

PERFORMANCE OF MICRO-FINANCE/SELF HELP GROUPS IN BIHAR

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Abstract: The role of micro-finance/SHGs as the most suitable and feasible alternative in accomplishing the goals of growth and poverty alleviation is now well recognized. It is being viewed as a very powerful tool for uplifting the economic conditions of poor, marginalized section of the society and women. The present study is an attempt to highlight the performance of micro-finance/SHGs in terms of its savings with banks, loan disbursed, bank loans outstanding and non-performing assets of banks against SHGs in Bihar with some valuable suggestions.

Keywords: Micro-finance, SHGs, NPA

I. INTRODUCTION

Micro-Financing is a set of financial activities provided to the poor masses basically incorporating loans, savings and deposits, insurance, transfer services, etc. to enable them to utilize their resources and entrepreneurial skills including abilities to the fuller extent so as to improve the economic conditions and shield themselves against risks. “Microfinance is the provision of thrift and other financial services and products of very small amount to the poor in rural, semi-urban areas for enabling them to raise their income levels and improve their living standards. It may be defined as: “Banking with service for the poor.”

Microfinance, therefore, is an emerging discipline in today’s financial world. Indeed, it is a weapon in the hands of marginalized poor people especially women to fight a war against poverty because majority of its members are women.² The multi-facts of Micro-Finance thus reflect acknowledging that saving services will help to improve well-being of the poor in general and of women in particular.³

Micro-Finance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, micro-finance scene is dominated by Self Help Groups (SHGs) – Banks linkage Programme, aimed at providing a cost effective mechanism for providing financial services to the ‘unreached poor’. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG programme has been successful in not only designing financial products, meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to empowerment.

II. OBJECTIVES OF STUDY

The present study has following objectives:

1. To study Progress of Micro-finance/SHGs – Savings of SHGs with Banks of Bihar

2. To examine the progress of Micro-finance/SHGs – agency-wise bank loan disbursed in Bihar
3. To analyse the Progress of Micro-finance/SHGs – Agency-wise Bank Loan Outstanding in Bihar
4. To access the progress of micro-finance/SHGs – agency-wise non-performing assets of banks against SHG in Bihar
5. To give some vital suggestions for betterment of micro-finance/SHG in Bihar

III. METHODOLOGY OF STUDY

The present study is mainly based on secondary data collected from Reserve Bank of India, NABARD (Status of Microfinance of India), Economic Survey (Government of Bihar), books authored by leading authors, journals and different websites.

REVIEW OF LITERATURE

The literature on microfinance offers a diversity of findings relating to the type and level of impact of the programme. There are various studies which confirm that microfinance programme has a significant positive impact in increasing employment and reducing poverty.

Ratna Ravikumar (2006) stated that SHG is a small economically homogeneous and affinity group to rural/urban poor voluntarily formed to save and contribute a common fund to be lent out to its members as per group decisions and for working together for the socio-economic upliftment of their families in a community.⁴

Narayanaswamy (2005) defined that out of 100 SHGs, 98 groups are only women engaged with micro enterprises because they are the main key to end the poverty.⁵

S.S. Babu (2006) in his study reveals that SHGs promoted by cooperatives are doing well for long term benefits of its members i.e. women in comparison to SHGs promoted by other agencies.⁶

K.V. Naik (2004) stated in his paper that the empowerment of women is possible only if they get some regular income through their own efforts. It means that self-employment opportunities are the only solution for women empowerment. SHG has proved to be a major tool for women empowerment.⁷

Punithavathy Pandian and Eswaran (2002) concluded in their study that micro credit has provided the rural poor access to finance without the burden of collateral though SHGs which have empowered the women folk economically and socially.⁸

Bansal, Hema (2003) in her study revealed that about 65 per cent of the SHGs formed in India are found in the Southern States like Andhra Pradesh, Tamil Nadu and Karnataka and the remaining 35 per cent are found in rest of India. Andhra Pradesh is the leading state which accounts for 42 per cent of the SHGs formed in India.⁹

Gupta, M.S (2008) in his study has highlighted the role of SHGs and its efficacy as a mainstream programme for banking and poor and deprived sections of the society. According to him, the experiment of micro-finance in India through the conduit of SHGs has demonstrated considerable democratic functioning and group dynamism. He stressed on more extensive awareness campaign, skill development and training programmes, coordination between banks and SHGs, effective flow of credit and strong follow up programmes.¹⁰

IV. PROGRESS OF MICRO-FINANCE/SHGS IN BIHAR

In this section, an attempt has been made to study the bank group-wise progress of Micro-finance/ SHGs in Bihar in terms of its savings with banks, bank loans disbursed, bank loans outstanding and non-performing assets of banks against SHG in Bihar.

1. Progress of Micro-finance/SHGs – Savings of SHGs with Banks of Bihar

Table 1 shows the progress of Micro-Finance/ SHGs in Bihar in context of their savings with banks. The study has been made in terms of number of SHGs with bank-wise amount of Savings. It shows that the total number of SHGs was 278608 with Rs 36006.37 lakh at the end of March 2016 in which the share of commercial banks were 154216 with Rs 20640.83 lakh and Regional Rural Banks (RRBs) 124392 with Rs 16365.54 lakh. The share of cooperative banks was nil.¹¹

The total number of SHGs increased to 594790 with Rs 98375.42 lakh at the end of March 2018 in which the share of commercial bank was 246594 with Rs 45880.26 lakh, RRBs 348168 with Rs 78679.0 lakh and cooperative banks 28 with Rs 4.13 lakh.

Table 1: Progress of Microfinance – Savings of SHGs with Banks in Bihar (As on 31st March) (Amount in Rs. Lakh)

Year	Commercial Banks		Regional Rural Banks		Cooperative Banks		Total	
	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount
2016	154216	20640.83	124392	15365.54	0	0.00	278608	36006.37
2017	179544	29790.06	261765	32868.32	0	0.00	441309	62658.38
2018	246594	45880.26	348168	52491.03	28	4.13	594790	98375.42
2019	332242	72179.66	437924	78679.00	29	1.05	770195	29719.27
2020	371591	83220.96	426349	39801.99	33	2.11	797973	123025.06

Source: Compiled from NABARD, Status of Microfinance in India (SMFI), Various Issues

The total number of SHGs further increased to 797973 with Rs 123025.06 lakh at the end of March 2020 in which the share of commercial banks was 371591 with Rs 83220.96 lakh, RRBs 426349 with Rs 39801.99 lakh and cooperative banks 33 with 2.11 lakh.

During this period, the share of number of SHGs of commercial banks increased from 154216 with saving of Rs 20640.83 lakh at the end of March 2016 to number of SHGs 371591 (2.4 times) with savings of Rs 83220.96 lakh (4.03 times) at the end of March 2020.

Similarly, the share of number of SHGs of RRBs increased from 124392 with saving of Rs 15365.54 lakh at the end of March 2016 to number of SHGs 426349 (3.4 times) with savings of Rs 39801.99 lakh (2.6 times) at the end of March 2020.

It is also important to note that the share of number of SHGs of cooperative banks was marked nil at the end of March 2016 which made presence at the end of March 2018 by number of SHGs 28 with saving amount Rs. 4.13 lakh. However, the number of SHGs of cooperative banks increased to 33 at the end of March 2020 but its amount of savings went down in comparison to the year 2018.

However, the total number of SHGs increased from 278608 with amount of savings with Rs. 36006.37 lakh at the end of March 2016 to number of SHGs 797973 with amount of savings Rs. 123025.06 lakh at the end of March 2020. The increase in number of SHGs was about 2.9 times with increase in amount of savings about 3.4 times during the period under study.

2. PROGRESS OF MICRO-FINANCE/SHGS – AGENCY-WISE BANK LOAN DISBURSED IN BIHAR

The progress of micro-finance/SHGs in terms of agency-wise bank loan disbursed in Bihar has also been taken into consideration. Table 2 shows that the progress of Micro-Finance/ SHGs in Bihar in context of their savings with banks. The study has been made in terms of number of SHGs with bank-wise amount of bank loan disbursed. It shows that the

total number of SHGs was 98608 with Rs 61056.39 lakh during 2015-16 in which the share of commercial banks was 31675 with Rs 22955.82 lakh and Regional Rural Banks (RRBs) 66933 with Rs 38100.57 lakh. The share of cooperative banks was nil.¹²

The total number of SHGs increased to 226645 with Rs 234361.35 lakh during the year 2017-18 in which the share of commercial bank was 108870 with Rs 95317.08 lakh, RRBs 117747 with Rs 139040.24 lakh and cooperative banks 28 with Rs 4.03 lakh.

Table 2: Progress of Microfinance – Agency-wise Bank Loan Disbursed in Bihar (During the year) (Amount in Rs. Lakh)

Year	Commercial Banks		Regional Rural Banks		Cooperative Banks		Total	
	No. of SHGs	Loan Disbursed Amount	No. of SHGs	Loan Disbursed Amount	No. of SHGs	Loan Disbursed Amount	No. of SHGs	Loan Disbursed Amount
2015-16	31675	22955.82	66933	38100.57	0	0.00	98608	61056.39
2016-17	69326	36664.55	86839	95641.80	0	0.00	156165	132306.35
2017-18	108870	95317.08	117747	139040.24	28	4.03	226645	234361.35
2018-19	127043	124108.23	100933	181474.00	0	0.00	227976	305582.23
2019-20	157590	196734.75	108407	286963.00	0	0.00	265997	483697.75

Source: Compiled from NABARD, Status of Microfinance in India (SMFI), Various Issues.

The total number of SHGs further increased to 265997 with bank loan disbursed Rs 483697.75 lakh during the year 2019-20 in which the share of commercial bank was 157590 with Rs 196734.75 lakh, RRBs 108407 with Rs 286963.00 lakh and cooperative banks with dismal performance.

During this period, the share of number of SHGs of commercial banks increased from 31675 with bank loan disbursed of Rs 22955.82 lakh during 2015-16 to number of SHGs 157590 (5 times) with bank loan disbursed of Rs 196734.75 lakh (8.8 times) during 2019-20.

Similarly, the share of number of SHGs of RRBs increased from 66933 with bank loan disbursed of Rs 38100.57 lakh during 2015-16 to number of SHGs 108407 (1.6 times) with bank loan disbursed of Rs 286963.00 lakh (7.5 times) 2019-20.

It is also important to note that the share of number of SHGs of cooperative banks was marked nil during 2015-16 which made presence at the during 2017-18 by number of SHGs 28 with bank loan disbursed amount Rs. 4.03 lakh. However, the performance of cooperative banks reported nil during the year 2019-20.

However, the total number of SHGs increased from 98608 with bank loan disbursed with Rs. 61056.39 lakh during 2015-16 to number of SHGs 265997 with amount of bank loan disbursed Rs. 483697.75 during 2019-20. The increase in number of SHGs was about 2.7 times while the increase in amount of bank loan disbursed was about 7.9 times during the period under study.

3. PROGRESS OF MICRO-FINANCE/SHGS – AGENCY-WISE BANK LOAN OUTSTANDING IN BIHAR

The progress of micro-finance/SHGs in terms of agency-wise bank loan outstanding in Bihar has also been taken into consideration. Table 3 shows that the progress of Micro-Finance/ SHGs in Bihar in context of agency-wise bank loan outstanding with banks. The study has been made in terms of number of SHGs with bank-wise amount of bank loan outstanding. It shows that the total number of SHGs was 267338 with bank loan outstanding Rs 100247.52 lakh at the end of 2016 in which the share of commercial banks was 101236 with bank loan outstanding Rs 50884.54 lakh and Regional

Rural Banks (RRBs) 166102 with Rs 49362.98 lakh. The share of cooperative banks was nil.¹³

The total number of SHGs of commercial banks increased to 474913 with bank loan outstanding Rs 317347.78 lakh at the end of March 2018 in which the share of commercial bank was 185756 with bank loan outstanding Rs 134668.53 lakh, RRBs 289129 with bank loan outstanding Rs 182675.22 lakh and cooperative banks 28 with bank loan outstanding Rs 4.03 lakh.

The total number of SHGs of commercial banks further increased to 687332 with bank loan outstanding Rs 696365.83 lakh at the end of March 2020 in which the share of commercial bank was 294622 with bank loan outstanding Rs 356625.28 lakh, RRBs 392710 with bank loan outstanding Rs 339740.55 lakh and cooperative banks with dismal performance.

During this period 2016-20, the share of number of SHGs of commercial banks increased from 101236 with bank loan outstanding Rs 50884.54 lakh at the end of 2016 to number of SHGs 294622 (2.9 times) with bank loan outstanding amount of Rs 356625.28 lakh (7 times) at the end of March 2020.

Table 3: Progress under Microfinance – Agency-wise Bank Loan Outstanding in Bihar (As on 31st March) (Amount in Rs. Lakh)

Year	Commercial Banks		Regional Rural Banks		Cooperative Banks		Total	
	No. of SHGs	Loan O/S Amount	No. of SHGs	Loan O/S Amount	No. of SHGs	Loan O/S Amount	No. of SHGs	Loan O/S Amount
2016	101236	50884.54	166102	49362.98	0	0.00	267338	100247.52
2017	127712	65971.64	236457	92514.22	0	0.00	364169	158485.86
2018	185756	134668.53	289129	182675.22	28	4.03	474913	317347.78
2019	248002	240198.55	354087	262483.00	0	0.00	602089	502681.55
2020	294622	356625.28	392710	339740.55	0	0.00	687332	696365.83

Source: Compiled from NABARD, Status of Microfinance in India (SMFI), Various Issues

Similarly, the share of number of SHGs of RRBs increased from 166102 with bank loan outstanding of Rs 49362.98 lakh at the end of March 2016 to number of SHGs 392710 (2.4 times) with bank loan outstanding of Rs 339740.55 lakh (6.9 times) at the end of March 2020.

It is also important to note that the share of number of SHGs of cooperative banks was marked nil at the end of March 2016 which made presence at the end of 2018 by number of SHGs 28 with bank loan outstanding amount Rs. 4.03 lakh. However, the performance of cooperative banks reported again nil at the end of March 2020.

However, the total number of SHGs increased from 98608 with bank loan disbursed with Rs. 61056.39 lakh during 2015-16 to number of SHGs 265997 with amount of bank loan disbursed Rs. 483697.75 during 2019-20. The increase in number of SHGs was about 2.7 times while the increase in amount of bank loan disbursed was about 7.9 times during the period under study.

4. PROGRESS OF MICRO-FINANCE/SHGS – AGENCY-WISE NON-PERFORMING ASSETS OF BANKS AGAINST SHG IN BIHAR

An attempt has also been made to find out the non-performing assets of banks against SHGs in Bihar. The banks taken under study are similar to previous tables like commercial banks, RRBs and cooperative banks.

Table 4 shows that total amount of gross NPA against SHGs in Bihar was Rs. 13280.12 lakh at the end of March 2016 which increased to Rs. 24119.04 lakh at the end of March 2018 but decreased to Rs. 23802.11 lakh at the end of March 2019 and finally to Rs. 29771.40 lakh at the end of March 2020 registering an increase about 2.2 times during the period. However, NPA as percentage to loan outstanding recorded a declining trend. It was marked at 13.25 per cent at the end of March 2016 which continuously decreased and came down to 4.28 per cent at the end of March 2020.¹⁴

The amount of gross NPA of commercial banks against SHGs was marked Rs 9317.89 lakh at the end of March 2016 which increased to Rs 10956.87 lakh at the end of March 2018 and finally to Rs 16387.40 lakh at the end of March 2020 registering an increase about 1.8 times during the year. However, NPA as percent to loan outstanding of commercial banks decreased from 18.31 per cent at the end of March 2016 to 8.1 per cent at the end of March 2018 and finally came down to 4.6 per cent at the end of March 2020.

Table 4: Progress under Microfinance – Non-Performing Assets of Banks against SHG in Bihar (As on 31st March) (Amount in Rs. Lakh)

Year	Commercial Banks		Regional Rural Banks		Cooperative Banks		Total	
	Amount of Gross NPA against SHGs	NPA as % to Loan OS	Amount of Gross NPA against SHGs	NPA as % to Loan OS	Amount of Gross NPA against SHGs	NPA as % to Loan OS	Amount of Gross NPA against SHGs	NPA as % to Loan OS
2016	9317.89	18.31	3962.23	8.03	0.00	0.00	13280.12	13.25
2017	10902.42	16.53	9797.79	10.59	0.00	0.00	20700.21	13.06
2018	10956.87	8.14	13162.17	7.21	0.00	0.00	24119.04	7.60
2019	12827.49	5.36	10974.62	4.18	0.00	0.00	23802.11	4.74
2020	16387.40	4.60	13383.58	3.94	0.00	0.00	29771.41	4.28

Source: Compiled from NABARD, Status of Microfinance in India (SMFI), Various Issues

The amount of gross NPA of RRBs against SHGs was marked Rs 3962.23 lakh at the end of March 2016 which increased to Rs 13162.17 lakh at the end of March 2018 and finally to Rs 13383.58 lakh at the end of March 2020 registering an increase about 3.4 times during the year. However, NPA as percent to loan outstanding of commercial banks decreased from 8.03 per cent at the end of March 2016 to 7.21 per cent at the end of March 2018 and finally came down to 3.94 per cent at the end of March 2020.

IV. CONCLUSION

The role of micro-finance as the most suitable and feasible alternative in accomplishing the goals of growth and poverty alleviation is now well recognized. It has been emerged as one of the need-based policies and programmes to cater the neglected groups of society such as woman, poor and deprived section of rural areas. Its concept is based on the empowerment of the women, poor and alleviation of poverty. It has become now a useful additional strategy in poverty alleviation in the state on local circumstances. Several studies made by national and international experts on micro-finance have found the SHG profitable, viable and as a successful tool of social empowerment women, poor and neglected group of society with less NPA under the SHG-bank linkage.

In Bihar, this scheme has got slow momentum due to many reasons e.g. lack of awareness due to illiteracy, lack of good NGOs, lack of motivation for formation of NGOs, lack of proper training to banks, NGOs and government officials; lack of cooperation between bank and block officials, lack of sound credit structure of banks and lack of follow up programmes which must be sort out very soon with the help of different agencies of SHGs and government machinery. Government can play vital role in encouraging SHGs particularly SHGs of women. The Government of India as well as Bihar should formulate and redefine their policies. The government should stress on extensive awareness campaign, skill development and training programmes, coordination between banks and SHGs, effective flow of credit, need for the strong follow up, reviewing and monitoring systems towards ensuring a more balanced developed economy. There is also need of comprehensive and supportive legal framework to induce pragmatism among the banks and micro-finance institutions to take up micro-finance and economic activities on large scale.

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