

## **Progress of Microfinance in Nadia District of West Bengal**

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### **ABSTRACT**

Micro finance through Self help group (SHG) model has been giving hope in the lives of thousands of rural poor, particularly rural women. It enable them to contribute to their families' savings and borrowings. It also generate self employment and income. The rural women therefore to reduce poverty. Microfinance through SHGs, influence the quality of life of the rural women by providing easy access to finance. It is regarded as a powerful tool for empowering rural poor women and shifts them from debt-trap of informal credit sources to formal credit system. The main purpose of our study is to examine the progress of SHG and performance of microfinance of Nadia District. This study is based on secondary data collected from District Rural Development Cell of the selected district. The total number of SHGs formed by the end of March 2012 has reached to 20765 out of which 87% are women groups. The study revealed that Nadia District took 12th position in respect of physical progress of SHGs in the state. Further, in respect of quality of the groups formed it is found that more than 79% of the groups formed in Nadia passed Grade-I up to March 2012. Again 75.83% groups are linked with credit and are eligible for revolving fund. Only 34.98% of SHGs over grade-I could pass the second grading test but only 30.78% of them are eligible for the project loan and taken up economic activities such as goatery, piggery, diary, paddy processing, fishery, handloom, food processing etc. As far as the banking aspects are concerred, only one regional Rural Bank (Bangiya Gramin Vikash Bank) and two commercial banks (SBI, UBI) played important role for leading in growth and promotion of SHGs through microfinance. Among 15611 credits liked SHGs, Bangiya Gramin Vikash Bank, UBI and SBI lead to 37.79%, 28.92% and 15.83%, respectively.

**Key Words :** Self Help Groups, Credit Linked SHGs, Saving Linked SHGs, Project Linked SHGs

### **INTRODUCTION**

Even after 65 years of independence, India has attracted world's attention for its poverty. The poor of the country live with severe deprivation, malnutrition, disease-prone. To pull them from the poverty line several anti-poverty programmes such as Integrated Rural

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Development Programme, National Rural Employment Programme, Rural Landless Employment Guarantee Programme, Jawhar Rozgar Yojana, Prime Minister's Rozgar Yojana, Employment Assurance Scheme, Rural Employment Generation Programme, Swarna Jayanti Gram Swarozgar Yojana, Jowahar Gram Samridhi Yojana, Indira Awas Yojana, Proadhan Mantri Gramodya Yojana, Antyodaya Yojana, Proadhan Mantri Gram Sadak Yojana, National Food for Work Programme, National Rural Employment Guarantee Scheme, Mahatma Gandhi National Rural Employment Guarantee Scheme etc. have been introduced but failed to reach adequately to the poverty stricken population. With the National Rural Employment Guarantee Bill introduced in the Parliament, on 18th August 2005, the poor once again get another promise of uplift. The main purpose of this Bill is to provide guaranteed 100 days of employment to one member of a family in rural India with a minimum wage of Rs. 60 per day. Assessing the success of these programme across the states in India, Jean Dreze has said that misappropriation of funds has been a permanent feature of such programmes (Loot for Work Programme, Times of India, Mumbai, 02/07/2005).

It has also been argued that the formal and informal financial sector in developing countries have failed to serve adequately the poorer section of the community. Preference for high income clients and large loans, and bureaucratic and lengthy process of providing loan in the formal sector keep poor people outside the boundary of the formal sector. The informal financial sector on the other hand has also failed to help the poor. Monopolistic power, excessive higher interest rates, and exploitation through under valuation of collaterals have restricted the informal financial sector to providing credit to poor people for income generating and poverty alleviation purposes. [Bhaduri, (1983); Bardhan, (1980); Ghosh, (1986),] The limitations of the formal and the informal financial sector in providing financial services, especially credit, encouraged the microfinance programme to develop.

The origin of microfinance is credited to Dr. Muhammad Yunus who had founded the Grameen Bank in 1983. Microfinance can be defined as the supply of loan, savings and other basic financial services to the poor. It is meant to provide very poor families with very small loan or micro credit to engaged them in productive activities so that they can grow their tiny business. Half of the total population of India constitute the women. Most of them are unskilled. They are economically and socially dependent on their male counterpart. This restrict their prospect for socioeconomic empowerment The Self-Help Groups (SHGs) are linked to the bank for micro credit. SHGs act as a great boost to make the poor self-sufficient. The micro finance through the SHGs is one of the important tools for improving the socioeconomic levels of the rural India. Micro finance through SHGs is now recognized as the key strategy for addressing the issues of poverty alleviation and women's empowerment. The provision of savings enables them to contribute small savings regularly and the amount thus accumulated gives a sense of security and reduce their vulnerability. The funds created by their small savings can be avail for consumption purposes. This have a positive impact on their well-being and access to basic need. When these funds are used for income generating activities it will contribute to the employment generation, income increase and asset acquisition.

### **Literature Survey:**

Microfinance, banking to the poor, was introduced by Dr. Muhammad Yunus of

Bangladesh in the 1970's. Before Yunus, it was assumed that transactions with the poor people were not profitable because they only take small loans, and had no collateral. But Dr. Yunus with the help of Grameen Bank in Bangladesh proved that poor are indeed responsible enough to manage credit and repay their loans. Since then the concept of microfinance institutions have gained importance all over the world and reached to the millions of poor people.

However, the concepts of microfinance is an old one which existed long back since 1904, when the Co-operative Societies Act was passed for production credit loans to the farmers through Primary Credit Societies. In 1928 the formation of co-operative credit institutions started. It was started to meet investment credit needs of the farmers. After nationalization of Bank in 1969 and priority sector targets, the concept of microfinance banking institutions once again came to great importance.

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. It empowers the socially marginalized poor particularly rural poor women by changing their lives economically, socially and politically and strengthens the social fabric. The emphasis was laid on disbursement of loans without any collateral, cent percent repayment and lending to groups not to any individual who will invest their small savings. This reduces the transaction costs for both the borrowers and the banks. Thus, microfinance is not a new concept and was met the needs of both by formal as well as informal credit agencies.

Microfinance has gained a lot of significance and momentum during the last two decade, and now in India it occupies a significant place and role in global microfinance through promotion of the SHGs under SHG-Bank Linkage (SBL) programme. The Microfinance Institution (MFI) model (Mansuri, 2010). The NABARD which launched a pilot project named as Self-Help Group – Bank Linkage programme in 1992 is the main initiator of the SHG movement. At present the central government, the state governments, the nationalized commercial banks, the regional rural banks, the cooperative banks, various NGOs and the non-banking financial corporation (NBFC) as well have joined with the SHG movement to uplift the rural poor.

According to the Task Force on Supportive Policy and Regulatory Framework for Micro Finance, micro Finance is “the provision of credit and other financial services to the poor are instrumental in raising their income levels and in improving their living standards” (NABARD, 1999).

Microfinance was defined in the International Year of Microcredit, 2005, as loans, savings, insurances, transfer services and other financial products for low-income clients;

According to Yunus microfinance is “giving access to financing means, to a maximum of poor people, by allowing them to use their capacities in favour of a durable development” (Yunus, 2003).

Those who want to access money for developing an income generating activities microfinance gives access to financial as well as non-financial services to them. Microfinance through SHGs helps to creat financial products and services that have enabled the low-income people of rural area to become clients of a banking intermediary (Murray and Boros,

2002).

In this model of microfinance financial services are provided to the groups of individuals. According to Murray & Boros the characteristics of microfinance products include:

“Little amounts of loans and savings; Short- terms loan (usually up to the term of one year); Payment schedules attribute frequent installments (or frequent deposits); Installments made up from both principal and interest; Higher interest rates on credit (higher than commercial bank rates but lower than loan-shark rates); which reflect the labor intensive work associated with making small loans”.

**Objective of the study:**

The main objective of the study is to find out the progress of microfinance through SHGs in the district of Nadia of West Bengal.

**METHODOLOGY**

The study is based on secondary data collected from District Rural Development Cell (DRDC), Department of Panchayet and Rurak Development, Government of West Bengal. Simple arithmetic tools have been used to analyse the data.

**Socio-economic Profile and Microfinance Scenario of Nadia District:**

According to the Census report 2011 the district has an area of 3,927 sq. kms with the total population of 5168488 having 2655056 male and 2513432 female. The district has the population density of 1316 per square Km. and population growth is 12.24%. Average literacy rate is 75.58%. The district consists of four subdivisions, namely Krishnanagar Sadar, Ranaghat, Kalyani and Tehatta and 19 police stations, 18 blocks, 1248 villages, 187 gram panchayats and 2639 gram sansads.

The main occupation of the people of the district is agriculture. About 70 per cent of the rural population is engaged in agriculture and allied activities. The agricultural land is characterized by fertile alluvial soil . Paddy, wheat, pulses and jute are the main agricultural crops. It has total 299941 hectares (76.37%) agricultural land.

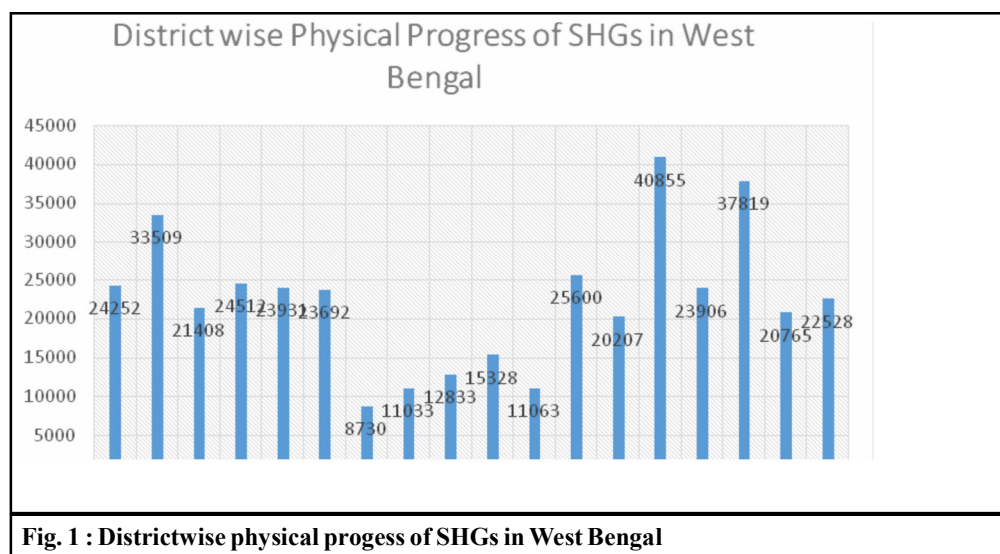
**FINDINGS AND DISCUSSION**

During the ninth five year plan the government of India launched Swarna Jayanti Gram Swarojgar Yojana (SGSY) for the socio-economic upliftment of rural people. The scheme opens up the scope for self-employment, training and marketing to the rural people. In this connection the District Rural Development Agency encourages the rural people to form Self-Help Group. In West Bengal the scheme lunched in 1<sup>st</sup> April, 1999 . Right from the next year formation of SHGs started which were facilitated by NGOs and approved by the District Rural Development Agency. In West Bengal, by the end of March. 2013 the total number of SHGs under SGSY formed reached to 401971. The growth of microfinance through SHGs has been shown in Fig. 1. In Nadia district, total number of SHGs under SGSY formed by the end of March has reached to 20765 and it is 5.17% of the state total. It also occupies 12<sup>th</sup> position in terms of district-wise physical progress.

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<b>Table 1 : Physical Progress of SHGs in West Bengal</b>			
Sr. No.	District	No. of SHGs formed	% to Total
1.	24 Parganas (N)	24252	6.03
2.	24 Parganas (S)	33509	8.34
3.	Bankura	21408	5.33
4.	Birbhum	24512	6.10
5.	Burdwan	23931	5.95
6.	Coochbehar	23692	5.89
7.	Darjeeling	8730	2.17
8.	Dinajpur(S)	11033	2.74
9.	Dinajpur(N)	12833	3.19
10.	Hoogly	15328	3.81
11.	Howrah	11063	2.75
12.	Jalpaiguri	25600	6.37
13.	Maldah	20207	5.03
14.	Murshidabad	40855	10.16
15.	Medinipur(E)	23906	5.95
16.	Medinipur(W)	37819	9.42
17.	Nadia	20765	5.17
18.	Purulia	22528	5.60
Total	West Bengal	401971	100.00

Source : P &RD Department, W.B.



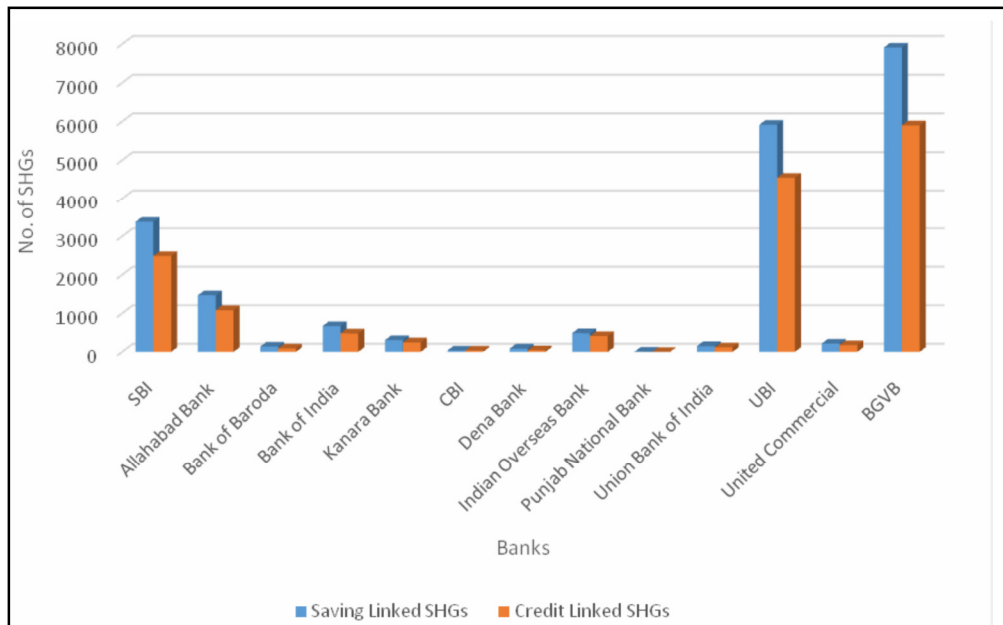
**Fig. 1 : Districtwise physical progress of SHGs in West Bengal**

Table 2 shows the block-wise progress of SHGs under SGSY up to March 2013. It is clear from the table that 16526 SHGs qualified for grade 1 and 5780 SHGs qualified grade II. The percentage of Grade-I SHGs over saving linked SHGs in all the blocks is above 70% except Chakdah, (61.22%) and kaliganj (63.52%). The overall 34.98% Grade-I groups have

Block	No. of Savings Linked SHGs	Grade-I		Grade-II over Grade-I		No. of CLGs over Grade-I		No. of PLGs over CLG		No. of women groups	% Over SLGs
		No.	% over SLGs	No.	%	No.	%	No.	%		
Chakdaha	1047	641	61.22	109	17.00	636	99.22	69	10.76	979	93.51
Chapra	1673	1283	76.69	272	21.20	1259	98.13	243	10.94	1486	87.75
Hanskhali	1092	784	71.79	264	33.67	697	88.90	255	32.53	981	89.84
Hringhata	1499	1250	83.39	575	46.00	1138	91.04	467	31.15	1310	87.39
Kaliganj	1579	1003	63.52	375	37.39	940	93.72	287	28.61	1395	88.35
Karimpur-I	1379	1066	77.30	325	30.49	1016	95.31	227	21.29	1182	85.71
Karimpur-II	1767	1466	82.97	401	27.35	1394	95.09	243	16.58	1577	89.25
Krishnaganj	778	658	84.58	231	35.11	594	90.27	172	26.14	647	83.16
Krishnagar-I	1349	1080	80.06	230	21.30	966	89.44	193	17.87	1157	85.77
Krishnagar-II	766	673	87.86	277	41.16	670	99.55	232	34.47	703	91.78
Nabadwip	901	855	94.89	306	35.79	792	92.63	235	27.49	716	79.47
Nakashipara	1571	1252	79.69	332	26.52	1229	98.16	306	24.44	1450	92.30
Ranaghat-I	1082	907	83.83	415	45.76	817	90.08	360	36.69	898	82.99
Ranaghat-II	1542	1234	80.03	611	49.51	1173	95.06	526	42.63	1184	76.78
Santipur	958	858	89.56	387	45.10	804	93.71	328	38.23	789	82.36
Tehatta-I	1103	947	85.86	382	40.34	939	99.15	348	36.75	1014	91.93
Tehatta-II	679	569	83.80	288	50.62	547	96.13	244	42.88	550	81.00
Nadia	20765	16526	79.59	5780	34.98	15611	94.46	4805	30.78	18018	86.77

Source : DRDC, Nadia

Note : SLG=Savings linked groups, CLG=Credit linked groups. PLG-Project linked groups



**Fig. 2 : Blockwise physical progress of SHGs upto March 2013**

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been promoted to Grade-II while percentage of Grade-II groups in Chakdah, Chapra and Krishna-I blocks is found to be less than 25%. The Table also shows that more than 90% of savings linked groups are linked with credit except two blocks viz., hanskhali (88.90%) and Krishnagar-I (89.44%). But it is very bad condition that only 30.78% of total credit linked groups are promoted to project linkage stage. The lowest project linkage groups over credit linkage groups is found in two blocks viz., Chakdah (10.76%) and Chapra (10.94). The number of project linkage groups is found to be highest (526) in Ranaghat-II block. It is also found that more than 86% groups are women groups indicating that rural women are more empowered for the socio-economic development.

Table 3 represents the status of microfinance of different banks up to March 2013. It is clear from the table four banks namely Bangiya Gramin Vikash Bank (BGVB), United Bank of India (UBI), SBI, and Allahabad Bank played a leading role in respect of number of savings linked SHGs. Out of 20765 savings link a gegroups in the district, the contribution of BGVB for lending is 38.11% (7913 groups) and the other three banks are 28.49% (5916 groups), 16.27% (3379 groups) and 7.07% (1468 groups), respectively. Punjab National Bank lends credit to only 4 groups.

<b>Table 3 : Status of microfinance of different Banks (Rs. in lacs) upto March, 2013(under SGSY)</b>						
Banks	No. of SLGs (1)	Amount of Savings (2)	Per group Savings (2/1)	No. of CLGs (3)	Amount of RF Released(4)	Per group RF Released (4/1)
SBI	3379 (16.27)	412.33425 (15.56)	12203	2487 (15.83)	474.18400	14033
Allahabad Bank	1468 (7.07)	190.83600 (7.20)	12999	1084 (6.90)	215.50000	14679
Bank of Baroda	137 (0.66)	19.11150 (0.72)	13950	90 (0.57)	10.14863	7407
Bank of India	670 (3.23)	84.25250 (3.18)	12575	478 (3.04)	50.48870	7535
Kanara Bank	305 (1.47)	34.99875 (1.32)	11475	247 (1.57)	28.05300	9197
CBI	36 (0.17)	5.02200 (0.18)	13950	35 (0.03)	1.10722	3075
Dena Bank	87 (0.42)	11.26650 (0.43)	12950	42 (0.27)	4.50721	5180
Indian Overseas Bank	485 (2.33)	62.41465 (2.36)	12869	411 (2.63)	49.39740	10185
Punjab National Bank	4 (0.02)	0.51476 (0.02)	12869	0	0.0000	0
Union Bank of India	150 (0.72)	20.80350 (0.79)	13869	116 (0.74)	22.85110	15234
UBI	5916 (28.49)	689.25416 (26.02)	11650	4544 (28.92)	818.3510	13832
United Commercial Bank	215 (1.04)	25.47965 (0.97)	11851	177 (1.13)	19.63246	9131
BGVB	7913 (38.11)	1092.84000 (41.25)	13810	5900 (37.79)	1109.33300	14019
Total	20765 (100.00)	2649.12822 (100.00)	12757	15611 (100.00)	2803.54432	13501

Source : DRDC, Nadia

### **Conclusions and Recommendations:**

From the above analysis it is very clear that the progress of microfinance in Nadia district is not significantly good in terms of forming of SHGs (12<sup>th</sup> position) with respect to other districts in the state. From the investigation of block-wise physical progress of SHGs, it is observed that there is 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 75% of the blocks. Moreover, although the overall rate of credit linkage is observed to be more than 75% (75.83%) but the rate of linking with project was only 30.78% of credit linked groups and promotional rate of 2<sup>nd</sup> grading over 1<sup>st</sup> grading was revealed only 34.98% 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 86% which indicated that empowerment of women through microfinance in this district is highly valued. On the other hand study of the bank wise status of SHGs revealed that only one Regional Rural Bank named BGVB and two major commercial banks viz., SBI and Allahabad Bank took leading role in growth and promotion of SHGs through Microfinance. But it is observed from the study that although the rate of 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 2<sup>nd</sup> grading, per SHG amount of credit disbursement and thereby recovery rate of credit is 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. But we can't deny the role of microfinance which is a successful step in providing access to finance to the rural needy people particularly rural women of Nadia district. The process has enabled a large number of poor people to exercise various options to challenge poverty. The programme, indeed, helped in improving the household conditions of the poor people.

The following recommendations may be noted for further better men of the working of the SHGs.

1. One major limitation that is being faced in Nadia district is the problem relating to BPL list which keeps a large number of poor families, who ought to have been supported under the SGSY program, out side its fold. To improve the growth rate of SHGs, panchayat representatives are yet to be careful so that really needy families are not excluded.
2. Periodical monitoring of the SHGs can be effectively done by the district, block and Gram Panchayat level.
3. To improve better co-ordination between bankers SHGs members, frequent SGSY meeting at different level should be conducted.
4. To improve and setup proper marketing for various products of SHGs, farm and non-farm linking is essential.
5. To organize entrepreneurship development, training programme and infrastructural support of the government in a proper way are needed.

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