

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Abstract—The purpose of this paper to examine the role and performance of Micro Finance Institution and Self Helping Group. These institutions are fulfilling basic requirement of the people who are interested to start the small business and provide the micro credit for the agriculture equipment for doing technology based agriculture. In present era the MFI's play the role like small bank and who provide the loan, deposit the saving, providing the business opportunities etc. it also fulfils the demand of rural financing. In other words we call them MFIs are the new avatar in financing sector. The MFIs should provide the better securities in terms of financing and comfortable policy for the customer. MFIs are creating the capacity building and sustaining the association of the people. More of the MFI and NGO are promoting the Self Helping Group (SHG) in India. Micro credits are easily available for the SHG which are creating the risk diversification in many member and they easily recover the credit amounts. The MFIs have lots of opportunities in India and helping the people at their grass root level. MFIs also play the important role in the Indian economic growth.

Keywords: Micro Finance, Micro Credit, Self Helping Group, Sustaining Association, Risk Diversification

1. INTRODUCTION

This paper is an evaluation study of Micro-financing Institutions and Self Help Groups in terms of their growth, performance as a means of financial inclusion and their critical role in the upliftment of livelihood, capacity building, skill up gradation and improvement in socio-economic condition of poor people, with the help of article review, literature review, books, several data sources and online sources.

SHGs: SHGs emerges as a dominant model of financial inclusion in India keeping focus on rural and urban people and micro entrepreneurs. SHGs are niche of 10-20 poor people of homogenous social and economic backgrounds with similar motives. It is focused on internal rotation of funds to meet credit requirement, management and socio-economic development by motivating anti-poverty survival in poor people. Over 90 to 95 per cent SHGs are formed by women.

The most concentrated areas or states of SHGs are Tamil Nadu, Andhra Pradesh, Kerala and Karnataka in southern region of India and Gujarat and Rajasthan in western region while in other states such as Uttar Pradesh, Bihar and Chhattisgarh clusters of SHGs have been recorded but unfortunately they are not so successful. In 1996 NABARD has initiated Bank Linkage Program with SHGs in form of micro financing with motive to promote these SHGs in all sustainable way.

Micro finance is the type of financial services which provide financial facilities to poor who belong to low income group in a sustainable way. In simple way we say that it is banking with poor people through the microfinance. Micro finance institutions focus on poor people and provide lively hood support services. Micro finance has made a land mark in financial sector by playing role through Self Help group Bank Linkage program (SBLP) covering more than 9.7cr. poor household in form SHG

The concept of micro finance is come from the micro credit which was started in Bangladesh by the Nobel laureate prof. Muhammad Yusuf in 1970's.

Micro finance in India started in 1974 in Gujarat with “Shri Mahila SEWA (self-employed women association)” sanaskari bank. Micro finance later evolved in early 1980's around the concept of informal self-help group (SHGs). Indian microfinance sector is fragmented with more than 3000 microfinance companies.

2. LITERATURE REVIEW

Nanda Y S (2001); observed that the highest participation in Self Help Group activities was by women. The loan recovery of group was 100 per cent during those periods.

Ajai Nair(2005); in his World Bank Report ,by 2003 over 700,000 groups had obtained over Rs.20 billion in loans from banks benefitting more than 10 million people. The outline repayment of loans has been 95 percent. Saving by these groups is estimated to be at least Rs. 8 billion (NABARD). Despite all these several SHGs of limited resources are dependent on the promoter agencies for several essential services.

Tara Nair, Ajay Tankha(2013); in State Sector Report 2013 on Micro financing India they study the renewal of microfinance in era of financial inclusion with the help of SHGs and microfinance institutions and tried to show the trend and progress of MFIs.

Acharya(2010); observed that micro financing has helped in reducing poverty in poor states.

MurlidharLokhande (2013); in his study said that micro financing is playing high degree performance of outreach to women i.e. 82.67 per cent of aggregate client in India in 2010. NABARD SHGs Bank Linkage is the fastest growing MFIs covering 97 million poor household as on 31st March 2011. SBLP has been covering 9.7 crore poor household with 47.86 lakh Self Help Groups of which 39.83 lakhs are women.

Ranjula Bali Swain (2007); study in “Can Microfinance Empower Women? Self-Help Groups in India” showed that many steps have been made in the right direction and women are in the process of empowering themselves and NGOs that provide support in financial services and specialized training, have a greater ability to make a positive impact on women empowerment.

PallaviChavan, BhaskarBirajdar (2009); in their study said that in 2007 that is decade and half since its inception in the form of SHGs- bank linkage program, credit to SHGs constituted less than 1 percent of the total bank credit from scheduled commercial banks. There is drop up in SHGs members but it was nominal. There has been considerable regional disparity in terms of the spread of microfinance in India.

3. OBJECTIVE OF STUDY

- i. To study the performance of SHGs in India.
- ii. To study the impact of SHGs on socio-economic condition of poor people.
- iii. To study the structure and performance of MFIs in SHGs
- iv. To study the MFIs role in empowering poor people.

4. RESEARCH METHODOLOGY

This paper based on descriptive and analytical research study in which we have examined the present scenario of MFIs and SHGs. Data have been collected from secondary sources such

as research article, reports (NABARD, RBI, PLANING COMMISSION, WORLD BANK etc.), online resources as well as discussion with employee working with MFIs.

5. ROLE OF MICRO FINANCE IN INDIA

1. To provide the loan for the poor people and provide the saving, insurance, and money transfer services.
2. Microfinance is useful to poor households: helping those raises income, build up assets and security to uncertainty.
3. Microfinance also means to integrating the financial needs of poor people into a country's mainstream financial system
4. Microfinance institutions should measure and disclose their performance—both financially and socially.
5. Micro finance employees help poor people for the knowing there policy and structure of the credit.
6. Microfinance is considered as a tool for socio-economic development, and can be clearly distinguished from charity. Families who are destitute, or so poor they are unlikely to be able to generate the cash flow required to repay a loan, should be recipients of charity. Others are best served by financial institutions.

6. REGULATION OF MFIS WITH SHGS

The Reserve Bank of India (RBI) issued guidelines to regulate NBFC MFIs and retain priority sector lending status for micro-finance institutions. It issued specific guidelines for NBFC MFIs, to ensure that the clients are offered services in a transparent manner including clear Communication of lending rates, tenure of loans, repayment flexibility etc. The guidelines further ensure that NBFC MFIs assess the indebtedness level of the clients and disburse loans. In addition to this it also mentions that MFIs need to have customer redressal mechanism in place to address customer grievances. In totality the guidelines were aimed at customer protection principles by the NBFC MFIs. Recently RBI has given recognition status to self-regulatory organisations which adhere to set of Functions and responsibilities prescribed by RBI.

MFIs are registered as one of the following five types of entities

1. Non-Government Organisations engaged in microfinance (NGO MFIs), comprising of Societies and Trusts.
2. Cooperatives registered under the conventional state-level cooperative acts, the national level Multi-State Cooperative Societies Act (MSCA 2002), or under the new State-level Mutually Aided Cooperative Societies Act (MACS Act).
3. Section 25 Companies (not-for profit)
4. For-profit NBFCs;
5. NBFC-MFIs.
- 6.

Role of MFIs with SHGs in financial inclusion

Journey of Microfinancing through NABARD in with SHGs to support them financially has crossed many milestones from linking a pilot of 500 SHGs of rural poor two decade ago to reach over 7 million groups last year. Bank linking program with SHGs by NABARD covering more than 9.7 crore unbankable people of SHGs was initiated in 1992. By March 2006 it was reaching out to 2,238,565 SHGs linked to banks. Over 33 million women are beneficiaries of this program. By recognizing the importance of micro financing of SHGs RBI also make linkage of SHGs with banks as a priority sector activities in 1996. Bank credit flow towards SHGs amounted to Rs. 31,221 crore registering the growth of 11.35 percent over the preceding years (NABARD Report 2001-2011). In more than 15 years up to 2011-2012 NABARD sanctioned an amount of Rs.184.17 crore for promoting 675.661 SHGs. A further Rs.45.62 crore was sanctioned for promoting and credit linking 97,862 SHGs during 2012-2013. However only Rs.55.28 crore was released for promoting 417,053 SHGs at an average of Rs.1,325 per SHGs as against an estimated promotional cost of more than Rs.10,000 per SHGs.

Socio-economic growth and empowerment through MFIs with SHGs

Micro financing with SHGs has increases the savings. The number of SHGs saving linked has grown since 2008 and had peaked at 7.96 million groups in March 2012. The total saving amount of SHGs in Banks had grown consistently between 2008-2011 and pick up momentum again in 2012-2013.

MFIs have explored much better possible ways to empower poor livelihood or women engaged in SHGs through micro financing. NABARD with GOI has initiated SHGs in Left Wing Extremism affected district of India covering 150 districts across 28 states with motive to promote these SHGs with banks by credit linkage in form of micro financing. Under this scheme around 1.49 lakhs women SHGs are saving linked and about 49,773 of these SHGs are credit linked as on March 2014. A cumulative amount of Rs. 34.38 crore released as grant assistance out of women SHGs Development Fund for various developmental activities under this scheme (NABARD Report 2013-2014). In a booklet published by NABARD named as '*SHGs: Paving Pathway to Possibilities*' has highlighted importance of micro financing through SHG-Bank Linkage Program in bringing out the traditional skills, organizational skills and collective power of women belonging to underprivileged background. It has highlighted the importance of organizational skills of SHGs members for taking up assignments and contracts offered by State Government Department. The motive of this documentation is to develop a strategic partnership between SHGs members and State Governments in providing livelihood opportunities.

Growth and performance of MFIs with SHGs

SHG normally comprises 15 members in a group and that about 60 per cent of SHGs in the country have members from families belonging to BPL category (NCAER, 2008). The southern region alone consists about one third of its poor population covered by SHGs. Andhra Pradesh & Gujarat has built quality of SHGs at district and block level. But in states like U.P., Bihar and Chhattisgarh SHGs are not stable, fragmented and diluted. States like Andhra Pradesh, Tamil Nadu, Kerala and Karnataka accounted for 57 per cent of SHGs credit linked during 2005-2006.

Numbers SHGs has increased significantly from 637 in 1994 to 22.4 lakh by 2006. There is a vast increase in the amount of bank credit provided to SHGs during this period. Commercial Banks have been instrumental in financing the largest number of SHGs till now by availing micro credits in form of micro financing. Cumulative amount of bank credit rises to 11,399,754 lakhs in 2006 from 80 lakhs in 1994 (NABARD, 2006). Number of SHGs with loan outstanding from bank was 4.4 million rises up to nearly 97000 over previous year.

7. GROWTH STRUCTURE OF SHGS

YEAR	NO. OF SHGs IN INDIA
2001	263825
2004	1079091
2007	3344314
2010	6902030

Source: NABARD REPORT, 2012

8. NO. OF SHGS WITH OUT STANDING LOAN:

YEAR	NO. OF SHGs WITH OUT STANDING LOAN:
2009	422438
2010	4851365
2011	4786763
2012	4354442
2013	4451434

Source: FICCI work shop on sustainable financial inclusion 5 august 2013, Mumbai, NABARD.

9. LOAN DISBURSD TO SHGS DURING THE YEAR:

YEAR	LOAN DISBURSED TO SHGs (□ billion)
2009	122.54
2010	144.53
2011	145.48
2012	165.35
2013	205.85

Source: FICCI work shop on sustainable financial inclusion 5 august 2013, Mumbai, NABARD.

10. LOAN OUTSTANDING TO SHGS DURING THE YEAR

YEAR	LOAN OUTSTANDING TO SHGs (₹ billion)
2009	226.79
2010	280.38
2011	312.21
2012	363.41
2013	392.75

SOURCE: FICCI work shop on sustainable financial inclusion 5 august 2013, Mumbai, NABARD.

CLINT OUTREACH-SBLP AND MFI MODELS:

YEAR	SBLP (No. Of Client Cr.)	MFI (No. Of Client Cr.)	TOTAL
2006-07	3.8	1.0	4.8
2007-08	4.7	1.4	6.1
2008-09	5.4	2.3	7.7
2009-10	6.0	2.7	8.7
2010-11	6.3	3.2	9.4
2011-12	6.1	2.7	8.8
2012-13	6.5	2.8	9.3

Source: FICCI work shop on sustainable financial inclusion 5 august 2013, Mumbai, NABARD.

11. CONCLUSION

Micro-financing has brings possibilities for SHGs members for their socio-economic upliftment. These are making poor people enable to break their cages of poverty and depressions and encouraging them to march out to interact the outside societies and world for their strength and empowerment. No doubt MFIs are working much better through SHGs in enhancing livelihood conditions of poor people but it has been working properly in some exceptional states and district which is partial achievement of empowering poor livelihood. There is need of concrete, transparent and long term sustaining policy. Training, awareness, skill development such as book keeping and viability of the group activities need to be addressed and are threshold level requirement for micro-enterprise operations.

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