



Financial Performance of Group Based Microfinance Model in Haryana

Surender Ahlawat*

Department of Economics, Ch. Devi Lal University, Sirsa-125055 (Haryana) India

Received: 12-Feb-2016 Accepted and published on: 11-Sept-2016

ABSTRACT

Group based microfinance usually signifies a financial arrangement designed to help the rural poor transform their economic condition through formation of Self Help Groups (SHGs). The growth of group based microfinance (Self Help Group -Bank Linkage Model) in Haryana State has been described with the help of Numbers of SHGs, Savings of SHGs, Bank Loan disbursed and outstanding against SHGs; Gross NPAs for bank Loans to SHGs. The finding of the paper reveals tremendous rate of growth on all aspects of growth. The study is based on secondary data collected from National Bank for Agriculture and Rural Development (NABARD).

Keywords: Microfinance, Microcredit, SHGs, Finance, Financial Economics.

1. Introduction

Microfinance is that kind idea through which low-income individuals are capable of lifting themselves out of poverty if given access to financial services. While some studies indicate that microfinance can play a role in the battle against poverty, it is also recognized that is not always the appropriate method, and that it should never be seen as the only tool for ending poverty. Micro finance is a financial service of small quantity, provided by financial institutions to the poor. These financial services may include savings, credit, insurance, leasing, money transfer, equity transaction, etc. that is, any type of financial services, provided to customers to meet their normal financial needs: life cycle, economic opportunity and emergency (Gupta and Rao, 2005). Actually, the failure of formal institutions in the world to serve the rural poor effectively led to a review of the informal financial systems. It was observed from very beginning that the informal financial system is very exploitative and charges very high rate of interest from the poor. To bridge the gap between the formal and informal systems, Prof. Mohammad Yunus started a research project in Bangladesh in 1979 and established Grameen Bank (GB) in 1983. It changed the life of many poor people by improving their economic condition from below poverty line in Bangladesh (Sarkar, Debbarayan, 2008). The micro financing schemes in India came with the introduction of Self Help Group (SHG) concept by National

Bank for Agriculture and Rural Development (NABARD) for the first time in the government sector. At the non-government level, Self Employment Association of Women (SEWA) founded by Ela Bhatt was the first of its kind as Grameen bank in Bangladesh. Later on, several other micro finance organizations were established in India. There are mainly two microfinance approaches namely SHG Bank Linkage Model and Grameen Model/or Micro Finance institution model working in India. But ninety nine per cent micro finance institutions in India are practicing SHG Bank Linkage Model (Manimekalai, 2004).

Linked with the microfinance approach, the Self Help Group (SHG) movement has now been accepted by all countries of the world as an effective strategy for poverty alleviation. Microfinance through SHGs has become a ladder for the poor to bring them up not only economically but also socially, mentally and attitudinally. Now a days, the SHG movement has been accepted as an effective intervention strategy for poverty alleviation through generating income, empowering the poor and reducing unemployment. SHG linked micro finance includes such credits which are provided to the rural poor on easy terms and conditions and give access to several income generation activities.

SHG is a small voluntary association of poor people preferably from the same socio economic background. They come together for the purpose of solving their common problems through SHGs. They provide the benefits of economies of scale, cost effective alternative for different financial services, collective learning, democratic and participatory culture, affirm base and platform for dialogue and co-operation (Dasgupta, 2005). The groups have been recommended to be informal and to keep themselves away from bureaucratic and corrupt practices, unnecessary administrative expenditure and profiteering constraints. Groups are expected to be homogeneous so that the members do not have conflicting interests and all the members can participate freely without any fear (Anjugam and Alagumani, 2001). There is however something beyond this. These groups are expected to foster true democratic culture where all the members participate actively by taking part in the debate and

Address:

Dr. Surender Ahlawat
Assistant Professor, Department of Economics,
Ch. Devi Lal University, Sirsa-125055(Haryana) India
Tel:09466426521
Email: surenderahlawat2003@yahoo.co.in

Cite as: *Integr. J. Soc. Sci.*, 2016, 3(1), 9-12.

©IS Publications

decision – making process which is possible only in small groups. After being formed, generally by External Agency, Group starts collecting a fixed amount from each member regularly. A SHG can be all women group, all men group, or even a mixed group. However, it has been experienced that women's groups perform better in all the important activities of SHG (Sharma, 2001). In many countries of the world, SHGs have succeeded in generating self – employment and income by providing access to small capital to people living in poverty. A number of institutional weaknesses have been identified like poor recovery, lack of recycling of funds, poor deposit mobilization and ineffective lending. Against this backdrop, SHGs are an effective tool in generating income or employment and empowering poor (United Nations, 1998).

There are not yet any formal official publications on different statistics of SHGs in India. However, NABARD has brought out some basic data of SHGs. According to this, ninety per cent SHGs are women groups and more than ninety seven million households are associated with it. On March 31, 2011, more than seven million SHGs are working in India. In view of the large outreach and pre- dominant position of the microfinance programme, it is very important to know the growth of Micro Finance (SHG- Bank Linkage Model) in Haryana State of India.

1. Objectives of Paper

The present paper undertakes the specific objective of knowing the financial performance of group based Micro Finance model in Haryana. It has been done with the help of following sub variables.

- (a) Growth in number of SHGs Haryana State of India.
- (b) Growth in savings of SHGs and Bank Loans disbursed to SHGs Haryana State of India.
- (c) Growth in bank loans outstanding against SHGs and Gross NPAs for Bank Loans to SHGs in Haryana State of India.

2. Methodology of Paper

This paper is based on the secondary data. The data is quantitative in nature. The sources of data are NABARD's Reports on Micro Finance in India for various years. The data pertain to the period from 2006-07 to 2010-11 due to unavailability of data for earlier years. Tables, charts, percentage and average etc have been used for analyzing the data.

4. Growth of Group based Micro Finance (SHG- Bank Linkage Model) in Haryana.

(A) Growth in number of SHGs in Haryana.

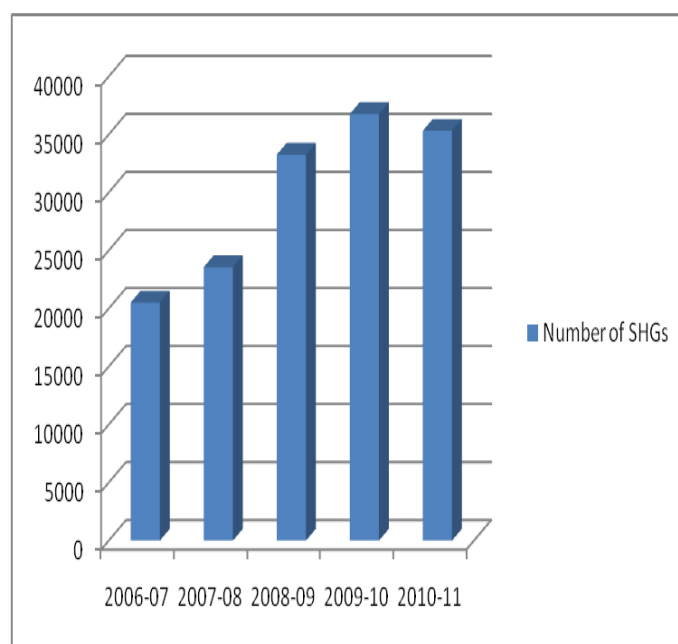
The findings on growth in number of SHGs in Haryana have been presented in Table- 1 and Chart 1. The figures show a tremendous growth in number of SHGs over last years. The number of SHGs has increased from 2 in 1992-93(which was starting stage of SHGs model by NABARD in India) to 20518 in 2006-07. During the period of twenty years, this number has crossed the mark of 30 thousands. The table also shows percentage increase in number of SHGs. However, there is a percentage decrease in number of SHGs after 2009-10.

Table 1: Growth in number of SHGs in Haryana.

Sr. No	Years	Number of SHGs	Percentage increase in Number of SHGs
1.	2006-07	20518	---
2.	2007-08	23570	14.87
3.	2008-09	33257	41.09
4.	2009-10	36762	10.53
5.	2010-11	35319	-3.92

Source: NABARD's Reports on Microfinance in India in various years

Chart 1: Growth in number of SHGs in Haryana.



(B) Growth in savings of SHGs and bank loans disbursed to SHGs in Haryana.

The growth in savings of SHGs and bank loans disbursed to SHGs in Haryana was studied, the results of which have been presented in Table- 2 and Chart-2(a,b). It can be seen from the table that there has been rapid increase in savings of SHGs and bank loans disbursed to SHGs in Haryana over the period. The growth in savings of SHGs and bank loans disbursed to SHGs was more in 2009-10 and 2008-09 respectively as compared with other years. There has been a decline in percentage growth of both the sub variables after 2009-10 and 2008-09 respectively.

Table 2: Growth in savings of SHGs and bank loans disbursed to SHGs in Haryana.

(Amounts in Rs. Lakh)

Sr. No	Years	Savings Amount	Loan Disbursed
1.	2006-07	--- (--)	--- (--)
2.	2007-08	1365.15 (--)	2613.89 (--)
3.	2008-09	2547.93 (86.64)	6383.91 (144.23)
4.	2009-10	10762.55 (322.40)	4669.74 (-26.85)
5.	2010-11	9920.45 (-7.42)	6243.46 (33.70)

Source: NABARD's Reports on Microfinance in India in various years
(Figures in the brackets represent percentage)

Chart 2(a): Growth in savings of SHGs to SHGs in Haryana.

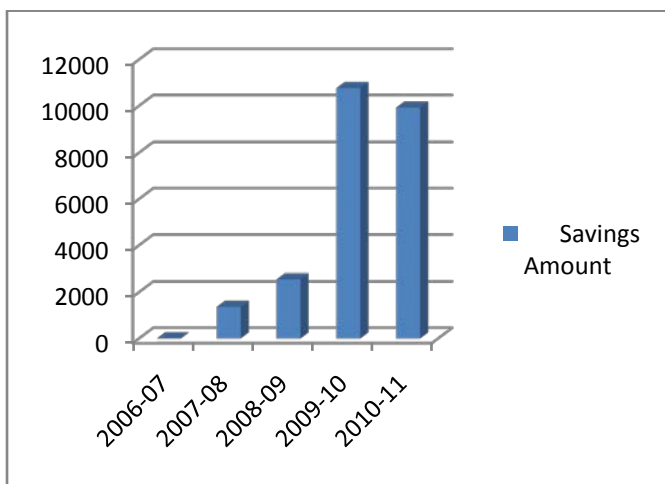
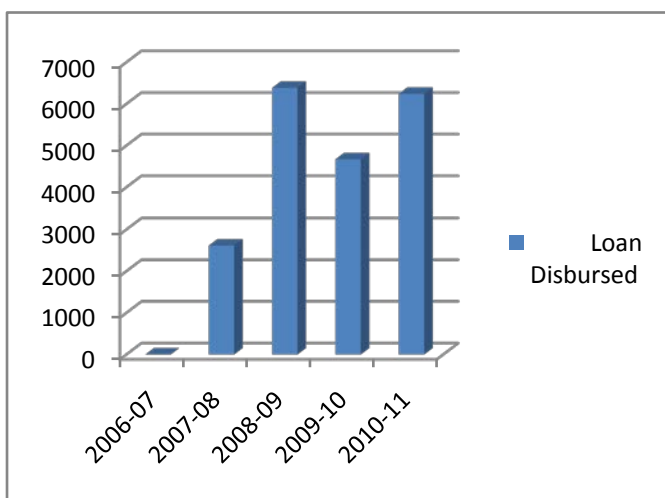


Chart 2(b): Growth in bank loans disbursed to SHGs in Haryana.



(C) Growth in bank loans outstanding against SHGs and gross NPAs for bank loans to SHGs in Haryana.

The results of growth in bank loans outstanding against SHGs and gross NPAs for bank loans to SHGs in Haryana have been presented in Table- 3 and Chart-3(a, b). It can be seen from the table that there has been steady increase in growth in bank loans outstanding against SHGs and gross NPAs for bank loans to SHGs in Haryana over the period. The growth in bank loans outstanding against SHGs and amount of gross NPAs for bank loans to SHGs was more in 2010-11 as compared with other years.

Table-3: Growth in bank loans outstanding against SHGs and gross NPAs for bank loans to SHGs in Haryana.

(Amounts in Rs. Laks)

Sr. No	Years	Bank Loans Outstanding against SHGs	Amount of Gross NPAs for Bank Loans to SHGs
1.	2006-07	--- (--)	--- (--)
2.	2007-08	10742.07 (--)	202.87 (--)
3.	2008-09	12414.37 (15.56)	446.95 (120.31)
4.	2009-10	15507.44 (24.91)	573.81 (28.38)
5.	2010-11	19826.80 (27.85)	783.44 (36.53)

Source: NABARD's Reports on Microfinance in India in various years
(Figures in the brackets represent percentage)

Chart 3(a): Growth in bank loans outstanding against SHGs in Haryana.

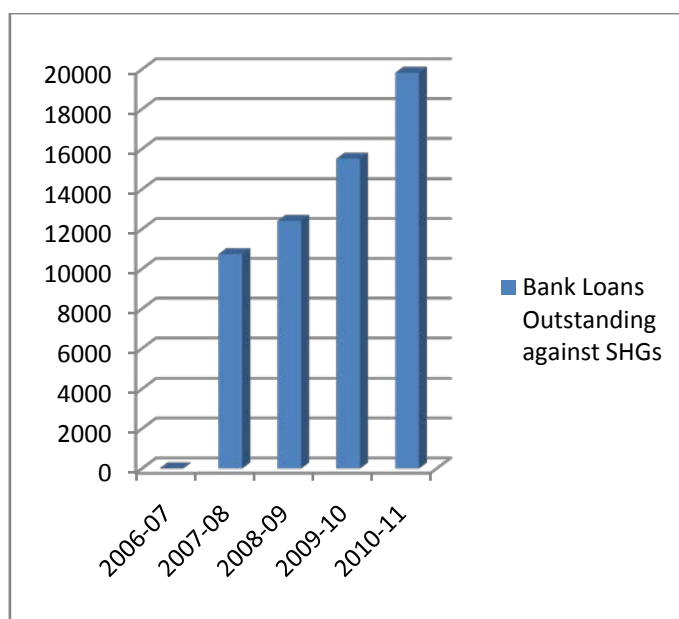
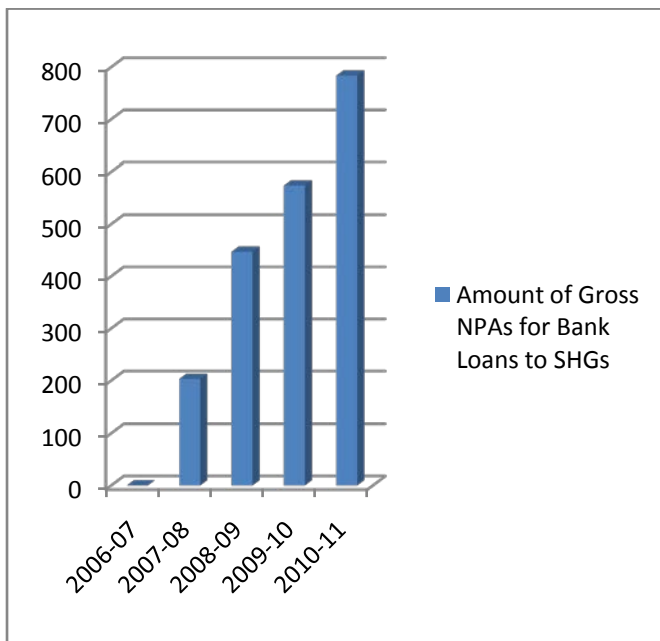


Chart 3(b): Growth in gross NPAs for Bank loans to SHGs in Haryana.



6. Conclusion

This paper concludes that the numbers of SHGs in Haryana are increasing every year. Further, the amounts of savings of SHGs and Bank Loan disbursed to SHGs in Haryana are also increasing with a tremendous rate of growth. It has also been found that the bank loans outstanding against to SHGs and the Gross NPAs for bank loans to SHGs are increasing with steady rate of growth. Here, it is worth mentioning that this program has performed well, but the benefits of this program have not been distributed equally. Still a large number of poor people are living in Haryana state

of India. In the light of discrepancies emerging from the above analysis some suggestions can be made that Banks should expand their services to suggest various income-generating activities to the NGOs and self-help group members and provide them training assistance in training. NABARD should provide special funds to the banks that should be used particularly in those areas where SHG bank linkage program is not performing well due to various reasons. These funds should act as incentives to the banks to intensify their efforts in those regions. Banks should put more attentive efforts for the promotion of this program. Moreover, large sized NGOs should also be promoted in those regions.

References and notes

1. Anjugam, M., and Alagumani, T. Impact of Micro Finance through Self Help Groups- A Case Study. *Indian J. Agril Econ.* **2001**, 56 (3): 458.
2. Sarkar Debnarayan . Indian Microfinance: Lessons from Bangladesh. *Economic and Political weekly.* **2008**, 43 (01): 433.
3. Gupta, Das and Rao, Dinker K. Micro Finance in India. *Economic and Political Weekly.* **2005**, 40(12): 1229-1237.
4. Hoff, K., Stiglitz, J.E. Introduction: impact information and rural credit markets-puzzle and policy and policy perspectives. *The World Bank Economic review.* **2001**, 4(3):16.
5. Manimekalai, N. Impact of various forms of microfinancing on women. Ph.D. thesis, dept. of eco., Bharathidasan university, Tiruchirappalli, TamilNadu. **2004**.
6. NABARD, (2012), Report on Micro Finance in India 2010-11, www.nabard.org.
7. NABARD, (2011), Report on Micro Finance in India 2009-10, www.nabard.org.
8. NABARD, (2010), Report on Micro Finance in India 2008-09, www.nabard.org.
9. NABARD, (2009), Report on Micro Finance in India 2007-08, www.nabard.org.
10. NABARD, (2008), Report on Micro Finance in India 2006-07, www.nabard.org.
11. Dasgupta, Rajaram. Microfinance in India. *Economic and Political Weekly.* **2005**, 40 (12): 205.
12. Sharma, K. C. Micro financing through Self Help Groups. *Indian J. Agril. Econ.* **2001**, 56 (3): 460.
13. United Nations. (1998). United Nations General Assembly Resolution. Newsletter of the Micro Credit Summit Campaign. UNO. 1(3):15.