An Analytical Study of Promotion of Self Help Groups in India by Active Role of Microfinance (RRBS)

Authors

Sudhakar Puskar¹, Brijesh Kumar Yadav², Dr. Kushendra Mishra³

¹Research Scholar, Department of Rural Management, Baba Saheb Bhimrao Ambedkar University, Lucknow
²Assistant Professor, Gautam Buddha degree college, Lucknow
³Associate Professor & Head, Department of Rural Management, Baba Saheb Bhimrao Ambedkar University, Lucknow

E-mail: Sudhakar.puskar@gmail.com, kushendra78@gmail.com, Brijesh_0503@ahoo.com

ABSTRACT

The importance of Microfinance in the financial development of a country can't be not noted. Microfinance refers to small savings, credit and coverage offerings extended to socially and economically deprived segments of society. It is emerging as a powerful tool for poverty alleviation in India. This operating paper attempts to outline the winning condition of the Microfinance in India inside the mild of its emergence until now. The prospect of Micro-Finance is dominated via SHGs (Self help organizations) - Banks Linkage application. the rural negative with the help from NGOs and numerous microfinance establishments have confirmed their capacity for self-assist institution to at ease monetary and economic energy. numerous case studies show that the credit score availability has an effect on girls's empowerment. Thrift is a completely crucial indicator of a group's fulfillment due to the fact steady increase in thrift is a clear indication of the developing confidence of the participants of the organization a collection of thrift is a first-rate pastime of the SHGs. The negative who need money for the purchase of diverse intake items quite frequently meet their contingencies via borrowing from expert cash-lenders and others at excessive fees of hobby. SHGs had been extraordinarily powerful in creating the dependency of savings the various rural bad and mobilizing it for not unusual suitable.

Keywords - SHGs, SHPIs, MFIs, RRBs, NABARD

INTRODUCTION

Regional Rural Banks were established under the provisions of an Ordinance promulgated on 26th September, 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. The RRBs mobilize financial resources from rural / semi-urban areas and allow loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans. RRBs are jointly owned by GOI, the concerned State Government and Sponsor Banks (27 scheduled commercial banks and one State Cooperative Bank); the issued capital of an RRB is shared by the owners in the proportion of 50%, 15% and 35% respectively. The GOI initiated the process of structural consolidation of RRBs by merger RRBs sponsored by the same bank with a view to providing better customer service by having better infrastructure, computerization, experience workforce, common publicity and marketing efforts etc. the amalgamated RRBs also promoted from large area of operation, enhance credit exposure limit for high value and diverse banking activities. As a result of amalgamation, the no. of RRBs has been...
reduced from 196 to 57 as on 31 Mar 2014. The number of branches of RRBs increased to 19082 districts as on 31 Mar 2014, covering 642 notified districts of 26 states of India. A remarkable growth has been recorded in the growth parameters of RRBs in 2013-14. There is evidence of 13 percent growth in the aggregate deposits, 34 percent in borrowings, and 17 percent in outstanding loans and advances during this period.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Coops.</td>
<td>189</td>
<td>202</td>
<td>178</td>
<td>204</td>
<td>242</td>
<td>309</td>
</tr>
<tr>
<td>RRBs</td>
<td>62</td>
<td>62</td>
<td>76</td>
<td>73</td>
<td>73</td>
<td>82</td>
</tr>
<tr>
<td>CBs</td>
<td>172</td>
<td>175</td>
<td>202</td>
<td>205</td>
<td>234</td>
<td>255</td>
</tr>
<tr>
<td>Total</td>
<td>423</td>
<td>439</td>
<td>456</td>
<td>432</td>
<td>549</td>
<td>646</td>
</tr>
</tbody>
</table>

Source: RBI Report Jan 2013

REGIONAL RURAL BANKS (RRBS) IN INDIA-AN OVERVIEW

Rural people in India together with small and marginal farmers, landless agricultural people, artisans and socially and economically backward castes and classes, were exploited in the name of credit score facility by means of casual sectors. The agricultural credit marketplace includes both formal and informal financial establishments and businesses that meet the credit needs of the rural hundreds in India. The informal zone advances loans at very excessive charges of hobby; the terms and conditions connected to such loans have given rise to an problematic structure of intimidation of each financial and non-financial conditions inside the rural population of India.

The deliver of total formal credit score is insufficient and rural credit markets are imperfect and fragmented. Furthermore, the distribution of formal region credit has been unequal, in particular with appreciate to area and class, caste and gender within the geographical region.

The history of local Rural Banks in India dates back to the 12 months 1975. It’s the Narasimham committee that conceptualized the foundation of local Rural Banks in India. The committee felt the need of locally orientated rural banks’ that could deal with the issues and requirements of the rural people in India. Local Rural Banks have been set up underneath the provisions of an Ordinance promulgated on the 26th September 1975 and the RRB Act, 1975 with an objective to make certain sufficient institutional credit for agriculture and other rural sectors. The RRBs mobilize economic assets from rural/semi-urban regions and furnish loans and advances commonly to small and marginal farmers, agricultural worker's and rural artisans. For the reason of classification of bank branches, the Reserve bank of India defines the rural place as a place with a populace of less than 10,000. RRBs are collectively owned by authorities of India, the involved state authorities and Sponsor Banks; the issued capital of an RRB is shared through the proprietors in the proportion of 50%, 15% and 35% respectively. The primary five RRBs have been set up in 5 States in Haryana, West Bengal, Rajasthan, with one every and two in Uttar Pradesh, which become sponsored by extraordinary business banks. those banks included eleven districts of those five states. the primary 5 regional Rural Banks are as follows;

Introducing precedence area lending is the most a success and high-quality selection of the authorities of India. India is an agricultural united states of america with the predominantly rural financial system. the general public of industries are agro based. To make the agriculture zone extra worthwhile and to increase the scope of rural industries, the authorities protected the concept of priority zone and covered those sectors by means of business banks. To inspire banks to take part inside the agricultural and rural development, the authorities made priority region loans as an important target for banks. priority area is a area which is given
precedence in imparting economic services to the banks. Reserve financial institution of India prescribed guidelines and objectives to all the banks operating in India with reference to priority area offerings.

**RRBs HELPING MICRO-FINANCE**

The Indian microfinance quarter has seen extraordinary boom within the last few years. thinking about the arena success on microfinance, GOI has taken projects to widen the outreach of RRBs all over India, especially in rural areas in which business banks and different monetary institution are outdoor the outreach of rural negative. Micro financing is one of the different functional regions of RRBs.

Micro financing by means of definition refers to” the entire range of economic offerings rendered to poor and including talent up gradation entrepreneurial development that might enable them to overcome poverty.” Microfinance has been identified and popular as one the brand new development paradigm for alleviating poverty via the social and monetary development of the terrible with social emphasis on empowering terrible. SHGs additionally changed into referred to as self-help group is born out of micro-finance with the primary objective of improvement of rural economy. SHGs or self-assist organization consist of a group of 15-20 people who come collectively with an goal of creating the monetary cushion within the times of man or woman or collective exigencies. in step with the evaluation of the financial overall performance of RRBs, besides financing SHGs, the RRBs additionally play a vital role of serving as SELF assist PROMOTIONAL organization (SHPIs), which involves these RRBs to provide the social mobilization function at the area people degree. This technique changed into necessitated as the no. of a social middleman like NGOs had been limited and close to to absent inside the region which warranted their presence. This necessitated NABARD to begin a pilot challenge in 1998 to aid RRBs to try functioning as a social middleman. An impartial evaluation of undertaking indicated that RRBs team of workers may be selectively leveraged to characteristic as social intermediaries in mobilizing negative groups into a group like SHGs. The scheme envisages the RRBs to select 10 branches for the undertaking of promoting and nurturing SHGs the usage of the offerings of branch workforce, regarding the department manager and the nearby sub-team of workers. within the 12 months 2011-12, 203617 SHGs account has been sanctioned loan quantity of Rs 356573.48 lakhs for the upliftment of SHGs below microfinance.

The need of micro financing arises due to the fact the agricultural India requires assets of finance for poverty comfort, procurement of agriculture and farms unit, to pay its debt and keep social and monetary fame within the village and to bring down the cost of offering credit score within the rural regions.

As we realize that India is an agriculture based economy, as a result microfinance may be a device to empower the farmers and rural people to make agriculture profitable. consequently the researcher is fascinated to discover the scope of micro financing in rural India. This research paper is trying to trace out the importance of RRBs as well as their destiny prospects as a profitable section via micro-financing in rural India.

Loan Disbursed To Shgs BY Rrbs Table -1

<table>
<thead>
<tr>
<th>YEARS</th>
<th>NO. OF SHGs</th>
<th>GROWTH %</th>
<th>AMOUNT (Rs. Cr.)</th>
<th>GROWTH %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>381199</td>
<td>-</td>
<td>2052.72</td>
<td></td>
</tr>
<tr>
<td>2007-08</td>
<td>327650</td>
<td>-14.0475</td>
<td>2651.84</td>
<td>29.18664</td>
</tr>
<tr>
<td>2008-09</td>
<td>405569</td>
<td>23.78117</td>
<td>3193.49</td>
<td>20.42544</td>
</tr>
<tr>
<td>2009-10</td>
<td>376797</td>
<td>-7.09423</td>
<td>3333.20</td>
<td>4.374838</td>
</tr>
<tr>
<td>2010-11</td>
<td>296773</td>
<td>-21.238</td>
<td>3197.61</td>
<td>-4.06786</td>
</tr>
<tr>
<td>2011-12</td>
<td>304809</td>
<td>2.70779</td>
<td>5026.05</td>
<td>57.18146</td>
</tr>
<tr>
<td>2012-13</td>
<td>312010</td>
<td>2.362463</td>
<td>5626.52</td>
<td>11.94716</td>
</tr>
<tr>
<td>2013-14</td>
<td>333420</td>
<td>6.86196</td>
<td>6288.13</td>
<td>11.75878</td>
</tr>
</tbody>
</table>

Source: NABARD handbook- Source of Microfinance in India.
REVIEW OF LITERATURE

Development of an Indian economy has been an outcome of the revolution in the banking sector. The connection among the financial machine and economic boom has been scrutinized via a large variety of research in India and abroad. Monetary development is taken into consideration as a motive of economic boom (Schumpeter 1911; Hicks 1969). Hicks (1969) argued that without financial innovation the economic revolution would no longer have taken region. Monetary intermediaries make it feasible for small savers to pool price range and allocate them to the very best return funding, and then to provide capital for making an investment in expensive new technology (King and Levine 1993; Greenwood and Smith, 1997). in keeping with Levine (1997) pronounced that a nicely-evolved financial device reduces records and transaction fees and influence saving costs, investment selections, technological innovation and lengthy-run increase quotes. on this context, microfinance has emerged as a economic innovation device to serve the tens of millions of negative households which are out of reach of the formal banking and economic establishments. Microfinance is the result of financial provider innovations which includes micro credit, micro financial savings, cash transfer automobiles and micro insurance. it's far a special form of financial service designed to cater the desires of poor folks that are unemployed, marketers or farmers who are not bankable. Microfinance has emerge as, in latest years, a fulcrum for development projects for the poor, specially within the 1/3 world countries and is seemed as an vital device for poverty relief. The microfinance revolution, particularly the success testimonies of institutions like Grameen bank in Bangladesh, Banco Sol in Bolivia, and bank Rakyat in Indonesia, attracted numerous economists to examine microfinance within the latter 1/2 of the Nineteen Nineties. a few research argue that microfinance has very useful financial and social impacts (Holcombe, 1995; Hossain, 1988; Otero and Rhyne, 1994; Remenyi, 1991; Schuler, Hashemi) and Riley, 1997), “Microcredit is a critical anti-poverty device and a smart investment in human capital.” The rising microfinance revolution with appropriate designed economic services and products allow the terrible to expand and diversify their economic sports, boom their incomes and improve their social well-being (Bennett and Cuevas, 1996; Ledgerwood, 1999), past studies of many researchers determined that microfinance has very useful economic and social affects (Holcombe, 1995; Hossain, 1988; Otero and Rhyne, 1994; Remenyi, 1991; Schuler, Hashemi and Riley, 1997). A recent look at by way of Emma Svensson examines microfinance movement for monetary boom by means of exploring the linkages of microfinance, the financial machine and financial boom. He observed a few evidence of the microfinance clients engaging in increase-improving monetary activities. there has been a change in profits and productivity in micro-corporations and the economic sectors applicable to microfinance customers. He additionally discovered that the character of the casual zone appears to be inhibiting for micro-employer increase.

In India also many research are conducted with the aid of numerous self sufficient agencies like NABARD, SIDBI, chicken and so forth. along with RBI on occasion. those businesses exercise microfinance. most of the studies are on the impact evaluation of the beneficiaries of microfinance. There have been numerous studies on the increase of microfinance, the increase of SHGs and developing empowerment thru microfinance. maximum of the research focus on Self-help companies (Agarwal, Shalini 2007; Gopisetty, Rambabu 2007; Gaonkar, Maya Saireoba 2008; Sarkar, Soumitra 2008; Nagarajan, P.S 2009). a few studies also are performed on poverty discount and empowerment (Prakash, Jayasheela 2009). a few researchers have additionally worked on organization-based credit packages (Sarangi, Nirajan 2008). Nearby Rural Banks (RRBs) were established in 1975 beneath the provisions of the Ordinance promulgated at the 26th September 1975 and observed through nearby Rural Banks Act 1976 so that you can develop the agricultural economy and to create credit score and other centers especially to small and marginal farmers, agricultural people, artisans and small entrepreneurs in order increase agricultural exchange, commerce, industry and different effective activities within the rural regions.
The RBI in 2001 constituted a Committee under the Chairmanship of Dr V S Vyas on “drift of credit score to Agriculture and associated activities from the Banking machine” which tested the relevance of RRBs inside the rural credit machine and the alternatives for making it feasible. The consolidation technique consequently became initiated within the year 2005 as an off-shoot of Dr Vyas Committee suggestions. The primary segment of amalgamation turned into initiated Sponsor bank-sensible within a state in 2005 and the second segment become across the Sponsor banks inside a nation in 2012. The process turned into initiated so that you can providing higher customer support via having higher infrastructure, computerization, skilled paintings force commonplace publicity and advertising efforts and many others. The amalgamated RRBs also advantage from a bigger area of operation, improved credit publicity limits for high price and various banking activities.

OBJECTIVE OF RRBs

The goals of RRBs are as follows:
1. To provide cheap and liberal credit facilities to small and marginal farmers, agriculture employees, artisans, small marketers and different weaker sections.
2. To keep the agricultural terrible human beings from the moneylenders.
3. To act as a catalyst detail and thereby accelerate the financial boom inside the specific place.
4. To cultivate the banking behavior some of the rural people and mobilize savings for the monetary improvement of rural areas.
5. To increase employment opportunities by encouraging exchange and commerce in rural regions.
6. To inspire entrepreneurship in rural regions.
7. To cater the desires of the backward regions which aren't covered through the efforts of the authorities.

RESEARCH METHODOLOGY

The prevailing have a look at has been made especially to cognizance on the performance of regional rural banks in India inside the discipline of micro financing.

This study is descriptive in addition to analytical in nature and makes use of secondary facts. The records were observed out by using googling in one of a kind websites, studies paper, and magazines. The quantitative data has been taken from the NABARD manual that's published every year. percent boom and averages had been used to investigate the data.

DEVELOPMENT OF MICROFINANCE THROUGH NEARBY RURAL BANKS IN INDIA

inside the view of large outreach and main function of this micro-financing application, it is very important to have a look at the popularity, progress, traits, qualitative and quantitative performance comprehensively. To reap this goal, RBI and NABARD have issued pointers to diverse economic institutions to provide information at the development of microfinance. within the gift observe we will attention on the growing position of local rural banks in micro financing like financial savings of SHGs with RRBs, mortgage disbursed to SHGs with the aid of RRBs, the mortgage supplied to microfinance organization by means of RRBs and RRBs loan outstanding against SHGs. this is a comparative look at, based towards the overall performance of RRBs inside the field of micro financing inside the ultimate six monetary years.

METHODS OF MICROFINANCE

There are two fashions of microfinance involving credit score linkage with banks. the prevailing paper offers with those two credit score linkage model of microfinance.

- SHG- financial institution LINKAGE model: this model includes SHG financed without delay from banks viz, commercial banks (public and personal region), nearby rural banks, Co-operative banks.
• MFI- financial institution LINKAGE model: this model covers financing of Microfinance organization (MFIs), by way of banking organizations for lending to SHGs and other small debtors blanketed underneath microfinance area.

local RURAL BANKS- progress below MICROFINANCE
The development of micro financing by way of RRBs particularly via SHGs can be assessed by using looking at the records relating increase developments of diverse parameters such as the wide variety of SHGs getting a mortgage, depositing their savings, terrific bank mortgage of SHGs, loan disbursed to MFIs and many others over a time period. For this purpose pertinent statistics in conjunction with the share increase therein were validated in the tables offered beneath. moreover, so as to have a pictorial view the statistics have been supplied thru graphs and diagrams too.

FOREMOST OBSTACLES INSIDE THE BOOM OF THE MICROFINANCE AREA
1. a completely simple and vital hassle of MFIs is a shortage of sufficient funds in addition to fallacious utilization of available finances. the main purpose of this is the character of MFIs being the for-profit purpose, and therefore constrained from taking public deposits.
2. some other drawback to the boom of the microfinance region is the very little expertise of the common human beings about microfinance association and it is extra difficult to serve them as microfinance clients as loans are distributed on organization lending idea and a beyond record of the institution plays an critical role in getting new loans.
3. due to growing level of entirety most of the monetary establishments serving in this quarter, it has become obligatory for n MFI to make their pricing gadget pretty transparent. Non-transparent pricing with the aid of MFIs restricts the debtors to pick out the loan merchandise in a quandary.
4. one of the major drawbacks of MFI sector is a couple of Lending and Over-Indebtedness. even though competition is thought to be top for a healthy commercial enterprise environment in this example it is going to each the parties, so one can boom the market share, some of the MFIs are giving more than one loans to same borrowers which in some instances is main to over-indebtedness five. In a number of the areas it has been found that mutual know-how of a few huge MFIs has resulted in cluster formation. that is one of the motives for the dominance of the microfinance zone inside the southern states.
6. any other vital problem of the microfinance is that some of the contributors of the organization either depart the institution or move to some other institution. due to the fact loans are disbursed on a group basis, the institution performs an important position in getting new loans either via SHG-financial institution linkage or thru MFIs.

CONCLUSION
For the last two decades, the Indian economy has been growing at a quicker price but no longer all have benefited from this splendid increase. Liberalization, privatization and globalization have given a high-quality possibility to increase however this development has been confined to a certain group of humans. This has resulted in an growing gap among the haves and feature-nots of the society. on this context, microfinance can help reduce this disparity and cause a more equitable growth of the united states of america. financial savings-pushed microfinance environment is viable in rural as well as city areas. If nicely regulated and supervised, they've exceptional ability in poverty comfort and improvement, each in rural and urban regions. maximum of the sector's poor lack access to fundamental financial services that would assist them manage their assets and generate income.
through the years, financial savings of SHGs with RRBs and mortgage borrowed by way of them were growing drastically due to diverse Schemes released by way of the authorities including Rajiv Gandhi.
project, SJGSY and NRLM etc. at the identical time increase in notable mortgage amount is decreasing 12 months through yr, because of this that RRBs are currently in a higher position to recover their great mortgage quantity. in order to make microfinance gadget more colourful and clean, there wishes an permitting regulatory surroundings that protects the hobby of stakeholders in addition to promotes growth. this can also be made feasible thru area visits as a medium for monitoring the situations on the floor and correcting the unfavorable situations. moreover that allows you to decorate their business and investment their mortgage portfolio, MFIs must search for other resources of investment which includes enhance their fairness thru outside investors. the primary and the maximum important step to receive equity funding are getting transformed to for-earnings NBFC. through securitization, MFIs can faucet new sources of investments because fund of certain kinds like mutual funds, which are barred from directly investing in MFIs, can make investments via securitized loans. Encouraging MFIs should additionally be encouraged to establish their branches in the ones regions in which no financial group is there to offer the economic assistance. precedence to shift from the merchandising of SHGs to provide livelihood possibilities to the SHG members in a calibrated manner thru skill building, manufacturing optimization, cost chain facilitation and market linkage. precedence to shift from the merchandising of SHGs to provide livelihood possibilities to the SHG members in a calibrated way through skill building, production optimization, price chain facilitation and marketplace linkage. A uniform policy and exercise with reference to standards of loading in addition to the rate of hobby have to be followed via all MFIs so that the complete MFI sector can become extra aggressive and systematic.

REFERENCES

19. www.rbi.org.in
20. www.preservearticles.com
21. www.nabard.org
22. articles.economictimes.indiatimes.com