

MICROFINANCE AND SELF HELP GROUPS-A CASE STUDY OF ASSAM

**DISSERTATION SUBMITTED TO NORTH EASTERN HILL UNIVERSITY
FOR THE DEGREE OF MASTER OF PHILOSOPHY**

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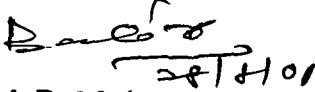
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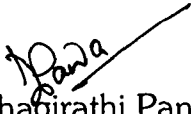
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This is to certify that the Dissertation entitled **Microfinance and Self Help Groups – A Case Study of Assam**, submitted by Ms. Sampurna Bhuyan for the Degree of Master of Philosophy to North Eastern Hill University is a bonafide work to the best of my knowledge and may be placed before the examiners for their consideration.

Further, this Dissertation has not been submitted to any other university or institute for any degree or diploma.


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DECLARATION

I, Ms. Sampurna Bhuyan, hereby declare that the subject matter of this Dissertation is the record of the work done by me, that the contents of this Dissertation did not form the basis of the award of any previous degree to me or to the best of my knowledge to anyone else, and the Dissertation has not been submitted by me for any research degree in any other University/ Institute.

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To

My parents

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List of Abbreviations :

ADB	:	Asian Development Bank
AKRSP-I	:	Aga Khan Rural Support Programme - India
CSP	:	Credit Saving Programme
Co B	:	Co-operative Banks
CB	:	Commercial Banks
FI	:	Financial Institution
MFI	:	Micro Finance Institution
MFPI	:	Micro Finance Promoting Institution
MYRADA	:	Mysor Rehabilitation and Development Agency
NABARD	:	National Bank For Agriculture and Rural Development
NBFC	:	Non Bank Financial Companies
NER	:	North East Region:
NGO	:	Non-government Organizations
NSSO	:	National Sample Survey Organisation
RBI	:	Reserve Bank of India
RDO	:	Rural Development Organisation
RFA	:	Revolving Fund Assistance
RGVN	:	Rastriya Gramin Vikas Nidhi
RRB	:	Regional Rural Bank
RMK	:	Rastriya Mohila Kosh
RTD	:	Rural Development Trust
SBLP	:	SHG- Bank Linkage Programme
SGSY	:	Swarnajayanti Gram Swarozgar Yojona
SHG	:	Self Help Group
SHPI	:	Self Help Promoting Institutions
SIDBI	:	Small Industries Development Bank of India
SEWA	:	Self Employed Women Association

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Chapter – 1

INTRODUCTION

Chapter – 1

INTRODUCTION

1.1 Introduction

These days, microfinance has become an important institution and mechanism of credit delivery, particularly for the poor and the deprived. There have been a number of studies undertaken in India and other developing countries that have brought out the success of various micro finance programmes in alleviating rural poverty, promoting holistic development of individuals, communities and developing small enterprises. The ultimate recognition of the viability, suitability and efficiency of microfinance as an agent and institution of development has recently come about, because of the pioneering work undertaken by Prof. Yunus of Bangladesh.

Microfinance and more specifically the credit element in it, is basically undertaken and promoted by various Microfinance Promoting Institutions (MFPIs). These institutions can be Non Govt. organizations (NGOs), Self Help Group (SHGs) and other social groups. The importance of the microfinance programmes and the success of the MFPIs in various developing countries, get prominence, because of persistent market and government failures in the sphere of rural development in general and rural credit in particular. This very success also negates the age-old perception and belief of most of the formal sector financial institutions that the “poor are not bankable”.

There are different organizations engaged in programmes of microfinance. In India this programme is predominantly undertaken and has been made successful by

another institution popularly known as SHGs. P Satish (2005), has defined SHG as a voluntary group valuing personal interactions and mutual aid as a means of altering the problems perceived as alterable, pressing and personal by most of its participants. These groups are voluntary associations of people formed to attain certain collective goals that could be economic, social or both. These days it is being increasingly realized that, the best strategy of ensuring simultaneously growth and human development, is by promoting the growth of SHGs. Hence both in development theory and development practice, microfinance and SHGs have become important institutions.

Microfinance has become one of the most discussed subjects in the last two decades all over the world. While one group advocates that it has significant impacts in reducing poverty (Prof Yunus Mohammed of Grameen Bank is an ardent promoter of this idea and has recently been awarded Nobel Peace prize for this endeavour); others caution against such optimism and point to negative impacts. There are still others who follow the middle path and argue that while micro finance does increase access of capital for the poor, in order to reduce poverty other non financial services must be added on. Whatever may be the case, today microfinance programmes and institutions have become increasingly important components of strategies to reduce poverty or promote micro and small enterprise development in many of the developing countries.

Microfinance means the provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas for enabling them to raise their income levels and improve their living standards. Usually, the loan size would be below Rs 50,000 or so. Thus microfinance does not mean only the size. It means a change in the approach and philosophy to a demand led financial services and products for all of those who have been left out of the formal banking sector.

1.2 Background of the Study

In the 70s, the approach towards rural finance was based on the assumption that directed credit from outside would remove poverty. The trick was to select the right type of activities which would be upgraded to increase incomes for the households. The emphasis was on the individual units. Based on these premises, nationalization of banks took place in large number of developing countries including India. This led to massive expansion of banks in the rural areas of our country. But, despite the massive physical expansion, the outcome in terms of credit delivery to the poor people in rural areas has still not been proportionate. As on 2001 only 35.5 % of rural population households availed of banking services. And more importantly, there are serious regional differences. In the North East Region (NER), this figure was only 20.4% in 2005-06. Thus, despite every effort, the banking services have still not really been accessible to the majority of the population primarily because of high transaction cost, both for the bank and the borrower, amongst other things. And the poor has been left out of the system.

On the other hand, microfinance emphasizes on efficient financial intermediation and focuses on the entire system as a whole and not on individual units. The key imperative of micro finance therefore is that it responds effectively to demand and design products which are simple and easily understood by the clients as well as easily managed by Microfinance Promoting Institutions (MFPIs).

Based on such philosophy and approach, a set of institutions have spread across diverse geographical space like Bangladesh, Bolivia, Indonesia, and India. These institutions, united under the banner of microfinance, share commitment to serve clients left off formal banking sector. Today, it has been estimated that there are 13 million micro credit borrowers being served by around 7,000 MFPIs across the world, with USD 7 billion in outstanding loans, and generating repayment rates of

97% and above and has seen a phenomenal 30 percent annual growth rate. The microcredit summit 2005 estimates that USD21.6 billion is further needed to provide microfinance to 100 million world's poorest families.

The basic delivery methodology for microcredit is either through groups or individuals. Within the groups there is a variety of mechanisms like Self Help Groups (SHGs), Credit Unions, Joint – Liability Groups etc. Different regions follow different mechanisms but the objective is same i.e. providing the financial services on a sustainable basis and doing it by taking very little physical collateral. Learning from the experiences, India took first initiative in the early 90s with the help of National Bank for Agriculture and Rural Development (NABARD). NABARD promoted microfinance industry by innovating SHGs and leveraging the vast network spread across the country. They tried out a pilot project which was a success. This led to the implementation of SHG- Bank Linkage Programme (SBLP) on a full fledged basis in 1996. Here SHG was envisaged as a micro bank, meeting both the saving and credit needs of the poor and needy members.

In this study we have tried to analyze the progress of various SHG-Microfinance linkage programmes in the North Eastern Region of India in general and Assam in particular. Besides we have also explained some of the determinants of the expansion of credit linked SHGs.

1.3 Objectives of the Study

The spread of the SHG-microfinance linkage programme in the North East India as well as in Assam is recent. In this study we want to explain the expansion of this programme in the North East and analyze how it compares with the All India situation. Further, in addition to Government initiative, the growth of this programme might have been possible because of certain determining factors. All these issues are

going to be studied in this study. To put it straight, the specific objectives of the study are:

1. To assess the progress of various SHG-Microfinance linkage programmes in the NER and in Assam.
2. To have inter-state comparison in the progress of this linkage programme..
3. To account for the various factors responsible for the growth of this linkage programme.

1.4 Hypotheses

The following hypotheses have been formulated to be tested in course of the study:

1. The magnitude of the progress of the SHG- Microfinance linkage programmes in the North East as a whole as well as in Assam is much less compared to the all India position.
2. There exist considerable inter-state differences in the progress of SHG – Microfinance linkage programmes in NER.
3. Rural employment diversification, growth of NGOs, growth of banking infrastructure are the important factors contributing to the growth of the SHGs credit linked.

1.5 An Outline of the Study

In this section we provide the structure of the dissertation which is organized in six chapters starting with the *present chapter* which introduces the problem and the objectives of the study.

Chapter 2 gives a detail account of existing literature related to the origin, concept, approaches to microfinance and definition of SHGs as well as some other aspects of SHG movement.

Chapter 3 explains the sources of data methodology to be followed. It also gives an outline of the profile of the study area including both demographic and economic characteristics.

Chapter 4 demonstrates the progress of SBLP in North East Region (NER) and Assam and also analyses the performance of Swarnajoyanti Gram Swarajgar Yojana (SGSY) in Assam.

Chapter 5 explains the possible factors that are responsible in the growth of these programmes in Assam.

Chapter 6 highlights the conclusion and policy implications of the entire exercise. It also mentions the limitations of the present study as well as the scope for further study.

Chapter – 2

REVIEW OF LITERATURE

Chapter – 2

REVIEW OF LITERATURE

This section provides a review of some of the important theoretical and empirical works done in the field of Micro-finance and SHGs and their linkage. This includes conceptual issues concerning Microfinance and SHGs, as well as, the reach and importance of the linkage programmes.

2.1 History of Microfinance

The concept of microfinance can be traced back to proportions of the Marshall Plan at the end of World War-II and the writings of legal theorist Lysander Spooner in 1880s. Spooner wrote concerning the benefits of numerous small loans for entrepreneurial activities to the poor as a way to alleviate poverty. However in its most recent incarnation, it can be linked to several organizations starting in the 1970s and onwards. In developing countries, Dr. Akhter Hameed Khan as the founder of East Pakistan (new Bangladesh) Academy for Rural Development introduced the idea of microcredit (microfinance) in 1959. His Comilla Cooperation Pilot Project is considered as an early example of microcredit and rural development initiatives in developing countries. In the 1980s Khan founded Carangi Pilot Project in slums of Karachi, (Pakistan). In 1971, Al Whittaker established Opportunity International's first US office in Washington DC. About the same time Australian philanthropist, David Bussan, began offering micro loans in Indonesia. The two men met and formed Opportunity International which provides opportunity for people in chronic

poverty to transform their lives by creating jobs, stimulating small business and strengthening communities.

In 1973 *ACCION* International, a Peace Corps like groups, started to switch their focus towards providing economic opportunity to poor people. *ACCION* offered an alternative to the underserved population that were ineligible for traditional loans and wanted to avoid the exploitive lending practices of loan sharks. Within four years the experiment had shown its success in having provided 885 loans with a repayment rate of over 90 percent. *ACCION* claims that these loans were the first modern pioneers of microcredit.

Around the same time as *ACCION'S* experiment and apparently independently, Muhammad Yunus, a professor of Economics at Chittagong University started a similar experiment. Around 1974, during a famine in his native Bangladesh, Yunus discovered that very small loans could make a difference in a poor person's ability to survive, but that traditional banks were not interested in making tiny loans to poor people, who were considered repayment risks. In 1976, Yunus founded the Grameen Bank to make loans to poor Bangladeshis. Since then the Grameen Bank has issued more than \$ 5 billion in loans to several million borrowers- at the close of 2005 the number of outstanding loans is more than 4 million.

The success of the Grameen model has inspired similar efforts throughout the developing world and even in industrialized nations including the United States. SKS Microfinance was founded in 1998 by Vikram Akula to provide loans to women living in poor regions of India. In May 2006, Vikram Akula was named to TIME Magazine's Top 100 List of Most Influential people for the year 2006, wherein he was highlighted for his work as a pioneer in the microfinance industry and dedication to improve to lives of the poor in India. (<http://en.wikipedia.org/wiki/Microcredit>.)

In 1988, NABARD took up the initiative for a policy framework of alternative credit delivery to the poor through Self Help Groups. In 1991, RBI issued a circular to the commercial banks informing the launching of the pilot project establishing linkage of SHGs with banking structure of the nation. According to Nair (2005) the organizations like Mysor Rehabilitation and Development Agency (MYRADA), Shantidhan, Rural Development Trust (RTD) etc., have been providing credit and thrift services to the poor since 80's.

2.2 Definition of Microfinance

The definition of microfinance extends its purview from the simple arrangement of finance for the poorer section of society in different areas to the different fields of activities in different forms. According to Robinson (1998), microfinance refers to “small-scale financial services for both-credits and deposits that are provided to people who farm or fish or herd; operate small or micro enterprises where goods are produced, recycled, repaired or traded; provide services; work for wages for commissions; gain income from renting out small amount of land, vehicles, draft animals or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas”.

The Asian Development Bank (2000) defines microfinance as the provision of financial services such as deposits, loans, payments services, money transfer and insurance to poor and low income households and their micro-enterprises. Microfinance services are provided by three types of sources: formal institutions, such as rural banks and cooperatives, semiformal institutions such as Non-Government Organisations (NGOs) and informal sources such as money lenders and shopkeepers. Institutional microfinance is defined to include microfinance services provided by both formal and semiformal institutions.

In India, the Task Force on supporting and Regulatory Framework for Microfinance constituted by the Reserve Bank of India (RBI) (1999) has defined microfinance as the provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas enabling them to raise their income levels and improve living standards (NABARD, 2000).

Although both, the term microfinance and micro credit is often used interchangeably, the meaning of the term micro credit is much narrow in scope referring more specifically to the credit aspect of microfinance. Microfinance is much more holistic than micro credit as it includes savings, credit, insurance etc. Currently, much emphasis is given on the credit aspect, thus micro credit is the buzzword.

Yunus (2003) states that Micro credit means more emphasis on loans while microfinance also includes support services where channels for thrift, market assistance, technical assistance, capacity building, insurance, social and cultural programmes are opened. So, where microfinance is 'credit plus', there microcredit is only credit.

A broad classification of micro credit is provided by the pioneer Yunus (2003), which he says is not the end in itself. These are as follows –

1. Traditional informal micro credit (such as, moneylender's credit, pawn shops, loans from friends and relatives, consumer credit in informal market, etc.);
2. Micro credit based on traditional informal groups (such as, tontin, su su, ROSCA, etc.);
3. Activity based micro credit through conventional or specialised banks such as agricultural credit, livestock credit, fisheries, etc.);
4. Rural credit through specialised banks;

5. Cooperative micro credit (cooperative credit, credit union, savings and loan associations, savings banks, etc.);
6. Consumer micro credit.;
7. Bank-NGO partnership based micro credit.;
8. Grameen type micro credit or Grameen credit.
9. Other types of NGO micro credit.
10. Other types of non NGO non-collateralized micro credit.

According P Satish (2005), microcredit refers to loans to poor households in rural and urban areas for income generation through self-employment. Micro credit is usually associated with very small loans, no collateral, borrowers from among the rural and urban poor, and loans for income generation through market-based self employment, and the formation of borrower groups.

2.3 Different Approaches to M.F. Programme

There are numerous micro credit / microfinance programmes around the world that follow different approaches and philosophy. Christen and Drake (2002) point out that there exist two different approaches in the evolution of the Micro Finance industry –

- (i) Latin American Model popularly known as commercial model that focuses on enterprise creation and growth.
- (ii) The south Asian Model that focuses on women and poverty. First approach is founded by non SHG linkage methodology, while second one is basically undertaken by SHGs and other groups (T.S. Nair 2005).F Sinha,(2005) observed that as far as the dispensation modes of micro financing is concerned, these are overwhelmingly based on the principle of financial services being related to the cash flows of the low-income client groups and thus aim to facilitate relatively frequent and very small or micro-loan and

saving transactions .The dominant microfinance dispensation models in India are –

- (a) An Intermediate Model that works on banking principles with focus on both savings and credit activities and where banking services are provided to the clients either directly or through SHGs.
- (b) There is also a wholesale Banking Model where the clients comprise NGOs, MFPIs and SHG Federations. This model involves a unique package of providing both loans and capacity building support to its partners; and
- (c) Further, there is an Individual Banking based Model that has its clients as individuals or joint liability groups. While programme management and client appraisal in this Model may be a challenge, it is best suited to lending to enterprises (www.nabard.org). Among the following five models the first three are popularized by NABARD and others by big micro-financing institutions (MFIs).

Modell : Banks promote SHGs and finance them directly.

Model II : NGOs facilitate the promotion of SHGs and Banks finance SHGs.

Model III : NGOs borrow funds from Banks/FIs and provide services to SHGs/Clients (ASA, BSS, G. Koota).

Model IV : NBFCs¹ mobilise Equity and loan funds from Banks/FI (Financial Institutions) and provide services to SHGs/Clients (SHARE Microfinance Ltd, Asmitha, BASIX etc.).

Model V : Registered Co-operatives (SEWA² Bank).

¹ Non Bank Financial Companies

² Self Employed Women Association

According to P. Satish (2005), the Micro finance methodology could be classified into five groups. It is given in the following way –

1. Grameen and solidarity model: Grameen bank in Bangladesh, Bancosol in Bolivia, Solidarity groups in Latin America. 3-8 persons, each active and assuming responsibility, lending and repayment to and from members through guarantee of the groups members.
2. The Group Approach: SHGs Bank linkages in India, Chikola groups in Kenya. It delegates entire financial process (saving, loans, and repayments) to the group which besides using their own fund also mobilises and secures additional finances from financial institutions, MFIs.
3. Individual Banking: BRI- Unit Desa in Indonesia, Small Credit given to individuals based on appraisal, disbursement savings and repayments.
4. Community Banking: Priority sector lending by banks in India especially by Regional Rural Banks (RRBs) and Cooperative Banks. Expanded group approach of 35-50 members; borrow finance from the programme implementing agencies and on lend to numbers.
5. Credit Unions and Co operatives: Village Bank of FINCA in Latin America replicated in Africa and Central Asia., Member owned organizations providing credit and other financial services. Apex bodies provide technical and financial service.

In the Indian context, study undertaken by Frances Sinha (2005) points out difference approaches of microfinance delivery viz. i) Self Help Group Model and (ii)Grameen Replication Model. A small number of microfinance institutions (MFIs) also follow the individual working approach, the study states.

2.4 Group Lending Approach to Microfinance

Stiglitz (1990) in his analysis found that peer monitoring and the delegation of monitoring activities to members in group lending programme reduces moral hazard behaviour of individual group members and helps in reducing the costs of lending, which may be translated into lower interest rates for the borrowers.

Similarly, Hoff and Stiglitz (1990) have shown how the lending of the banks to the groups, create a joint liability for the bank loan among the members of the group and thereby shifts the responsibility of selection, monitoring and enforcement of repayment from the bank to the group.

There are several advantages of group lending setup. according to Anderson and Nina (1998), rather than a bank, borrowers themselves undertake the task of credit evaluation ; this creates a peer screening effect and reduces the transaction cost as community members have much better information than banks.

Umdor (2006) in his study states that the approach in group lending is that instead of lending directly to individual borrowers, banks lend to group of borrowers and the group in turn lends to the individual members. In this way all the members of the group are jointly liable for the loan. Economists have attributed the success of this approach to peer monitoring, group pressure and social ties, which has enabled microfinance programme to mitigate problems associated with micro credit such as lack of collateral, high screening and monitoring cost, lack of information in accessing loan proposal and on borrowers as well as high default rates. Also, the joint liability in group lending replaces the collateral requirements associated with banks loans with social collateral.

Dr. A.P.Pati (2006) in his study opines that the desire to preserve valuable social ties induces borrowers to spend extra effort if necessary to secure timely payments.

Social ties are valuable because they allow members to borrow in the future and provide business connections. Moreover a very important feature of group lending is the collateral effect. What primarily distinguishes microfinance from the traditional provision of financial services is the absence of collateral as security for a loan. Instead money is advanced on the basis of reputation.

2.5 Institutions / Organisations Implementing Micro Finance Activities

Sriram and Upadhyayula (2004) in their studies try to give an analysis of the relationship between NGOs and microfinance. According to them, NGOs in India perform a range of developmental activities; microfinance usually is a sub component of some of these. NGOs organise groups and link them to an existing provider of financial services. Here we refer to the case of these organisations which are not directly involved in microfinance activities. In some cases NGOs have a “revolving fund” that is used for lending. But in either of these cases, microfinance is not a core activity for these NGOs. An example is the Aga Khan Rural Support Programme India (AKRSP-I). For AKRSP-I, the microfinance component is incidental to its work in natural resource management. Sriram and Upadhyayula also state about those NGOs helping the poor in economic activities. Their purpose is developmental. They see micro finance as an activity that feeds into economic activities. It then arrange for loans to its members through banks. When the arrangements are not effective, it started providing loans itself.

At the third level, we have organisations with microfinance at the core. They have developmental roots, but are diverse in their operational details, orientation and form of incorporation



Resource organizations that provide support to implementing organisations in terms of resources or training for capacity building counseling, networking etc. may operate at state / regional or national level.

Formal financial institutions include commercial Banks, Rural Banks and Cooperatives Banks that provide funds to SHGs and also operate their accounts. Development agencies like NABARD, Small Industries Development Bank of India (SIDBI) and Rasthya Mahila Kosh (RMK) provide funds for credit. They support MFIs and have separate allocations for SHGs and micro-credit. Commercial banks as well as co-operative banks are also actively participating in the SHG Bank Linkage Programme.

Dr. A.P. Pati (2006) in his study states that organisational interventions for microfinance can come through four broad categories of suppliers of finance. They are (i) National level financial institutions, basically engaged in refinancing activities, (ii) Banking institutions; (iii) Government channels through different developmental programmes (iv) Other donor agencies in both public and private domain including NGOs. In most of the cases, these organisations provide finance to an intermediary engaged in microfinance activities popularly known as Micro Finance Institution (MFI). These MFIs either supply finance to SHGs as group or to individual borrowers. Besides these formal and semiformal sources, informal sources like money lenders and shopkeepers also supplement the microfinance.

2.6 Recent Developments in India

Namboodiri and Shivani (2001) traced the development of the microfinance programme in India through SHGs model. According to them the SHGs system was initiated in India by the initiatives of NGOs. In 1991, National Bank for Agriculture and Rural Development (NABARD) initiated a programme to finance 500 SHGs

through schedule commercial Banks in 1991. The result of this pilot project led to the constitution of a working Group by the RBI that recommended including lending to SHGs under priority sector advances and integrated with main stream credit operation. Today, the NABARD initiated SHG bank linkage programme has emerged as one of the largest microfinance programme in the world.

Sinha and Patole (2002), state that in India besides the SHG bank linkage programme, there are other two approaches to provide financial services to the poor by the MFIs, namely the co-operatives and the Grameen replica. In the co-operative approach, the most successful cooperatives societies are the Self Employed Women Association or SEWA Bank in Ahmedabad, the Indian Co-operative Network for Women in Tamil Nadu and the Annapurna Mahila Co-operative Credit Society in Mumbai. Another approach is the replica of Grameen model, where a MFI lends to the individual who belongs to a joint liability group within which peer pressure is the key factor in ensuring repayment.

Microfinance in India started in the early 1980s with small efforts at forming informal SHGs to provide access to much needed savings and credit services. From this small beginning the microfinance sector has grown significantly. Sriram (2004) points out that national bodies like the Small Industrial Development Bank of India (SIDBI) and the NABARD are devoting significant time and financial resources to microfinance in India.

Dasgupta (2005) in his review of the microfinance programme in India compares the programme of the microfinance of the two main microfinance programme in India, the Swarnajayanti Gram Swarozgar Yojana (SGSY) scheme and the SHG bank linkage programme (SBLP). He found that the while the SGSY scheme has been more successful in poorer states like Bihar and Madhya Pradesh, the SBLP continues

to be southern states centric, with the southern region accounting for 63 percent of SHGs credit linked and 79 percent of credit disbursed till 2004.

Some studies have been done on the socio-economic impact of SBLP in India. Chen and Snodgrass (1999) evaluate the impact of credit and saving programme of SEWA Bank in city of Ahmedabad in Gujrat, in India. The impact study is based on the baseline data and uses the quasi experimental methodology to compare the two groups of borrowers and savers (the latter being the members of SEWA who did not have loan outstanding) with non members of SEWA. When compared, the study has found that the clients of SEWA had more income, better homes and more sources of income than non members. However, within the members of SEWA, the borrowers fared much better than the savers. The study shows that average income of borrowers and savers households was 39 percent and 12 percent higher than non member household.

Another study by Chen and Snodgrass (2000) also finds that women who participated more extensively in a range of SEWA activities benefit more extensively.

The other study undertaken by Puhazhendi and Satyasai (2000) find a positive impact of the programme on the members in terms of increase in income and assets, consumption expenditure, improved saving habits, better access to credit and increase use of loans for productive purposes. This study covers 11 states namely Rajasthan, Orissa, West Bengal, Uttar Pradesh, Madhya Pradesh, Gujarat, Maharashtra, Andhra Pradesh, Karnataka, Kerala and Tamilnadu.

Another study undertaken by Puhazhendi and Badatya (2002) on the economic and social impact of the SBLP covering Orissa, Jarkhand and Chatisgarh reported a positive impact on employment and poverty.

Murthy, Raju and Kamath (2003) evaluate the impact of South Asia Poverty Alleviation Programme (SAPAP), a microfinance based intervention on women's empowerment and poverty reduction in 3 districts of Andhra Pradesh. The study reports that members of SHGs have better and higher access to the basic needs like nutrition, water, fuel, electricity etc. The study finds that it has improved the status and position of women. Another report of the baseline survey titled 'The Maturing of Indian microfinance : A longitudinal study' (EDA, 2004) finds that microfinance increases enterprise activities and it has increased women's recognised ownership of assets also their involvement in managing enterprise finance by micro credit.

2.7 SHG and Microfinance

Namboodiri and Shivani (2001) analyse the potential role of SHGs in Gujrat in terms of its weakness, strength and threat. The study reveals that the major weakness of SHGs is that they have limited scope for future growth in membership. Further according to them the major strength of these groups is that they are self-sustainable system of community organizations free from governmental; they are promoted by the NGOs, banks. Regarding the threat, author has mentioned that SHGs do not have any legal status.

M. Anjuman and T. Alaghmoni (2001) have undertaken a study in Madurai district of Tamil Nadu with the objective of assessing the economic, social and institutional impact of microfinance through SHGs. The case study has early indicated that if the group formation is correct, there would then be positive impact on all these above aspects.

Sinha and Patole (2002) point out that the core feature of SHGs is the voluntary savings by the members which is initially used to finance credit requirements of members. Dasgupta (2001) focuses on some of the benefits of these groups-

remarkable empowerment of poor women, access to the required amount of credit and savings mobilized by the poor, matching the demand and supply of credit structure and opening of new market for financial institutions.

Chakrabarti (2004) in his study, describe how all decisions on group contributions, loan sanction, interest rates on loans, repayment schedules, etc are made through unanimous resolution drawn at group meetings. He also refers to the important and crucial role of Self Help Promoting Institutions (SHPI) in formation and nurturing of SHG's. It is the SHPI who most often are NGOs working in a particular area who initiate the process of forming SHGs.

P. Satish (2005), in his study finds that the first official interest in informal group lending took shape during 1986-87 on the initiative of NABARD and Self Help Group (SHG) was considered as the most successful channel for delivering of microfinance. He states that SHGs are formed around the theme of saving and credit. Unlike in the case of Grameen Model, the SHG completely controls the use of its funds. It is left to the women to decide the rate of interest at which they lend to members. T.S. Nair (2005) in her study points out that SBLP is the most successful in the microfinance sector. NABARD (2005), in its study analyses the role of SHG in delivering micro-credit. These studies find out that SBLP has emerged as the largest microfinance outreach programme in the world. Thus SBLP has become the answer of the poor to the formal banking system in availing credit, in a sustainable and cost effective manner.

Thus, the SHGs have become regular component of the Indian financial system since 1996. According to Rangarajan (2005) SHG is a savings and credit group with 10-20 numbers who belong to same economic strata, usually women from the poor economic strata, regularly contributing a small savings to a common fund managed by the members themselves. From this fund, loans are given to the members for both

production and consumption purpose. These SHGs are small, informal and homogenous groups of not more than 20 numbers each (NABARD, 2000).

According to A.P. Pati (2006), the basic pillar for success of SHGs is its discipline. He has shown the best practices in SHG through the following chart (1):

Chart: 1: Best practices in SHG

- | | |
|-----------------------------------------------------------------------------|-----------------------------------------------------|
| • Continuous savings | • Rotation of leader |
| • Opening of savings account. | • Transparent and democratic decision making. |
| • Deciding on how to use the loan and setting its own terms and conditions. | • Financial discipline, accounting. |
| • Internal rotation of savings. | • Non-exploitation of members needs. |
| • Conduct of meetings with specific agenda. | • One for all and all for one |
| • Thrift and credit | • Urge for increase of corpus. |
| • Operations taking place in the group meetings. | • Determination for economic and social development |
| | • Regular Meeting |
-

Many studies have been undertaken by various authors to analyse the role and function of SHGs in different parts of the country.

2.8 SHG and Microfinance in North-Eastern Region (NER)

In the context of NER not many studies have been undertaken till now. Borbora and Mahanta (2001) have done a study where they try to give an idea about the progress of SHG bank linkage programme and credit and saving programme (CSP) of Rastriya Grameen Vikas Nidhi (RGVN) in Assam. They find a positive result in terms of

reach and linkage. Another study undertaken by N.M. West (2001) also finds a progressive result of SBLP in Assam.

From the annual reports of Rastriya Gramin Vikas Nidhi (RGVN), some information about SHGs and microfinance can be traced out. The Credit and Saving Programme (CSP) of RGVN was initiated in 1995 with the objective of providing credit and other financial services to the poor who cannot access to the formal sector, in four areas; two each in Assam and Meghalaya. Having completed almost 11 years since implementation, RGVN-CSP has as on 31.03.2006 made its presence felt in I (Is it one district or more) districts of Assam covering more than 600 villages. RGVN has also made substantial progress in grooming NGOs and SHGs under NGO support programme and CSP.

Debabrata Das (2006) studies the impact of SBLP on beneficiaries of SHGs in Assam where he points out that after the linkage to bank, SHG members get more benefits in terms of more employment opportunities, reduction of poverty and growth of banking transaction among the members.

A.P. Pati (2006) in his study in the state of Meghalaya states that in Meghalaya the linkage of SHGs although started after 2001, with a great pace, still has not caught up with its neighbour i.e. Assam. The intra district variations are very high and till today out of seven districts three of them are at very nascent stage of linkage activities.

Umdor (2006) also states that SBLP in Meghalaya is very slow. From 2001-02 to 2004-05, only 89 new SHGs were credit linked under the SBLP and all these are from West Garo Hills. It is only in 2005-06 that a record of 486 new SHGs was credit linked under the programme in Meghalaya. This study also finds that amongst the various SHG credit- linked programmes in Meghalaya, the Swarnajayanti Gram Swaraujgarh Yojona (SGSY) has been the most successful one.

Summary

The review of existing literature provided in the preceding sections brings out the definition, importance and various operational aspects of both these institutions i.e. microfinance and SHGs. The review also discusses, in the Indian context, the success of SHG-Microfinance linkage programme. The review suggests that in the past few years, savings led microfinance has gained recognition as an effective way to bring very poor families to capture the low-cost financial services. However majority of the studies reviewed above, are in the context of different states/regions excluding the NER. These two institutions and the linkage between them as mechanisms of rural development and poverty alleviation are very recent to NER. In this region, to the best knowledge of this researcher, not many systematic studies have been undertaken on different aspects of the linkage between these two institutions. A few of the studies which have been undertaken as reviewed above are very general in nature. They do not explain the various important dynamics of the SHG-Microfinance linkage programme. For example, the various reasons for growth of this SHG-Credit linkage programme have not been looked into by any of these studies. To make the SHG-credit linkage programme a success, a systematic understanding and analysis of some of these programmes should be made both at the aggregate and disaggregate level. In the NER, Assam happens to be the state where, in comparison to other North East states, the progress of this linkage programme is better particularly in terms of coverage. Therefore, we feel that a systematic study on the growth and other dynamics of this SHG-Microfinance linkage programme, will be timely and worth pursuing. However as the study is going to be undertaken by this scholar for her M.Phil thesis, the usual limitations of resources and time prevail. ✓

Chapter – 3

SOURCES OF DATA AND METHODOLOGY

Chapter – 3

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3.1 Introduction

The main objectives of this chapter are to provide an account of the sources of data and method of analysis used in the study and also to provide a profile of the study area. In this study we have basically used data from secondary sources.

3.2 Sources of data

As mentioned above data are collected from secondary sources. The main Sources of secondary data are surveys conducted by National Sample Survey Organisation (NSSO), All India Census Report, Annual Reports of Ministry of Rural Development of Government of Assam, and Annual Statistics on SHG- bank Linkage Programme by NABARD and various statistics on microfinance provided by different organizations. Beside this, some information are also collected from various published and unpublished data sources that are available in different journals and government reports.

To study the basic features of the economy of NER and Assam, various data are collected from Census of India (2001), Economic Survey of Assam (various years), Report of NSSO, (various rounds). Secondary data have also been used in the

evaluation of progress of the SHGs credit programme in Assam. The two main sources of secondary data used for this purpose are the annual statistics given by NABARD on the progress of SHG –bank Linkage Programme in the country, 2000-01 to 2006-07 and the annual progress report of Panchayat and Rural Development department of Assam, 2007 to assess the progress of SGSY.

The study has also used data from Reserve Bank of India's Basic Statistical Return (various years), various issues of Statistical Hand Book of Assam, Report of North Eastern Council 2001. Above all, it also uses sources like various journals, published and unpublished reports of government bodies and individuals.

3.3 Methodology

The period of study is from 2001 to 2007. The descriptions and explanations concerning the growth and progress of these linkage schemes have been analysed and portrayed in terms of simple tables and charts and standard tools like averages and growth rate(r). The growth rate is calculated using the formula: $r = (P_n/P_o)^{1/n} - 1$, where P_n = value of the variable at the terminal period; P_o = value of the variable at the initial period; n = time period.

To analyse the factors responsible for the growth of this linkage programme, statistical tools like co-relation matrix and linear regression models have been used. The simple linear regression equation that we have taken, is in the form of –

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \dots$$

Where y and x are dependent and independent variables respectively; a , b_s are parameters.

3.4 Profile of Study Area

In this chapter we are trying to give an analysis of the demographic and economic characteristics of Assam with special emphasis on the economic indicators of the region. In this chapter we are trying to give an analysis of the demographic and economic characteristics of Assam with special emphasis on the economic indicators of the region.

Profile of Assam:

Assam is a North Eastern state of India with its capital at Dispur. Located south of the eastern Himalayas, Assam comprises the Brahmaputra and the Borak river valleys and the Karbi Anglong and the North Cachar Hills. With an area of 78,438 square kilometers (30,285sq.mtr.), Assam currently is equivalent to the size of Ireland or Austria. Assam is surrounded by Arunachal Pradesh, Nagaland, Manipur, Mizoram, Tripura and Meghalaya. Assam also shares international borders with Bhutan and Bangladesh; and cultures, peoples and climate with South-East Asia-important elements in India's look East Policy.

Assam was referred to as Pragiyotishpura in the Mahabharata; and Kamrupa in the 1st millennium, after the disintegration of Kamrupa in the 12th century the Ahom Kingdom was founded in the 13th century by Sukaphaa, A Shan prince, which unified the polity and lasted for the next 600 years. Though the precise etymology of Assam is unclear, the academic consensus is that the name is associated with the Ahom Kingdom (originally called the Kingdom of Assam). Assam has a great tradition of Buddhism thought.

The British province after 1838 and the Indian state after 1947 came to be known as Assam. On February 27, 2006 the Government of Assam started a process to change

the name of the state to Asom, a controversial move that has been opposed by people and political organizations.

Geologically, as per the plate tectonics, Assam is in the eastern most projection of the Indian Plate, where it is thrusting underneath the Eurasian Plate. It is postulated that due to the north-easterly movement of the Indian plate, the sediment layers of an ancient geosynclines called Tethys (in between Indian and Eurasian Plates) have been pushed upwardly to form the Himalayas. It is estimated that the height of the Himalayas is increasing around 4 cm each year. Therefore, Assam possesses a unique geomorphic environment, with plain areas, dissected hills of the south Indian plateau system and with the Himalayas all around its north, north-east and east.

Assam is divided into 27 administrative districts. More than half of these districts were carved out during 80s and 90s from original 1. Lakhimpur, 2. Jorhat, 3. Karbi Anglong, 4. Darrang, 5. Nagaon, 6. Kamrup, 7. Goalpara, 8. North Cachar and 9. Cachar districts, delineated by the British. These districts are further sub-divided into 49 'sub-divisions' or Mohkuma. The districts are delineated on the basis of the features such as the rivers, hills, forests, etc. and majority of the newly constituted districts are sub-divisions of the earlier districts. The local governance system is organised under the Zila-Parishad (District Panchayat) for a district, Panchayat for group of or individual rural areas and under the urban local bodies for the towns and cities. Presently there are 2489 village panchayats covering 266247 villages in Assam. For the revenue purposes the district are divided into revenue circles and mouzas; for the development projects, the districts are divided into 219 'development - blocks' and for law and order these are divided into 206 police stations or thana.

Assam, the gateway to north eastern states has vast natural resources, rich flora and fauna, rivers and wild life sanctuaries etc. The average temperature is moderate, about 84 degrees Fahrenheit (29 degrees Celsius) in the hottest month of August. The

average valley temperature in January is 61 degrees Fahrenheit (16-degrees Celsius). In this season, heavy fogs and a little rain mark the climate of the valley. Assam does not have the normal Indian hot, dry season. Some rain occurs from March onwards, but the real force of the monsoon winds is felt from June onwards. Much of the state is covered with dense tropical forests of bamboo and at higher elevations, evergreens; common animals of Assam include the elephant, tiger, leopard, rhinoceros and bear.

3.4.1 Demographic characteristics of Assam

This section looks at the demographic features of the state of Assam. The Assamese are a mixture of Mongolian- Tibetan, Aryan, and Burman ethnic origins. They speak languages that belong to their main language groups: Austro-Asiatic, Tibeto-Burman Indo-Aryan. An unbroken record of Assamese literacy history is traceable from the 14th century. About two-thirds of the Assamese are Hindus and about a quarter are Muslim. According to 2001 census, the total population of Assam is 26,655,528 with sex ratio 935/1000.

A majority of the Hindus accept Vaishnavism, which is based on the deity Vishnu. The hilly margins of the plain are inhabited by the hill tribes of the Garo, Khasi and Hajong. The Bodo are the largest minority group in Assam and are concentrated in the northern areas of the Brahmaputra River valley.

Artist and sculptors, masons and architects and others practicing minor crafts such as weavers, spinners, potters, goldsmiths, artisans of ivory, wood, bamboo, cane and hide flourished in Assam from ancient times. The Eri, Muga and Pat are the important silk products of Assam. Weaving is another important aspect of the cultural life of the people of Assam, particularly of the women.

The human landscape is very colourful as well. This land has been the meeting ground of diverse ethnic groups, cultural streams since time immemorial. Throughout the history, people of different stocks have been migrating into this land and merged into a common harmonious whole in a process of assimilation and fraternisation not to be seen much elsewhere in India.

Table – 3.1: Demographic Characteristic of Assam

Sl no.	Districts	Area in sq. km	Population	Sex Ratio	Literacy Rate (%)		Density of Population (%)	
					1991	2001	1991	2001
1	Dhubri	2838	1,634,589	944	38.36	49.86	473	584
2	Kokrajhar	3129	930,404	945	40.47	52.55	255	294
3	Bongaigaon	2510	906,315	945	49.06	60.27	322	361
4	Goalpara	1824	822,306	955	46.81	58.56	366	451
5	Barpeta	3245	1,672,420	941	43.24	57.35	427	506
6	Nalbari	2257	1,138,184	937	55.99	68.08	450	504
7	Kamrup	4345	2,515,030	894	65.04	74.69	460	579
8	Darrang	3481	1,503,943	943	42.00	55.92	373	432
9	Sonitpur	5324	1,677,874	942	48.14	66.29	268	315
10	Lakhimpur	2277	889,325	952	58.96	69.59	330	391
11	Dhemaji	3237	569,468	936	53.84	65.96	148	176
12	Morigaon	1704	775,874	945	47.99	59.46	375	455
13	Nagaon	3831	2,315,387	939	54.74	62.28	494	604
14	Golaghat	3502	945781	929	58.54	70.36	236	270
15	Jorhut	2851	1,009,197	903	65.51	77.91	306	354
16	Sibsagar	2668	1,052,802	926	64.46	75.33	340	395
17	Dibrugarh	3381	1,172,056	923	58.32	71.21	308	347
18	Tinsukia	3790	1,150,146	909	50.28	63.28	254	303
19	Karbi Anglong	10434	812,320	922	45.57	58.83	64	78
20	N. C. Hills	4888	186,189	883	57.76	68.59	31	38
21	Karimganj	1809	1,003,678	944	59.19	48.76	457	555
22	Hailakandi	1327	542,978	933	53.07	59.84	338	409
23	Cacher	3786	1,442,141	945	54.7	67.21	321	381
24	Assam	78438	26,638,407	932	52.89	64.28	286	340

Source: Census of India 2001

From the table 3.1 we can see the district wise demographic data of Assam. The area of the state of Assam is 78, 438 sq. kms. and density of population of the state as a whole was 286 persons per square km. in 1991 and which increase to 340 person per square km. in 2001. The total population of the state stands on 26,638 lakh in 2001.

3.4.2 Economic characteristics of Assam

As mentioned earlier Assam economy is basically agro-based. Most of the people still depend on agriculture and allied services. However, in recent times, service sector is also growing. We can explain the economic characteristics of the state as follows:

Agriculture:

Assam's economy is rural and agricultural. Agriculture is the main occupation of the people and along with the allied activities accounts for 69 percent of the state's work force. Rice is the staple diet. Cultivation of rice is the main occupation of those engaged in agriculture. Jute, Tea and fruit cultivation are the other agricultural crops. Sugarcane, oil seeds, coconut and areca nut cultivation is also practised on a substantial area. Both the centre and state are paying attention to agriculture and a second green revolution is to be brought to the east. Among fruit crops, Assam has oranges and other citrus fruits, bananas, guavas, pineapples and mangoes. Assam is rightly known for its excellent tea which is one of the major cash crops. About 15 percent of total output of tea comes from the tea gardens of Assam, which provide employment to more than a million people. Timber is a major product of the state's extensive forests and bamboo is another important product. Guwahati centre in Assam has become the biggest centre of auction of CTC tea in the country. Assam is the only region in the world that has its own variety of tea, called *camellia assamica*.

Assam's agriculture yet to experience modernisation in real sense and is lagged behind. The state is not self sufficient in many respect.

Industry:

Apart from tea and petroleum refineries, Assam has few industries of significance. Industrial development is inhibited by its physical and political isolation from neighboring countries such as Myanmar, China and Bangladesh and from the other growing South-East Asian economies. The region is land locked and situated in the eastern most periphery of India and is linked to the mainland of India by a flood and cyclone prone narrow corridor with weak transportation infrastructure.

Assam is a major producer of crude oil and natural gas in India. Assam is the second place in the world where petroleum area was discovered. Asia's first successful mechanically derived oil well was drilled in Makum (Assam) way back in 1867. Most of the oilfields of Assam are located in the Upper Assam region of the Brahmaputra Valley. Assam has four oil refineries located at Guwahati, Digboi, Numaligarh and Bongaigaon with a total capacity of 7 MMTPA (Million Metric Tonnes per annum).

Although having a poor overall industrial performances, several other industries have nevertheless been started including a chemical fertilizer plant at Namrup, petrochemical industries at Namrup and Bongaigaon, Paper Mills at Jagiroad, Panchgram and Jogighopa, Sugar Mills at Kampur, there are other industries such as jute mill, textile and yarn mills, silk mills etc. unfortunately many of these industries are facing loss and closer due to lack of infrastructure and improper management practices.

State Income:

The advance estimates of State Domestic Product for the year 2003-04 indicate that during the year the Gross State Domestic Product (GSAP) of Assam is expected to grow by 6.0 percent at constant (1993-94) prices and by 10.2 percent at current prices. At national level the growth of GSDP during 2003-2004 is expected to be 8.1 percent at constant (1993-94) prices and Rs. 20860 at current prices during the same period.

Table – 3.2: Movement of GSDP of Assam at current and constant (1993-94) prices

Year	GSDP (Rs in lakh)		Per capita GSDP (in Rupees)	
	Current prices	Constant Prices	Current prices	Constant Prices
1993-94	1514317	154317	6422	6422
1994 -95	1755100	1557249	7298	6475
1995 – 96	1941137	1601683	7915	6530
1996- 97	2101680	1648650	8416	6602
1997 -98	22806025	1665002	8989	6563
1998 – 99	2555791	1661373	9932	6456
2000 – 01 (P)	3287231	1389733	11937	6759
2001 – 02 (Q)	3543142	191244	12329	6900

Source : (www.assamgovt.org), Assam Economic Survey 2003-04.

P= Provisional,

Q= Quick estimate

Table – 3.3: Movement of NSDP at current and constant (1993-94) prices

Year	NSDP(Rupees in lakh)		Per capita NSDP (in Rs.)	
	Current Prices	Constant Prices	Current Prices	Constant Prices
1993-94	13476.83	13476.83	5715	5715
1994-95	15615.47	13796.47	6493	5737
1995-96	17170.36	14125.47	7001	5760
1996-97	18465.23	14466.77	7394	5793
1997-98	20210.61	14703.57	7966	5796
1998-99	22710.43	14574.44	8826	5664
1999-2000	26272.60	15078.24	10080	5785
2000-01	28262.14	15670.90	10718	5943
2001-02(P)	29419.22	16155.32	11034	6059
2002-03(Q)	31720.80	16784.61	11755	6220

Source: Directorate of Economics & Statistics, Assam

P= Provisional, Q= Quick estimate

The NSDP of Assam in real terms i.e. at 1993-94 prices has been estimated at Rs. 16784.61 crore in 2002-2003 (Q) as against Rs. 15670.90 crore in 2000-01. Thus the NSDP registered a growth of 3.90 percent in 2002-03 over 2000-01. Again percent NSDP at cons. prices (1993-94) showed an increase of 1.95 percent in 2001-02 over 2000-01. At current prices the same recorded an increase of 6.53 percent in 2002-2003 (Q) over 2001-02 (P) as against 2.95 percent increase in 2001-02 (P) over 2000-01.

Sectoral Composition of Assam Economy:

In Assam agriculture was the largest contributor during 80s and 90s. But now service sector is also growing along with manufacturing and other industrial activities. With this trend tertiary sector (service) is the largest contributor followed by the primary

(agriculture and allied activities) and secondary (manufacturing industries) to the Net State Domestic Product(NSDP)in 2002-03.

**Table – 3.4: The sector wise percentage share to the Total NSDP of Assam
During 2002-03(Q)**

Industries	At Current Prices	At Constant Prices
Primary	38.72	38.26
Secondary	16.16	15.69
Tertiary	45.12	46.05

Source: Assam Economic Survey 2003-04

An analysis of sectoral composition by broad groups reveals that during 2002-03(Q) the contribution of primary, secondary and tertiary sectors to the total NSDP of the state at current prices stands at 38.72 percent, 16.16 percent and 45.12 percent respectively.

Employment:

As per data available from the Employment Exchanges of Assam the total job seekers in the Live Register increased to 15, 71,966 at the end of December 2002 from 15,24,616 at the end of December 2001,thereby showing an increase by 3.1 percent. But, the placements have decreased to 747 from 942 during the same period under reference showing a decrease of 20.7 percent.

The data collected during the year 2002, the employment in the Public sector has shown a marginal increase of 0.85 percent while in the private sector has decreased by 8.48 percent over that of the previous year. The following table shows the employment trend in both public and private sectors in Assam for the last few years.

**Table – 3.5: Employment Trend In Public and Private Sectors in Assam
(in lakh)**

Year	Public sector	Pvt. sector	Total
1998	529113	522986	1052099
1999	533985	547446	1081431
2000	535097	575811	1110908
2001	525938	605013	1130951
2002 (P)	530434	553693	1084127

Source: Directorate of Employment and Craftsman Training, Assam.

The most alarming feature of the State is the growing unemployment problem. The job seekers specially educated ones are increasing day by day. As per result of 57th Round of the Survey during the year 2001-2002 the number of unemployed per 1000 person in urban areas in the state were 20 persons against 14 persons in all India indicating thereby the greater dimension of unemployment in the state as compared to all India. The sex wise unemployment in urban and rural areas per 1000 person for 2001-02 are shown in table: 3.6

**Table – 3.6: Sex wise Unemployment in urban and Rural Areas per 1000
persons in 2001-02**

State/Country	Rural			Urban		
	Male	Female	Total	Male	Female	Total
Assam	13	30	21	30	8	20
India	6	5	5	22	5	14

Source: Report on Household Consumer Expenditure, Employment-Unemployment situation in India (57th Round, NSSO)

In the context of limitation of job opportunities in the government sector, the importance and necessity of creating more and more self employment opportunities has assumed special significance not only for providing employment avenues but also for accelerating the pace of development of the state's economy.

Banking Infrastructure:

Banks have an important role to play in stimulating economic development of a country or state. In Assam the network of schedule commercial banks have widened the horizon of social banking policies and programmes, which support all the vital sectors of the economy. According to the Quarterly Handbook of Banking statistics of RBI, March 2003, the number of reporting Bank offices of all schedule commercial bank in Assam stood at 1216, of which, 399 were Regional Rural Banks. The average population covered per bank branch office (based on the census population 2001) in the state stands 22,000 in March, 2003 which is quite unsatisfactory in comparison to the all India average of 16,000 population during the same period.

The Banking net-work operating in the country as well as in the state have been grouped under (i) State Bank of India and its Associates (ii) Nationalised Banks (iii) Foreign Banks (iv) Other Schedule Commercial Banks (v) Regional Rural Banks. The position of bank groups is shown in the following table.

Table - 3.7: Bank-Group wise Schedule Commercial Banks in Assam and India as on March, 2003

Bank Groups	Assam/India	No. of banks
SBI and Associates	Assam/India	201/13578
Nationalised Banks	Do	607/32655
Foreign Banks	Do	1/188
RRBs	Do	399/14462
Other Schedule Commercial Banks	Do	8/5553
All Schedule Commercial Banks	Do	1216/66436

Source: Basic Statistical Return, RBI, 2002-03

Majority of the Bank branch offices in Assam are located rural areas. Out of the 1216 reporting offices (as on March 2003) as many as 792 branches i. e., about 65.13 percent are located in the rural areas of Assam. During March 2003, the reporting Bank branch offices situated in semi urban and urban areas were 266 and 164 respectively. Although many branch offices are in rural areas, they cannot meet the demand of rural poor who actually lack collateral to take loans.

Table – 3.8: Growth of Schedule Commercial Banks in Assam

Year	Number of Offices		(Rs. in Crore)			
			Deposit		Credit	
	Assam	India	Assam	India	Assam	India
1995, March	1260	63817	3955.87	379174.14	1530.24	210959.12
2000, March	1263	67061	8444.15	821419.69	2701.16	460080.68
2001, March	1268	67525	9857.65	949433.29	3159.87	538433.79

Source: 1995-2002, Banking Statistics, Basic Statistical Return, RBI (Various issues) 2002-03, Banking Statistics, Quarterly Handout March 2003, RBI.

In the above table we have given growth of offices of Schedule Commercial Banks as well as credits and deposits from 1995 to 2001 in Assam and India.

Poverty:

Poverty in Assam is widespread. Much of the population even do not have access to basic needs of life. Poverty in Assam has its roots in the abnormal growth of population which is not a natural growth but due to continuous influx of migrants from Bangladesh that is putting tremendous pressure in land : man ratio. The following table shows the incidence of poverty in Assam as compared to India.

Table – 3.9: Percentage of population below poverty line, 2000-01

State/country	Combined		Rural		Urban	
	1993-94	1999-2000	1993-94	1999-2000	1993-94	1999-2000
Assam	45.01	40.04	7.73	7.47	40.86	36.09
India	37.27	27.09	32.36	23.62	35.97	26.10

Source: Planning Commission Report, 2000-01

Incidence of poverty in rural Assam is similar to that at the all India level whereas poverty in urban Assam is much lower than India. The trend in recent years shows that there has been a worsening of rural poverty even though there has been a decline in rural areas. Along with this trend if we consider the fact that bulk (almost 90%) of the population lives in rural areas we could say that poverty in Assam is predominantly a rural phenomenon. Again poverty is more in lower Assam than in the upper Assam because of the presence of tea and oil industry in upper Assam. Again lower Assam is more affected by flood specially those regions which are close to Brahmaputra valley. Thus the key to poverty reduction therefore lies in the growth of the rural economy of Assam.

Summary:

The main objective of this chapter is to describe the various sources of data and methods of data analysis used in the study as well as to provide a demographic and economic profile of the study area. In the first section we have described the sources of secondary data used in our study. In the next section we have discussed about the methodology to be followed.

In the section on study area, we examined the demographic and economic characteristics of Assam. Our study shows importance of the agriculture in the rural economy in Assam, growth of banking facility in the state as well as level of unemployment and poverty. Thus the study highlights the overall picture of the state of Assam as well as NER to some extent.

Chapter – 4

GROWTH OF SHG - MICROFINANCE LINKAGE PROGRAMME IN ASSAM AND IN NER

Chapter – 4

GROWTH OF SHG - MICROFINANCE LINKAGE PROGRAMME IN ASSAM AND IN NER

4.1. Introduction

The economy of North East Region (NER) is agricultural in nature. Most of the people are rural and relatively poor. Despite the large size and depth of the Indian financial system and thousands of bank branches across the country, NER is still lagging behind in terms of financial inclusion. The people of NER and Assam have very little access to formal finance. They have little access to other financial services such as savings accounts, life, health and crop insurance. To meet their short term and long term credit needs these rural poor have to depend on money lenders, friends and relatives and shopkeepers rather than on formal credit institutions. This is due to the fact that they do not have any collateral to offer. Despite very high rate of interest rate and other hazards, the absence of formalities scores over them and attract a large number of clientele to the fold of unorganised sector. In this context we can mention the importance of the alternative credit delivery mechanism like the SHG based microfinance programme in providing essential. financial services to states in the NER.

This chapter tries to give an outline about the various SHG-Microfinance linkage programme in the NER and more particularly in Assam.

The SHG group formation in the region started with a very slow footing. From the year 1988 some groups were formed in various states but actual progress was after 1990-91 with the initiative taken by many NGOs. The microfinance movement in NER started only around 1996-97 with a strong thrust by NABARD. However, prior to that SIDBI, with its earlier avatar of Micro Credit Scheme did start up with funding some NGOs. It is only in 1996-97 that they ventured in a slightly large fashion with Rastriya Gramin Vikas Nidhi (RGVN) under the Credit and Saving Programme (CSP) in Assam and Meghalaya. At the same time NABARD provided a Revolving Fund Assistance (RFA) to an organization called Rural Development Organisation (RDO) in Manipur which actually started with Grameen model of delivery. Thus we can say that microfinance movement started in the NER around 1996-97; about 7-8 years after the national level. Introduction of SHG-bank Linkage Programme (SBLP) in 1996, further geared many NGOs, banks and government agencies to promote group formation and their subsequent linkages in NER. Assam is the largest beneficiary of the programme. In 2000 another programme called Swarnajoyanti Gram Swarajgar Yojana (SGSY) was introduced as anti poverty programme. In post 2001, other states have started similar activities like SBLP, but cannot achieve the success in true terms. Rather SGSY scheme is more successful in other states of the region. Here we discuss the progress of SBLP in NER and Assam and performance of SGSY in Assam.

4.2 The SBLP in NER

The SGSY and the SBLP are the two main programmes under which the formation of SHGs is undertaken for providing credit to numbers in all the states of the country. In the initial year of launching, the SBLP did not reach the expected level in the NER. At the end of March 1999 the cumulative number of SHGs credit linked in the entire region was only 93, which was less than 0.28 percent of the cumulative number of SHGs credit linked in the entire country under the programmes. In 2001, the

cumulative number of SHGs formed under SBLP in NER increased to 477, percentage increase of 413 percent. At the national level the percentage increase in number of SHGs credit linked during the same period was 700 percent (NABARD, 2002). In NER the numbers of SHGs linked to the banks has increased considerably to 200 percent from 2001-02 onwards compared to only 50 percent for All India. Similarly, the amount of loan has also registered a jump for the last few years in the region to more than 200 percent compared to all –India figures of only 90 percent or so. This has led to increase in the proportion of North East Region in the country's tally from a meager 0.09 per cent in 1998 to 2.12 percent in 2005 for number of groups and 0.12 percent in 1998 to 1.48 percent in 2005 for the amount disbursed. We can thus say that the SBLP seems to be in a take off stage in the region. However, there is a considerable scope as it still has only 2.12 percent of the country's total (NABARD, 2005).

Performance of SBLP in NER from 2001-02 to 2005-06 can be explained with the table 4.1. In the table it is evident that Assam and Meghalaya accounted for majority share of the SHGs credit linked (about 58 and 34 percent, respectively) in 2001.

In the same year, Manipur, recorded seven percent, Tripura and Sikkim registered one percent while in other states there were no SHGs credit linked under this programme.

In 2001-02, special focus was given to NER to promote the programme and as a result there was an improvement in the share of NER in the cumulative number of SHGs credit linked (0.2 to 2.8 percent) along with an improvement in the cumulative loan disbursed (0.2 to 1.5 percent) during 2001 to 2006.

With regard to coverage, Assam accounts for 90 percent of the cumulative number of SHGs provided with bank loan along with 86 percent of cumulative bank credit disbursed in the region in 2006. During the same period, the share of Meghalaya

which was 33.5 percent of the cumulative number of SHGs credit linked in NER in 2001 has dropped to 0.9 percent.

The growth of the SBLP has been largely concentrated in Assam (225 percent), Tripura (153 percent), and Manipur (179 percent) in term of cumulative bank loan disbursed during 2001 to 2006. While, Meghalaya is the worst performing state in the same period which recorded only 36 percent of Mizoram and Nagaland where progress of the programme was very slow till 2005, has however recorded significant increase during 2005-06.

In 2006, the average credit per SHG in the NER region is rupees 26506 which is almost half of the all India average. Within the NER states, only Nagaland and Mizoram at rupees 81517 and 65.811 respectively, show an amount of credit per SHG that is much higher than the all India level.

However, of more concern is the fact that most of the groups and linkage is concentrated in Assam. The other states have very insignificant figures despite the fact that they have substantial population sizes.

Meghalaya, which has been the pioneer in SHG financing in the region has remained stagnant. Similarly, Mizoram also has not picked up. Sikkim too presents a skewed distribution of SHGs linked to banks. However, the number of SHGs being linked is too small. In case of Arunachal Pradesh more than 50 percent of the linked groups in the capital town Itanagar or the adjoining district (Abhisit Sarma, 2006).

Table - 4.1 : Performance of SBLP in NER, 2001-02 to 2005-06 (Rs. in million)

Region/ State	Cumulative No. of SHGs provided with bank loan	Cumulative No. of SHGs provided with bank loan	Cumulative bank loan disbursed	As% share of cumulative total SHGs	As% of share of cumulative total SHGs	As% of Cumulative loan disbursed	As% of Cumulative loan disbursed	Annual Growth rate in % in disbursement	Annual Growth rate in % in no. of SHGs	Average loan per SHG	Average loan per SHG
Year*	2001	2006	2001	2006	2001	2006	2001	2001- 06	2001- 06	2001	2006
Northern	9021	133099	163.7	3985.9	3.4	5.9	3.4	89	71	18165	29947
Eastern	22252	394351	190.2	9354.2	8.4	17.6	3.9	118	78	8547	23721
Central	28851	267915	257.2	8050.1	10.9	12.0	5.4	99	56	8915	30047
Western	15543	166254	246.4	5251.4	5.9	7.4	5.1	84	61	15853	31587
Southern	187690	1214431	3942.4	85676.9	71.1	54.3	81.9	85	45	21005	70549
NER	477	62517	8.9	1657.0	0.2	2.8	0.2	184	165	18658	26505
India	263825	2238565	4808.8	113975.4	100.0	100.0	100.0	88	53	18227	50914
Assam	276	56449	3.9	1423.9	57.9	90.2	44.8	225	190	14130	25225
Meghalaya	160	735	4.1	16.2	33.5	1.2	45.5	32	36	25625	22041
Tripura	5	1996	0.3	31.1	1.1	3.2	3.6	153	231	60000	15581
Sikkim	5	127	0.1	1.9	1.1	0.2	1.1	80	91	20000	14961
Manipur	31	1468	0.5	71.9	6.5	2.3	5.7	170	116	16120	48978
A. P.	108	346	2.0	13.5	0.0	0.6	0.0	61	34	18519	39017
Nagaland	15	422	0.6	34.4	0.0	0.7	0.0	175	130	40000	81517
Mizoram	22^	974	2.5	64.1	0.0	1.6	0.0	406	565	113636	65811

Notes: * up to end March, # end March 2002, ^ end march 2004.

1. Calculation for NER states is against the NER total. 2. Growth rate is calculated by using formula

$$r = \left\{ \left(\frac{P_n}{P_0} \right)^{1/n} - 1 \right\} \cdot 100$$

Source: compiled from NABARD data and based on author's calculation

4.2.1 Bank wise scenario of SBLP in NER

India's microfinance programme depends heavily on the existing banking institutions. In some cases, the banks themselves are involved in forming and nurturing the SHGs. During the last five years, the number of linkages has increased by more than 42 times i.e. from 1490 in 2001-02 to 62517 in 2005-06. This is possible due to the active participation of banks. A review of the participation of banks shows that at the national level Commercial Banks dominate while in case of NER Regional Rural Banks (RRB) are most active participants in the programme. The involvement of Co-operative Banks (Co B) is very poor in the region, only (6%). Commercial Banks (CB) held a dominant position at national level in terms of number of linkages (more than 50 percent) while, in NER RRBs are most successful (56 percent) in financing of SHGs followed by CBs. (38 percent) (table 4.2).

In Meghalaya, Arunachal Pradesh and Nagaland, commercial banks are the major financier of the SHGs, while in the other states, RRBs lead the role. Sikkim is the only state in the NER where majority of the SHGs (67 percent) are credit linked to the co-operative banks. So far as the loan disbursement is concerned the share of both commercial banks (CBs) and RRBs are increasing at a higher pace than the all India growth rate.

Table - 4.2: NER vs. India (Bank wise Scenario)

Variable	Region	Bank	2001-02	2002-03	2003-04	2004-05	2005-06	LGR
No. of SHGs as on 31 st March	NER	CB	34.09	15.73	18.56	40.45	38.18	193.70
		RRB	65.37	83.21	77.55	55.41	56.16	143.34
		CoB	0.54	0.98	3.89	4.14	5.67	399.85
	All India	CB	59.43	50.33	49.90	52.12	53.07	45.94
		RRB	8.65	11.01	12.48	13.05	33.06	41.09
		CoB	40.90	38.66	37.62	34.84	13.74	65.99
Banks Loan outstanding as on March 31	NER	CB	49.33	26.41	38.38	69.77	61.65	252.57
		RRB	50.00	72.18	58.10	26.85	34.43	157.28
		Co B	0.67	1.41	3.52	3.37	3.89	374.71
	All India	CB	58.55	56.11	57.75	60.29	61.31	85.76
		RRB	33.71	35.50	32.74	30.44	29.15	74.80
		CoB	7.74	8.40	9.51	9.28	9.47	92.16
No of SHGs	NER To India	CB	0.19	0.18	0.42	1.64	2.01	
		RRB	.52	1.22	2.35	3.36	4.71	
		CoB	0.02	0.05	0.35	0.67	1.15	
Amount of Loan	NER To India	CB	0.21	0.14	0.34	1.71	1.46	
		RRB	0.37	0.60	0.92	1.30	1.72	
		CoB	0.02	0.05	0.19	0.54	0.60	

Source: Compiled from NABARD data based on author's calculation

Within the NER states, the highest amount of loan financed per SHG by the commercial banks was in Mizoram (rupees 123825) and the lowest was in Tripura (rupees 22428). However, the average loan per SHG financed by three types of Banks in the region is below the all India average as evident from table 4.3.

Table-4.3: Cumulative Bank wise Participation in SHG –bank Linkage Programme

Region/ State	Commercial Bank		RRB		Cooperative Bank		Bank wise annual growth of SHGs during 2002-06		
	2002	2006	2002	2006	2002	2006	CB	RRB	CoB
India	27424	1188040	188738	74002	39906	30754	44	41	67
NER	508	23866	974	35108	8	3543	162	145	359
Assam	179	21665	839	31528	6	3256	232	148	383
Arunachal Pradesh	108	182	53*	127	22*	37	14	55	30
Meghalaya	62	516	117	198	10*	21	70	14	45
Manipur	134	569	63*	899	0	0	44	278	0
Mizoram	1*	133	21*	812	2^	29	1053	522	1350
Nagaland	66^	373	15	28	0	21	465	17	100
Sikkim	23	42	0	0	5*	85	16	0	312
Tripura	2	386	3	1516	2	94	273	374	162

Notes: *for year 2004

^ for year 2005

Source: Same as table 4.1

4.2.2 Model wise Distribution of SHGs

There are three types of SHGs formed under the SBLP :

Model I : SHGs formed and financed by banks. (Bank > SHG > Members).

In this model, banks themselves take up the works of forming and nurturing the groups, opening their savings accounts and providing them bank loans.

Model II: SHGs formed by formal agencies other than banks, NGOs and others but directly financed by banks. (Banks > NGOs (as Facilitating Agency) > SHGs > Members).

Model III: SHGs financed by banks using NGOs and other agencies as financial intermediaries. (Banks>NGOs (as Financial Intermediary)> SHG> Members).

The model wise distribution of the SHGs credit linked under the programme in NER states are given in table 4.4.

In NER majority of the SHGs (76 percent) are formed and credit linked by banks (Model I) and only 16 percent of SHGs are credit linked under the Model-II. At the national level, 74 percent of SHGs are formed under model-II, followed by 20 percent under Model-I and a small percentage of six under Model-III. In 2006, in Assam 79 percent of SHGs have been formed by banks, while in Tripura and Sikkim more than half of SHGs credit linked has been formed by commercial banks under model-I (51 and 57 percent respectively).

In Meghalaya (77 percent), Manipur (68 percent), Arunachal Pradesh (100 percent) and Nagaland (93 percent), majority of the SHGs credit linked have been formed by NGOs under Model II.

Table-4.4 : Model-wise percentage Distribution of SHGs under SHG-Bank linkage programme in NER, 2006.

Region/State	Model I		Model II		Model III	
	SHG Credit linked	SHG LOAN	SHG Credit linked	SHG LOAN	SHG Credit linked	SHG LOAN
Northern	9	8	91	92	0.1	0.1
East	33	37	58	56	9	7
Central	20	17	78	81	2	1
West	32	31	63	62	6	8
South	13	10	80	85	7	5
NER	76	83	16	14	74	81
Assam	79	89	12	7	9	3
A.P.	0	0	100	100	0	0
Meghalaya	9	8	77	67	14	25
Manipur	31	27	68	72	0.3	0.7
Mizoram	98	96	2	4	0	0
Nagaland	7	25	93	75	0	0
Sikkim	75	49	25	51	0	0

Source: Annual report of NABARD, 2006

4.3.1. SHG - Microfinance Linkage Programme in Assam

Assam accounts for almost 68 percent of the population of NER states and occupies 30 percent of the NER land mass. But it has 149 zero-lending banks, while the North-East as a whole has 118 blocks that are not covered by banks. The reluctance on the part of banks to provide financial assistance to the rural populace for engaging themselves in self employment avenues has emerged as a constraint in the path of rural development. To overcome these problems SBLP was introduced in Assam along with other states of the country. Formation of SHGs started in Assam in early

part of nineties. Till 2000 the growth of such activities is found to be very slow. During the last five years most of them have been formed. Most of the micro credit initiatives have taken place in the states with the involvement of NGOs both under government sponsored schemes and outside. Most of the larger NGOs in the states have a good track record and are involved in formation of SHGs. The important NGOs which are engaged in promotion, nurturing and up scaling of SHGs in the state are Rashtriya Gramin Vikash Nidhi (RGVN), Asomi, Procesta, Bosco Reach Out (BRO), Gramin, National Alliance etc. It is worth mentioning that RGVN's credit and saving programme (CSP) is a grand success in providing micro finance to the poor. The CSP was initiated in 1995 to provide credit and other financial services to the people who cannot access the formal sector. The main focus of the CSP was to enhance the livelihoods of poor women and empowerment of women. A significant aspect of CSP relates to the cost and sustainability factor. In order to reach out poor more effectively under CSP, RGVN uses the "Samaj Approach" whereby community leaders and group chiefs are involved at every stage of the programme. The progress of CSP during 2005 and 2006 can be seen from the following table: 4.5:

Table – 4.5: Performance of RGVN- CSP as on March 2005 and March 2006

Particulars	2005	2006
Number of District covered	8	9
Total Number of loans (Rs. in lakh)	62,233	70,091
Cumulative amount of loan disburse(Rs. in lakh)	3,246.07	3928.52
Repayment Rate (In percentage)	93.22	95.38

Source: Annual report 2005-2006, RGVN

Besides RGVN, Asomi, another NGO which is basically involved in providing support to SHGs in the state has covered 16 districts under its support programmes.

A good number of SHGs are also promoted by District Rural Development Agency (DRDA) under the SGSY, programme.

During 1990's in Assam, many national, state, local NGOs took up microfinance programme in their effort to empower the poor both socially and economically. In most of the cases, NGOs in Assam not only promote, guide, and nurture the SHGs but also take the role of financial intermediaries. Only a few NGOs took the role of Self Help Promotion Institute which works as a catalyst in promoting, nurturing, raining and linking the banks with the SHGs.

NABARD has so far sanctioned Rs 76.1 lakhs to 4 NGOs of Assam as grant and Revolving Fund Assistance (RFA). The grants are given to the NGOs for promoting, monitoring and nurturing or to meet a part of the administrative cost. On the other hand, the RFA is used for providing credit facilities to the SHGs.. The four NGOs and the amount sanctioned to them are as follows(table 4.6).

Table – 4.6: Cumulative amounts of grants and RFA to NGOs in Assam till November 2000 (in Rs)

Name of the NGOs	Amount of Grant	Amount of RFA	Total
RGVN	784000	4000000	4784000
Bosco Reach Out	800000	1500000	2300000
Gramin	437000	---	437000
National Alliance	89000	---	89000
Total	2110000	5500000	7610000

Source: NABARD, Guwahati

North Eastern Development Finance Institute (NEDFi) has initiated the micro credit programme in 1999. Till November 2000 NEDFi sanctioned Rs. 16.09 lakhs to four NGOs of Assam. The NEDFi has also conducted training programmes of chief functionaries of NGOs in collaboration with North Eastern Institute of Bank

Management, Guwahati. Microcredit seminars are organized and sponsored at different places of Assam by the financial organization to increase the acceptability of the programme.

With a view to promoting and strengthening the SHG programme, Small Industries Development Bank of India (SIDBI) launched a Microcredit Programme in March 1994. It has financially supported 20 NGOs engaged in micro finance programme in North Eastern Region. The total assistance sanctioned till 31st March, 2000 was Rs.504.95 lakhs including Rs.20 lakhs of grant assistance.

In the next sections, a brief summary of SBLP and SGSY programme in Assam are given.

4.3.2. SBLP- District wise cumulative physical and financial progress in Assam

Assam is the largest beneficiary of SBLP as mentioned above. Within the Assam Sonitpur is the district that tops the list in number of groups which are linked to banks in 2006. Kamrup district tops the list in terms of amount disbursed during the same period.

In 2002, Morigaon district (365) tops the list followed by Nagaon district (128) in terms of cumulative number of SHGs provided with bank loan. Goalpara (3) and Bongaigaon (3) were the districts with lowest number of SHGs credit linked in 2002. Data are not available for Hailakandi, Kokrajhar and North Cachar Hills for that period. During the same period, in case of cumulative bank loan disbursement again Morigaon (Rs 5.01 million) stood first followed by Nagaon district (Rs 1.95 million). But in 2006, Sonitpur (11,797) was the top district in case of cumulative number of SHGs linked to banks followed by Darrang (4,740) and Kamrup(4,380). For the same period Kamrup received the highest amount of loan amounting Rs 258.58 million followed by Sonitpur (Rs 186.96) million. In 2006 Karimganj is the least achiever in

both cases. Total number of SHGs credit linked has increased from 1,024 in 2002 to 56,449 in 2006. Total number of loan disbursement has increased from Rs 13.65 million to Rs 1423.98 million in 2006 in the state of Assam.

So basically, most of the SHGs promoted and linked have been concentrated in the lower Assam and Central Assam districts. The districts of Upper Assam have very poor representation despite having substantial population. Thus within the State, we find that there is also skewed distribution of the SHGs being linked.

Thus we find, there exist both inter –state and intra – state differences in the in SHG-bank Linkage Programme in NER and Assam as evident from table 4.7.

Table 4.7: SHG-bank Linkage District wise Cumulative Physical and Financial Progress 31st March '06

Sl. No	Districts	Cumulative No. of SHGs Provided with bank loan					Cumulative Bank loan Disbursed up to (Rs. in millions)					Average Loan per SHG	
		2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	2002	2006
1	Barpeta	22	325	812	2,337	4,490	0.56	2.53	5.34	52.59	92.20	25454.5	20534.5
2	Bongaigaon	3	80	149	623	1,257	0.03	0.80	2.60	19.54	36.34	10000	28910.1
3	Cacher	86	197	498	1,726	2,843	1.20	2.28	4.12	19.70	34.38	13953.5	120922.9
4	Darang	76	320	886	2,361	4,740	0.50	2.63	6.17	29.25	70.77	6578.9	14930.4
5	Dhemaji	27	38	84	275	871	0.49	0.66	1.35	4.10	12.88	18148.1	14787.6
6	Dhubri	10	38	96	809	1,946	0.17	0.49	0.77	26.05	55.81	17000	28679.3
7	Dibrugarh	7	12	44	545	1,135	0.08	0.13	0.42	27.38	41.50	11428.6	36563.9
8	Goalpara	37	105	245	777	1,410	0.08	0.13	0.42	20.10	32.94	2162.2	23361.7
9	Golaghat	37	105	276	855	2,395	0.27	0.98	4.47	27.38	47.90	7297.3	20000
10	Hilakandi	-	3	9	73	238	-	0.03	0.09	3.35	9.66	7297.3	40588.2
11	Jorhut	37	103	360	1,269	1,783	0.27	1.17	5.26	29.20	39.01	13513.5	378737.9
12	Kamrup	37	58	358	2,256	4,380	0.50	0.70	33.30	203.26	258.53	13542.8	59025.1
13	Karbi Anglong	26	59	165	568	970	0.60	1.53	3.25	31.63	40.38	23076.9	41628.9

14	Karimganj	16	16	16	61	132	0.02	0.02	0.02	2.36	5.31	1250	40227.3
15	Kokrajhar	-	154	225	643	1,464	-	2.23	2.96	17.90	30.83	-	21058.7
16	Lakhimpur	19	36	154	748	1,252	0.25	0.45	3.30	13.48	21.21	13157.9	16940.9
17	Morigaon	365	858	1,397	2,249	3,849	5.01	15.48	26.42	51.79	86.43	13726	22455.2
18	Nagaon	128	373	848	2,648	3,665	1.95	5.56	20.86	139.23	160.66	15234.4	43836.3
19	Nalbari	17	41	73	1,134	2,894	0.39	0.68	1.80	34.70	67.78	22941.2	23420.9
20	N.C. Hills	-	-	30	143	413	-	-	4.21	12.75	21.35	-	51694.9
21	Sibsagar	30	82	349	1,090	2,135	0.35	1.05	5.15	34.37	51.79	11666.7	24257.6
22	Sonitpur	78	523	3,628	7,840	11,797	0.93	5.55	33.10	129.48	186.96	11923.1	15848.1
23	Tinsukia	-	3	4	204	390	-	0.03	0.04	12.28	19.37	-	49666.7
Total		1,024	3,477	10,706	31,234	56,449	13.65	45.50	168.59	941.81	1423.98	13330.1	2,5226

Source: Compiled from NABARD data

We can also assess the percentage change as well as the annual growth rate of SHG-bank Linkage Programme in each district of Assam taking 2003 as the base year. In the table 4.8 we have calculated change in percentage as well as the annual growth rate taking two periods of time 2003 and 2006 respectively.

Table - 4.8: District Wise Growth of number of SHGs Credit Linked

Districts	Number of SHG Credit Linked		Percentage increase	Annual Growth rate
	2003	2006		
Barpeta	303	2153	710.56	92.25
Bongaigaon	77	634	823.37	101.92
Cacher	111	1117	1006.30	115.89
Darang	244	2379	975	113.63
Dhemaji	11	596	5418.18	278.40
Dhubri	28	1137	4060.71	243.71
Dibrugarh	5	590	11800	390.48
Goalpara	68	633	930.88	110.36
Golaghat	68	1540	2264.70	182.92
Hilakandi	3	165	5500	280.29
Jorhut	66	514	778.78	98.21
Kamrup	21	2124	10114.28	365.92
Karbi Anglong	33	402	1218	130.09
Karimganj	0	71	—	—
Kokrajhar	154	821	533.11	74.64
Lakhimpur	17	504	2964.70	209.49
Morigaon	493	3625	735.29	94.45
Nagaon	245	1017	415.10	60.71
Nalbari	24	1760	7333.33	318.56
N.C. Hills	—	270	—	—
Sibsagar	52	1045	2009.61	171.87
Sonitpur	445	11017	2475.73	191.45
Tinsukia	3	186	6200	295.78
Assam	2453	25215	1027.92	117.43

Source: Compiled from NABARD data (Various Years)

Note: Growth rate is calculated by using the formula $\{(P_n/P_o)^{1/n} - 1\} \cdot 100$

The above table 4.7 depicts the fact that the percentage increase of the total number of credit linked over the period 2003 to 2006, is very high in the state of Assam (1027.92 percent), the largest beneficiaries being Dibrugarh , Dhemaji, Kamrup, Nalbari , Sibsagar and Sonitpur. In respect of annual growth of SHGs credit linked Assam (117.43) performs well. Dibrugarh (390.48 percent) recorded highest annual growth followed by Kamrup which recorded annual growth of 365.92 percent .Hailakandi (280.29) also performs well in terms of growth of the SHGs tht are credit linked.

4.3.3 SBLP in Assam - Bank Wise Participation

Financial institutions like commercial banks (CB), RRBS and Co-operative banks (COB) have to play a major role in providing micro finance to the poor. In Assam, RRBs and Commercial banks were more active in linking the total number of SHGs, leaving aside the Co-operative banks far behind. But after the inclusion of last 4 years figure, the share has been tilted towards the former to a great extent. The cumulative participation of these banks can be seen from the following table 4.8.

Table – 4.9: SBLP- Bank wise Cumulative Participation as on 31st March (Rs. in million)

Variables/Year		2001-02	2002-03	2003-04	2004-05	2005-06
Commercial Banks (Com B)	No. of SHGs	179	282	1,809	12,741	21,665
	Bank loan	1.84	2.82	61.21	675.05	914.10
RRBs	No. of SHGs	839	3,158	8,529	17,210	31,528
	Bank loan	11.66	41.91	102.46	235.30	451.20
Cooperative Banks	No. of SHGs	6	37	368	1,283	3,256
	Bank loan	0.15	0.77	4.92	31,234	58.68
Total	No. of SHGs	1,024	3,477	10,706	31,234	56,449
	Bank loan	13.65	45.50	168.59	941.81	1,423.98

Source: Compiled from NABARD Data

From the table it is evident that RRBs are more successful in SHG credit linking as well as in providing loan. In 2001-02, while commercial banks promoted 179 SHGs and RRBs promoted 839 SHGs, cooperative banks promoted only 6 SHGs. In case of disbursement also, RRBs top the list with Rs. 11.66 million followed by commercial banks (Rs. 1.84 million) and cooperative banks (Rs 0.15 million). The total cumulative number of SHGs linked stood at 1024 with total loan of Rs 1365 million for the same period.

At the end of 2005-06, RRBs still lead the road in both aspects of providing loan (Rs 235.30 million) to SHGs and promoting SHGs(17,210). The total number of loan sanctioned stood at Rs. 1423.98 million and number of SHGs linked was 56,449 for the same period.

4.3.4 SBLP in Assam – Model wise Cumulative Position in Assam up to 31 March (Rs. in million)

In Assam, Model I is more popular than the other two Models. More SHGs are credit linked under this Model. In 2001-02, the number of SHGs linked by Model I was 571, by Model II was 286 and by Model III was only 167. For the same period loan disbursed by Model I was Rs 8.26 million, by Model II was Rs 4.25 million and by Model III was Rs1.14 million. During that period, the total number of SHGs credit linked by all the models stood at 1,024 and total loan disbursed was Rs 13.65 million.

Table – 4.10: SHG-bank Linkage Model Wise Cumulative Position in Assam up to 31 March (Rs in million)

Variables / Year		2001-02	2002-03	2003-04	2004-05	2005-06
Model I	No. of SHGs	571	1,761	7,954	25,350	44,764
	Bank Loan	8.26	25.74	139.69	862.41	1,274.05
Model II	No. of SHGs	286	1,334	1,735	3,590	6,727
	Bank Loan	4.25	16.67	21.07	59.48	102.19
Model III	No of SHGs	167	382	1,017	2,294	4,958
	Bank Loan	1.14	3.09	7.83	19.92	47.74
Total	No. of SHGs	1,024	3,477	10,706	31,234	56,449
	Bank Loan	13.65	45.50	168.59	941.81	1,423.98

Source: Compiled from NABARD Data

Gradually, the popularity of Model I has increased in terms of reach and linkage as evident from the above table. In 2005-06 total number of SHGs linked under Model-I stood at 44,764 alone. While, under Model- II, 6,727 SHGs were linked and under Model- III only 4,959 groups were linked. Loan disbursement was also higher under Model I (Rs. 1,274.05 million) in comparison to Model- II (Rs. 102.19 million) and Model- III (Rs. 47.74).

4.4.1 Progress of SGSY in Assam

The SGSY programme which was launched nation wide on 01.04.1999 is a major ongoing poverty alleviation programme of the government of India for the rural poor through self employment. The basic objective of the SGSY programme is to bring the assisted poor families above the Poverty Line by providing them income-generation assets through a mix of bank credit under SGSY scheme, 10 to 20 persons belonging to Below Poverty Line (BPL) families are grouped to form SHG.

Within six months of formation, SHG which has demonstrated the potential of a viable group and qualify the first grading receive the revolving fund of rupees 25,000. Of this a sum of rupees 10,000 will be given to the bank by the government. Banks may charge interest only on the sum exceeding rupees 10,000. The revolving fund imparts credit discipline and financial management skills to the group members. Subsequently upon qualifying the second grading, they can avail project finance from banks which has a subsidy component of maximum of rupees 1.25 lakh.

There are 122552 numbers of SHGs in the State of which 22081 SHGs have been provided with bank credit and subsidy since inception of the programme.

The target for the year 2006-07 has been fixed at 6000 SHGs. Achievement up to November 2006 is 3661 SHGs and total SHGs sponsored to bank is 5716.

4.4.2 District wise progress of SGSY in Assam

Four newly created districts / subdivision namely Baksa, Chirang, Kamrup (Metro) and Udalguri are not covered by the scheme and so no SHGs are promoted in those districts. If we look at the data, we find that most of the SHGs formed in 1999 were concentrated in Sonitpur (21346) and Darrang (11942). In 2007 the group formation is somewhat slow and Nagaon is the top district with 369 SHGs. We have calculated mean (5023.03, 4302.165) for both the years respectively. It indicated that in most of the districts except Barpeta, Dibrugarh, Dhubri, Golaghat Jorhat, Kamrup, Lakhimpur, Nagaon, Sibsagar, Sonitpur and Darrang not many SHGs are formed. In case of SHGs passed Grade I and Grade II also we find skewed data with more emphasis on above stated districts. Sibsagar (5132) and Barpeta (2137) performed well in respect of SHGs taking economic activities in 1999. While in 2007 the second position is replaced by Morigaon. Women SHGs taking economic activities is highest in Sibsagar (213) in 2007. In some districts no SHGs including women SHGs have taken up any economic activities.

Table – 4.11: District wise Spread of SGSY Up to the 31st March for SHGs

Variables/ Districts	SHG formed		SHGs Passed Grade -I		SHGs Passed Grade – II		SHGs taken up Economic activities		Women SHGs formed		Women SHGs taken up Economic activities	
	1999- 2006	2006- 2007	1999- 2006	2006- 2007	1999- 2006	2006- 2007	1999- 2006	2006- 2007	1999- 2006	2006- 2007	1999- 2006	2006- 2007
Baksa	0	0	0	0	0	0	0	0	0	0	0	0
Barpeta	6724	199	3555	200	3273	120	2137	67	3877	110	35	35
Bongaigaon	2715	95	1763	163	673	71	673	71	1234	43	45	45
Cacher	2861	101	2427	169	749	45	534	21	1722	90	7	7
Chirang	0	0	0	0	0	0	0	0	0	0	0	0
Darrang	11942	0	5324	76	999	13	896	10	6765	0	0	0
Dhemaji	4134	477	2222	7	837	19	665	19	2215	0	15	15
Dhubri	9453	57	8717	180	2605	250	1896	129	4773	4	65	65
Dibrugarh	4751	0	3227	48	954	27	947	20	4134	0	17	17
Goalpara	4815	151	2796	80	1355	81	1149	31	3403	95	25	25
Golaghat	5485	180	3047	297	755	63	692	58	3418	115	30	30
Hilakandi	2475	0	1231	64	346	22	331	22	764	0	4	4
Jorhut	5166	0	4832	648	2778	419	1549	13	2501	0	13	13
K. Anglong	2947	0	2250	1249	425	99	357	62	2799	0	60	60
Kamrup	9634	766	6800	600	2531	181	1350	78	5264	635	52	52
Kamrup(Metro)	0	0	0	0	0	0	0	0	0	0	0	0
Karimganj	4131	61	2879	122	1931	87	1062	72	1409	41	36	36

Kokrajhar	2666	33	1752	33	1311	33	1311	33	1706	9	13
Lakhimpur	6683	579	2382	175	305	46	169	30	3937	330	17
Morigaon	3773	53	3611	192	1314	138	1219	138	1840	30	75
N.C. Hills	737	0	520	0	244	0	244	0	416	0	0
Nagaon	9906	369	3537	50	1870	78	1465	86	4480	6	13
Nalbari	3610	3610	2339	175	1457	63	559	73	1638	86	68
Sibsagar	6321	6321	3863	132	1886	79	794	96	5966	67	79
Somitpur	21346	21346	14997	777	5646	534	5132	381	15596	268	213
Tinsukia	3347	3347	2806	137	675	37	666	37	2266	30	30
Udalguri	0	0	0	0	0	0	0	0	0	0	0
Total	135622	135622	86877	5574	34919	2505	25797	1547	82123	1959	912
Mean	5023.03	136.11	3217	206.44	1293.29	147.35	955	57.29	3041.59	72.55	33.77

Source: Deptt. of PNRD, Govt. of Assam

4.4.3 District Wise Details of Training of SHGs' Members in Assam

In respect of the training given to the SHGs' members under SGSY, we can analyse the situation for schedule cast, schedule tribe, women, and minority and disable persons separately. In the table 4.11 we have shown data regarding the training given to each section of members for the year 2006-2007.

Table-4.12 : District wise Details of Training of SHGs' Members up to August 2006-07

Variables/ Districts	Total	SC	ST	Women	Minority	Disable
Barpeta	865	85	30	377	455	0
Bongaigaon	4437	494	971	2768	515	0
Cachar	354	70	14	125	70	0
Chirang	0	0	0	0	0	0
Darrang	200	21	38	125	15	0
Dhemaji	0	0	0	0	0	0
Dhubri	750	95	52	520	480	0
Dibrugarh	2379	190	432	2117	0	58
Goalpara	2009	256	790	1675	260	3
Golaghat	25	2	8	17	0	0
Hailakandi	264	25	5	48	186	0
Jorhut	207	45	53	207	0	0
K. Anglong	0	0	0	0	0	0
Kamrup	8850	1473	1788	7577	0	32
Karimganj	1060	252	13	440	262	0
Kokrahar	180	27	80	55	22	0
Lakhimpur	0	0	0	0	0	0
Morigaon	1075	105	118	212	230	28
N. C. Hills	0	0	0	0	0	0
Nagaon	7340	2217	466	3559	2230	0
Nalbari	650	150	100	400	0	0
Sibsagar	1285	291	345	1182	79	0
Sonitpur	1828	383	420	1462	170	0
Tinsukia	370	0	70	300	0	0
Total	34128	6181	5793	23166	4974	124
Average	1422	257.54	241.37	965.25	207.25	5.16

Source: Same as Table 4.10

In table 4.11, it is clear that Kamrup district scores highest point in terms of training given to the total number of members of SHGs including schedule cast, schedule tribe and women members followed by Nagaon in respect of total number of members and schedule cast members as well as women members. Bongaigaon occupies the second position in respect of training given to the schedule tribe members followed by Goalpara. In respect of total number of members that are getting training, the average being 1422 , except Kamrup, Nagaon, Bongaigaon, Dibrugarh, Goalpara , Sonitpur other districts cannot perform up to the mark. Some of the districts namely Chirang , Dhemaji, Karbi Anglong, Lakhimpur, N.C. Hills scores nil in all respect as mentioned in the table, after six years of the introduction of SGSY. Another district namely Golaghat is also lagging behind in giving training to all types of members. In case of training given to minority members (average being 207.25), Nagaon is the top district followed by Bongaigaon and Barpeta. Training given to the disable members (average - 5.16) is very low. The only district that shows the highest number of disable beneficiary is Dibrugarh followed by Kamrup and Morigaon.

Summary

In the above chapter we have shown the distribution of SGSY and SHG – Bank Linkage Programme in the districts of Assam. Sonitpur tops the list while Kamrup, Nagaon, Dibrugarh, Goalpara are other districts which score high but the performance of other districts are not worth mentioning.

Again in records Assam has at present more than one lakh Self Help Groups (SHGs) with a membership of more than ten lakh. But most of these SHGs are inactive in the sense that no income generating activity is exercised by most of them. Most of the SHGs are interested in receiving the subsidy amount only. There is a tendency of the SHGs to grab the subsidy money among its members instead of investing the same in

some income generating and employment productive scheme. It is reported that some officers of the Dev Blocks and the DRDA are encouraging the SHGs in doing so. In Dhubri district, more than 8,000 SHGs were formed so far, and the general picture of the present position of the SHGs is not different in other places of the state. But self employment schemes are seldom taken by these SHGs. So, we can say that though there is a rapid improvement in the linkage of SHGs under SGSY and SBLP, the performance of SHGs are not satisfactory. This can be improved with a system of proper monitoring by concerned govt. agencies.

Chapter – 5

DETERMINANTS OF SHG MICROFINANCE LINKAGE PROGRAMME IN ASSAM

Chapter – 5

DETERMINANTS OF SHG MICROFINANCE LINKAGE PROGRAMME IN ASSAM

In the literature of development economics we do not find many studies dealing with the determination aspect of the SHG expansion. In this chapter we make a modest attempt to give an explanation of the determinants of SHGs expansion in the state of Assam.

5.1 Determinants of Growth of SHGs in Assam

The expansion of the SHG base at the macro level can be attributed to a number of factors. Depending upon the availability of data and within the overall constraints, in our study we have taken literacy rate (LR), percentage of non-farm employment (NFE), number of bank branches (BB), number of NGOs registered (NGO) as responsible factors for the expansion of SHGs under both SBLP and SGSY. We have made a cross-sectional analysis to identify the factors that have influenced the growth of the SHGs in the state. This has been undertaken with reference to two periods of time, viz. 2001 and 2005. Data on LR and NFE for each district of Assam have been taken for the year 2001 and data on BB and NGO have been collected for 2005. The task has been difficult because we do not have the data at the district level for the same period of time. We, have analysed the effects of LR, NFE, BB and NGO on the expansion of SHGs under SBLP (SSBLP) and SGSY (SSGSY) programmes. Since, data regarding the number of NGOs registered (NGO) is not available for the district of Dhubri, we have excluded Dhubri from our analysis. Table 5.1 shows the cross sectional data for different indicators.

Table – 5.1: District Wise Selected Economic and Social Indicators of SHGs expansion in Assam under BLP and SGSY

Sl. No.	Districts	LR (%)	NFE (%)	BB (No)	NGO (No)	SSBLP (No)	SSGSY (No)
1	Barpeta	56.24	41.83	58	109	2337	6724
2	Bongaigaon	59.33	46.23	38	171	623	2715
3	Cacher	67.82	50.29	70	74	1726	2861
4	Demaji	64.48	23.28	17	141	275	4134
5	Darrang	55.44	31.17	49	266	2361	11942
6	Dibrugarh	68.96	41.83	70	31	545	4751
7	Goalpara	58.03	43.44	35	100	777	4815
8	Golaghat	69.38	31.97	48	33	855	5485
9	Hailakandi	59.64	35.79	19	43	73	2475
10	Jorhut	76.33	46.36	61	174	1269	5166
11	K. Anglong	57.7	26.21	53	44	568	2947
12	Kamrup	74.16	68.24	69	501	2256	9634
13	Karimganj	66.24	50.8	44	48	61	4131
14	Kokrahar	51.63	26.21	53	44	568	2947
15	Lakhimpur	68.59	29.05	47	49	748	6683
16	Morigaon	58.53	27.94	27	50	2249	3773
17	N. C. Hills	67.62	49.2	16	10	143	737
18	Nagaon	61.73	40	86	90	2648	9906
19	Nalbari	67.23	46.12	46	148	1134	3610
20	Sibsagar	74.47	43.28	57	35	1090	6321
21	Sonitpur	59	38.83	81	77	7840	21346
22	Tinsukia	60.95	39.77	67	16	204	3347

Source: (i) Census of India 2001, (ii) Statistical Hand Book of Assam, 2006 (iii)

Office of Registrar, Firm and Society, Annual Report 2004-05.

5.2 Correlation and regression analysis

Correlation coefficient matrices of these cross-sectional district level data for SHGs under SBLP and SGSY programmes, respectively, have been constructed and are given in table 5.2 and 5.3 below.

Table – 5.2 : Correlation Coefficient Matrix of SHGs under SSBLP and Other Variables

	LR	NFE	BB	NGO	SSBLP
LR	1.000	0.484*	0.256	0.192	-0.161
NFE	0.484*	1.000	0.336	0.489*	0.050
BB	0.256	0.336	1.000	0.184	0.535*
NGO	0.192	0.489*	0.184	1.000	0.200
SSBLP	-0.161	0.050	0.535*	0.200	1.000

* Correlation is significant at the 0.05 level (2-tailed).

Table – 5.3: Correlation Coefficient Matrix of SHGs under SSGSY and Other Variables

	LR	NFE	BB	NGO	SSGSY
LR	1.000	0.484*	0.256	0.192	-0.071
NFE	0.484*	1.000	0.336	0.489*	0.025
BB	0.256	0.336	1.000	0.184	0.579**
NGO	0.192	0.489*	0.184	1.000	0.312
SSGSY	-0.071	0.025	0.579**	0.312	1.000

*Correlation is significant at the 0.05 level (2-tailed)

** Correlation is significant at the 0.01 level (2-tailed)

The correlation matrix (Table 5.2) shows a positive correlation between number of SHGs under SBLP and number of bank branches (BB) as well as number of NGOs registered (NGO). While the correlation between SSBLP and BB is positive and statistically significant, the correlation between SSBLP and NGO is only positive but not statistically significant. The correlation between NFE and SSBLP is found to be positive but not significant at all. However, the correlation between literacy rate (LR) and SSBLP is negative.

The correlation matrix (Table 5.3) between the number of SHGs expansion under SGSY (SSGSY) and BB is again found to be positive and statistically significant, while the correlation between NGO is only positive but not significant. In case of NFE and LR the results are same as mentioned for table 5.2.

From the correlation matrices, it is clear that the number of SHGs expansion under both the programmes, i.e., SBLP and SGSY is greatly influenced by the expansion of bank branches in the state of Assam. The number of NGOs registered has played a positive role but since the correlation coefficient is not statistically significant, we cannot very conclusively accept this relationship. Literacy rate, non farm employments have little to do in accelerating the pace of SHG revolution in the state of Assam.

We have also analysed these data in terms of regression analysis. Here, we have run the simple linear regression model of the form:

$$Y = a + b_1 LR + b_2 NFE + b_3 BB + b_4 NGO$$

Table 5.4 and table 5.5 reveal the results of such regression analyses.

Table – 5.4 : Linear Regression Analysis of SSBLP and other variables

Independent variables	Unstandardised coefficient B	t	Sig.
Constant	4100.146	1.384	.184
LR	-75.297	-1.422	.173
NFE	-17.025	-.427	.675
BB	49.945*	3.077	.007
NGO	3.027	.926	.368

(i). Dependent variable is SSBLP, (ii).The value of R Square is .411

* Significant at 0.05 level

Table 5.4 simply depicts the fact that the regression between SSBLP and BB is positive as well as statistically significant. The regression analysis also depicts the fact that the variables NGO and SSBLP are positively related to each other but their relationship is not statistically significant. LR and NFE are negatively related to SSBLP indicating that they have little influence in SHG expansion under SBLP. This negative relationship can indicate the fact that SHGs have penetrated to rural areas where people are illiterate and employment diversification has not happened much.

Result of regression of SSBLP on other variables can be written down as:

$$\text{SSBLP} = 4100.146 - 75.296\text{LR} - 17.025\text{NFE} + 49.945\text{BB} + 3.027\text{NGO} \dots\dots\dots (1)$$

$$(1.384) \quad (-1.422) \quad (-.427) \quad (3.077) \quad (.926)$$

Note: Figures in brackets indicate t values

Table – 5.5 : Linear Regression Analysis of SSGSY And Other Variables

Independent variables	Unstandardised coefficient B	t	Sig.
Constant	9302.271	1.282	.217
LR	-109.115	-.841	.412
NFE	-126.765	-1.296	.212
BB	141.174	3.549	.002
NGO	14.938	1.864	.080

(i) Dependent variable is SSGSY, (ii) The value of R Square is .497

The linear regression equation of the above analysis will be

$$\text{SSGSY} = 9302.271 - 109.115\text{LR} - 126.765\text{NFE} + 141.174\text{BB} + 14.938\text{NGO} \dots\dots\dots(2)$$

(1.282) (-.841) (-1.296) (3.549) (1.864)

Table 5.5 gives more or less the same result like table 5.4. The most important variable is BB in expanding the number of SHGs under SSGSY. BB is positively related to SSGSY and is statistically significant. NGO is also positively related to SSGSY but the relationship is not statistically significant. The other two variables are negatively related to SSGSY and the relationships are not statistically significant. Like the analysis with SHGs under SBLP programmes, the nature of this relation suggests that SHGs have been able to penetrate into rural areas where people are illiterate and employment diversification has not happened much.

Summary

From the correlation as well as regression analyses with respect to both the programmes, it is clear that in the expansion of SHG revolution banks have played an

important role. This inference gets vindicated because the coefficients for BB in both the correlation and regression analyses with respect to SSBLP and SSGSY are found to be robust. The other factor i.e. the number of NGOs, is fast emerging as another important factor contributing to the growth of SHGs in Assam. Slightly negative development is that this SHG expansion has not contributed much to diversification of employment. Alternatively it can be said that diversification in employment has not contributed to SHGs expansion in any significant manner. Again literacy rate has nothing to do with SHGs revolution in the state of Assam as found in the analysis. The policy implication is that in the days to come, banks and other financial intermediaries as well as NGOs have to play a major role in spreading out SHG movement in Assam. But in the long run, for a sustainable growth of the economy of Assam in general and the SHG sector in particular, the involvement of banks and NGOs should be matched by diversification of the state's rural economy.

Chapter – 6

CONCLUSION AND POLICY IMPLICATION

Chapter – 6

CONCLUSION AND POLICY IMPLICATION

6.1 Findings and a general overview ?

The study of the Self Help Groups promoted, nurtured by the NGOs and banks reveals that microfinance through SHGs is an important tool for socioeconomic empowerment of the poor, particularly the women.

From the above study it is clear that in NER and Assam there exists basically micro credit with little bit of micro saving. The other aspects of microfinance i.e. insurance, marketing, capacity building, technical assistance etc. are not happening in true terms. Again we find a skewed pattern of growth of SHGs within NER as well as within the districts of Assam. At the state level Assam is the largest beneficiary of SBLP programme followed by Manipur and Tripura. Performance of other states is quite stagnant. SGSY scheme is more successful in the backward states of the region than the SBLP. While analyzing the district wise progress of SHG-Microfinance Linkage programme within Assam most of the SHGs promoted and linked have been concentrated in the lower Assam and Central Assam districts. The districts of Upper Assam have very poor representation except Dibrugarh despite having substantial population. In terms of growth, Dibrugarh tops the list followed by Kamrup. In terms of total number of credit linked, Sonitpur achieved 1st position followed by Darrang. In case of SHGs passed Grade I and Grade II under SGSY also, we find skewed data with more emphasis on above stated districts. Our study finds that along with banks,

NGOs, SHPIs are plying important roles in promoting microfinance movement in the state.

The analysis suggests that overall growth of SHG-Microfinance Linkage Programme is encouraging especially after 1999-2000. This is because of the fact that SGSY scheme was launched during this period to supplement on going SBLP in the state of Assam. But except Assam other states of NER are still in take –off stage. Whatever progress has been achieved in those States are due to only SGSY scheme .Again, the popularity of Model I where there is a direct link between SHG and the sponsoring bank has increased in terms of reach and linkage than the other two models.

One of the important observations of the study is that SHG-Microfinance programme is in infant stage in NER. Insignificant relationships of SHGs under both the programme with literacy rate and non firm employment which may be assumed as the proxy for diversification of rural economy suggest that growth of SHG is particularly a rural phenomenon. The first and foremost objective of penetrating to rural areas has been met by SHG- Microfinance Linkage programme. This is due to the deliberate policy implementation by NABARD and govt. of India. But the real challenge awaits i.e., expansion of its horizon. Sustainability of this programme requires a better diversification of the rural economy. Along with that, greater empowerment of women is required since SHG is mainly controlled by women .To achieve these objectives SHG Microfinance Linkage programme should be incorporated by other social security programmes.

6.2 Summary and Policy Implication

The important findings and policy implications of the study are as follows.

- (i) Number of bank branches can have a positive impact on the growth of SHGs. Therefore, financial inclusion of the poor in the state is possible through a

proper blend of expansion of bank branches and increasing the number of SHGs credit linked. So higher emphasis should be given to establish more bank branches particularly in rural areas.

- (ii) Number of registered NGOs also shows a positive relation with the growth of SHGs. The lack of NGOs specializing in SHG formation and dealing with only microfinance activities is one of the inhibiting factors that has retarded growth of the linkage programme in the region as well as in Assam. Encouragement should be given by government to specific NGOs which are keen to take interest in microfinance activities.
- (iii) Along with that a proper regulating and monitoring system should be incorporated by respective govt. agencies so that the self employment schemes are taken seriously by members of SHGs. With respect to mobilization of subsidy amount also care should be taken. Emphasis should be given on the capacity building of the members .
- (iv) There is a skewness in the spread of the programme within the region. This should be removed by means of conscious effort of banks and government and NGOs.
- (v) To have a sustainable growth of the movement, quality management of the SHGs is important. Greater involvement of members, effective participation and change in the orientation of mindset is required. Along with that other related issues like health care and education should be considered as thrust areas and should be incorporated with the SHG movement for further sustainability.
- (vi) Unlike south India, so far we have seen only micro credit and not microfinance in the region. So other elements of microfinance i.e., insurance,

marketing, providing technical assistance etc, should be introduced in the region as soon as possible.

6.3 Limitation of the study

Our study has its own limitations .The study is affected by the lack of adequate data. Secondly, we have not been able to go for an impact assessment of the SHG-Microfinance programmes because of constraints of resources and time. There is a scope for further research on this topic and the evaluation can be made more specific as well.

Summary

Thus, our study tries to present the contemporary picture of the SHG- Microfinance Linkage Programme in North East and more particularly in Assam (Asom). To evaluate the progress of the programme we have used various information from various sources as mentioned earlier and find that the programme may give high yield to the society in near future if implemented properly.

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