
**NATIONAL BANK FOR AGRICULTURE AND RURAL
DEVELOPMENT**
THE ENGINE OF PROMOTING THE MICRO FINANCE

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Abstract

Micro-finance has become one of most discussed subjects in the last two decades all over the world. In India a variety of microfinance schemes and various approaches have been practiced by both government and non-government organizations. Microfinance was strengthened by Commercial Banks, Regional Rural Banks, Cooperative Banks and other poverty alleviation programme. Main purpose of micro financing has been to raise the living standard of the weaker section of society especially women, poor, rural and deprived persons etc. Self Help Group-Bank Linkage programme was started in India in the year 1991-92 under supervision of National Bank for Agriculture and Rural Development (NABARD). NABARD has been instrumental in facilitating various activities under microfinance sector, involving all possible partners at the ground level in the field. With the passage of time the SHG movement has made rapid progress in the country. In Himachal Pradesh micro finance programme and institutions have also become important components to reducing poverty and improving living condition of weaker sections especially who live in rural and remote areas. This paper deals with the secondary study on *National Bank for Agriculture and Rural Development: The Engine of Promoting the Micro Finance*. The average and percentage has been used for analysis of data. Secondary data collected from different journals, magazines and Annual Reports of NABARD.

Key Words: Micro Finance, NABARD, SHG-BLP, Engine, Saving and Loans

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Introduction

National Bank for Agricultural and Rural Development (NABARD) is an apex development bank with branches spread all over the country. NABARD made an attempt to search for alternative mechanism to improve the access of the poor for financial services in a cost effective and sustainable manner. This search led to the development of a delivery mechanism which encompasses financial relationship between informal organizations of the poor like the self help groups (SHGs) and formal organization like banks. Later on with the needed backup policy support from the Reserve Bank and the central Government, the SHG-Bank Linkage programme was launched by NABARD as a pilot project in February 1992. Encouraged by the success of this project, Govt. of India has also accorded importance to the programme of SHGs as a tool for empowerment of rural people, increasing outreach of the banking and alleviating poverty. With the passage of time the SHG movement has made rapid progress in the country. In Himachal Pradesh micro finance programme and institutions have also become important components to reducing poverty and improving living condition of weaker sections especially who live in rural and remote areas.

1.1 Concept of Micro Finance:

The origin of micro finance is from the brainchild of Grameen Bank of Bagladesh, which was founded by Mohammad Yunus. Micro-finance has become one of most discussed subjects in the last two decades all over the world. In India a variety of microfinance schemes and various approaches have been practiced by both government and non-government organizations. Microfinance was strengthened by Commercial Banks, Regional Rural Banks and other poverty alleviation programme. Main purpose of micro financing has been to raise the leaving standard of the weaker section of society especially women, poor, rural and deprived persons etc. in rural semi urban or urban areas to increase their income levels and improve their living conditions by promoting a need based policy and programs. SHGs are fastest growing and most cost effective microfinance initiative in the country after 1990s. Self Help Group- Bank Linkage programme was started in India in the year 1991-92 under supervision of National Bank for Agriculture and Rural Development (NABARD).

1.2 Concept of Self Help Groups (SHGs):

Self help group both by definition and in practice is a small, economically homogeneous and affinity group of 10 to 20 poor persons which comes together for a common collective purpose to save small amounts regularly, contribution for a common fund, emergency needs resolve conflicts though collective leadership and mutual decided by the group at market driven rates. In practice, SHGs comprise individual members known to each other, coming from the some village, community and even neighborhoods. That is they are homogenous and have certain pre-group social binding factors the SHG is formed and groomed by a non-governmental

organization (NGO) or a bank branch or a government agency acting as a self-help promoting institution (SHPI). The members are encouraged to collect regular thrift on a weekly to monthly basis and use the pooled thrift to provide interest bearing small loans to needy members.

1.3 National Bank for Agricultural and Rural Development (NABARD)

NABARD is an apex institution accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in India. NABARD was established in 1982 as a development Bank, in terms of the preamble of the Act, “for providing and regulating credit and other facilities for the promotion and development of agriculture small scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas and for matters connected there with or incidental thereto. NABARD has been instrumental in facilitating various activities under microfinance sector, involving all possible partners at the ground level in the field. NABARD has been encouraging voluntary agencies, bankers, socially. Spirited individuals, other formal, informal entities and also government functionaries to promote nurture SHGs.

2. Objectives of the Study: The main objective of the present research paper is to appraise the *National Bank for Agriculture and Rural Development: The Engine of Promoting the Micro Finance*. To achieve the main objective, the following sub- objectives are formulated:

1. To study the progress of Self-Help Group-Bank Linkage Programme in India.
2. To study the progress of Self-Help Group-Bank Linkage Programme in Himachal Pradesh.
3. To recommend some suggestion for better functioning of SHGs.

3. Methodology:

The present paper is based on secondary data. Data has been collected from different journals, magazines and Annual Reports of Status of Micro-Finance in India; NABARD. The collected data has been analyzed by using simple percentage and average method. Data has been taken from the year 2011-12 to 2015-16.

4. Self Help Groups - Bank Linkage Programme in India

The Self Help Group – Bank Link Program (SHG-BLP) though made impressive progress during the last two decades of its existence. The impressive performance under SHG-BLP promoted other developmental agencies like the government Departments to depend heavily on such groups to take the development efforts forward. NABARD bring the “unbanked” poor into the mainstream banking channels through SHG-BLP. Generating income and alleviating poverty through the creation of livelihoods, is one of the goals of the SHG–Bank

Linkage Programme (SHG–BLP). NABARD has been enabling livelihood promotion and graduation of SHG members through a variety of programmes that focus on up gradation of skills and developing entrepreneurship abilities. There are main three banks i.e. Commercial Banks, Regional Rural Banks and Cooperative Banks with many branches that have promoted SHGs by linking these groups with banks. The progress of micro-finance by different banks in India as on 2015-16 is shown in Table-1. The data revealed from the table shows that during the year 2015-16, all banks who are connected with SHGs has distributed Rs. 3728690 lakh for 1832323 SHGs and saving amount of 7903002 SHGs with banks are Rs. 1369139 lakh. Bank loans outstanding against 4672621 SHGs are Rs 5711923 lakh.

Table-1

Performance of different agencies to promote Micro-finance during the year 2015-16

(In lakhs)

Particulars		Commercial Banks	Regional Rural Banks	Cooperative Banks	Total
Total Saving of SHGs with Banks	No. of SHGs	4140111 (52.6)	2256811 (28.56)	1506080 (19.1)	7903002 (100)
	Saving Amount	903389 (66)	248428 (18.1)	217322 (15.9)	1369139 (100)
Total Loan Disbursed to SHGs by Banks	No. of SHGs	1132281 (61.8)	470399 (25.7)	229643 (12.5)	1832323 (100)
	Loan Amount	2518497 (67.5)	916493 (24.6)	293700 (7.9)	3728690 (100)
Total Outstanding Bank Loan against SHGs	No. of SHGs	2626363 (56.2)	1445476 (30.9)	600781 (12.9)	4672621 (100)
	Outstanding Amount	3714562 (65)	1610935 (28.2)	386426 (6.8)	5711923 (100)

Source: Status of micro-finance in India 2015-16, NABARD.

Note:

Figures in brackets denote percentage to the total.

Commercial Banks: Commercial bank has saved the total amount of Rs. 903389 lakh in 4140111 SHGs and distributed Rs. 2518497 lakh amount for 1132281 SHGs. Bank loans outstanding against SHGs in commercial banks are Rs. 3714562 lakh and total number of SHGs are 2626363 who have not returned the amount of loans. The percentage share clears that Commercial banks are on the top in saving amount, loan disbursed and loan outstanding i.e. 66 per cent, 67.5 per cent and 65 per cent respectively.

Regional Rural Banks: Regional Rural Bank has distributed Rs. 916493 lakh amount for 470399 SHGs and saving amount is Rs. 248428 lakh of 2256811 SHGs. Bank loans outstanding against

SHGs in RRBs are Rs. 1610935 lakh against 1445476 SHGs. The percentage share of saving amount, loan disbursed and outstanding amount is of 18.1 per cent, 24.6 per cent and 28.2 per cent respectively.

Co-operative Banks: NABARD has been supporting capacity building, exposure and awareness creation initiatives among the co-operatives to mainstream SHG bank linkage in the co-operative banking sector. Co-operative bank has distributed Rs. 293700 lakh amount (7.9%) for 229643 SHGs and saving amount of 1506080 SHGs are Rs. 217322 lakh (15.9%). Outstanding loans of 600781 SHGs in cooperative banks are Rs. 386426 lakh i.e. 6.8 percentage share in total outstanding loans.

5. Self Help Group-Bank Linkage Programme in Himachal Pradesh:

The National Bank for Agriculture and Rural Development (NABARD) has strengthened its association with the developmental process substantially for Integrated Rural Development in the recent years by initiatives encompassing a wide range of activities viz. Development of Rural Infrastructure, Micro Credit, Rural Non-Farm Sector, Minor Irrigation and other agricultural sectors, besides strengthening the rural credit delivery system in the state. The active support from NABARD is generating tremendous social and economic benefits in the rural areas of the state. The Self Help Group (SHG) movement has spread across the state and is now on a firm base. In Himachal Pradesh under SHG- BLP nearly 44185 SHGs are saving approximately Rs. 3411.12 lakh amount with banks in the State as on 31st March 2016. Total loans have been distributed Rs. 4527.28 lakh by 3226 SHGs registered in different agencies and outstanding loan is Rs. 11165.80 lakh in 18261 SHGs in the year 2015-16. For propagating SHG Bank Linkage Programme under NABARD is partnering with about 68 SHPIs in the state. Further NABARD is also partnering with Department of Women and Child Development, Government of Himachal Pradesh. Progress of banks for promoting the SHG-BLP under NABARD is shown in following tables.

5.1 Saving of SHGs with Banks under NABARD in Himachal Pradesh

Year - wise details of saving of Self Help Groups with banks under different agencies in Himachal Pradesh is shown in table-2. Total savings had shown fluctuating trend from the year 2011-12 to 2015-16.

Table 2
Saving of the SHGs with Banks in Himachal Pradesh

(Rs. in Lakh)

Name of the Bank		2011-12	2012-13	2013-14	2014-15	2015-16	Average
Commercial	SHGs	29621	25233	12004	14269	14976 (33.89)	19221

Banks	Amount	1362.48	2143.52	1375.60	943.25	1417.40 (41.55)	1448.45
Regional Rural Banks	SHGs	7101	7737	8532	9267	9649 (21.84)	8457
	Amount	868.17	1072.48	673.86	746	786 (23.04)	829.3
Co-operative Banks	SHGs	28919	20272	17098	14302	19560 (44.27)	20030
	Amount	1057.97	1061.92	682.97	959.74	1207.72 (35.41)	994.06
Total	SHGs	65641	53242	37634	37838	44185 (100)	47708
	Amount	3288.62	4277.92	2732.43	2648.99	3411.12 (100)	3271.82

Source: Data compiled from **Status of Micro Finance in India** for various years, NABARD, Mumbai.

Note: Figures in brackets denote percentage to the total.

Table reveals that during the study period, total average number of 47708 SHGs has saved Rs. 3271.82 lakh per annum. The average number of SHGs and saving amount is 19221 SHGs with saving of Rs. 1448.45 lakhs, 8457 SHGs with saving of Rs. 829.3 lakh, 20030 SHGs with saving of Rs. 994.06 under commercial banks, regional rural banks and cooperative banks respectively. In the recent year 2015-16, maximum percentage share in total SHGs who have saved money in banks are under cooperative banks i.e. 44.27 per cent followed by commercial banks and regional banks with 33.89 per cent and 21.84 per cent respectively. Whenever, percentage share of saving amount in different agencies calculated highest under commercial banks i.e. 41.55 per cent followed by cooperative banks and regional rural banks with 35.41 per cent and 23.04 per cent respectively. It is clear cooperative banks are on top in linking the SHGs in saving activities and highest amount is saved in commercial banks

5.2 Loan disbursed to SHGs under NABARD in Himachal Pradesh

Year - wise details of loan disbursed to SHGs under NABARD in Himachal Pradesh is shown in table 3. Table reveals that during the study period, different agencies have distributed the average amount of Rs. 4577.3 lakhs for average number of 3698 SHGs. During the study period, different agencies like commercial banks have been distributed Rs. 1584.04 lakhs for 1072 SHGs, regional rural banks have distributed Rs. 675.62 lakhs for 681 SHGs and cooperative banks have been advanced Rs. 2317.64 lakhs for 3698 SHGs per annum.

Table 3
Distribution of Loans to SHG under NABARD in Himachal Pradesh

(Rs. in Lakh)

Name of the Bank		2011-12	2012-13	2013-14	2014-15	2015-16	Average
Commercial Banks	SHGs	1274	927	840	1227	1093 (33.88)	1072
	Amount	1651.26	1444.25	1233.87	1924.47	1666.37 (36.81)	1584.04
Regional Rural Banks	SHGs	752	782	507	697	669 (20.74)	681
	Amount	690.91	351.90	556.28	783	996 (22)	675.62
Co-operative Banks	SHGs	2243	2455	1423	2138	1464 (45.38)	1944
	Amount	2982.29	2356.83	1916.51	2467.65	1864.91 (41.19)	2317.64
Total	SHGs	4269	4164	2770	4062	3226 (100)	3698
	Amount	5324.46	4152.98	3706.66	5175.12	4527.28 (100)	4577.3

Source: Data compiled from **Status of Micro Finance in India** for various years, NABARD, Mumbai.

Note: Figures in brackets denote percentage to the total.

In the recent year 2015-16, maximum percentage share in total loan distribution has been recorded under cooperative banks i.e. 41.19 per cent followed by commercial banks and regional banks with 36.81 per cent and 22 per cent respectively. Similarly, percentage share of SHGs who have taken loans in different agencies calculated highest under cooperative banks i.e. 45.38 per cent followed by commercial banks and regional rural banks with 33.88 per cent and 20.74 per cent respectively. It concludes that cooperative banks have distributed maximum amount for the maximum number of SHGs

3. Outstanding Loans under NABARD in Himachal Pradesh

Year - wise details of Bank loan that was not returned by the people is shown in table 4. The evident from the table shows that during the study period, average amount of outstanding loans are Rs. 12349.75 lakhs under average number of 26087 SHGs. During the study period, average outstanding amount of Rs. 4297.55 lakhs, Rs.2179.97 lakhs and Rs. 5050.66 lakhs under commercial banks, regional rural banks and cooperative banks respectively. The average number of SHGs is 12298, 5787 and 8002 under commercial banks, regional rural banks and cooperative banks respectively who are failed to repaid the loaning amount. In the recent year 2015-16, maximum percentage share of outstanding loans is 40.18 per cent under cooperative banks followed by commercial banks and regional banks with 38.94 per cent and 20.89 per cent respectively.

Table 4
Outstanding Loans under NABARD in Himachal Pradesh
(Rs. in Lakh)

Name of the Bank		2011-12	2012-13	2013-14	2014-15	2015-16	Average
Commercial Banks	SHGs	21906	21648	5989	6188	5761 (31.55)	12298
	Amount	1651.26	5352.84	5479.77	4656.44	4347.5 (38.94)	4297.55
Regional Rural Banks	SHGs	3206	6734	6035	6150	6808 (37.28)	5787
	Amount	2260.53	2535.13	1601.17	2171	2332 (20.89)	2179.97
Co-operative Banks	SHGs	10760	11775	5594	6189	5692 (31.17)	8002
	Amount	6070.68	5927.54	4323.11	4445.63	4486.4 (40.18)	5050.66
Total	SHGs	35872	40157	17618	18527	18261 (100)	26087
	Amount	14090.33	13815.51	11404.05	11273.07	11165.80 (100)	12349.75

Source: Data compiled from **Status of Micro Finance in India** for various years, NABARD, Mumbai.

Note: Figures in brackets denote percentage to the total.

Whenever, percentage share of SHGs who have not returned the loans recorded highest in regional rural banks i.e. 37.28 per cent followed by commercial banks and cooperative banks with 31.55 per cent and 31.17 per cent respectively. Table also shows that the agencies are failed to recover the advanced loans for SHGs because of outstanding amount has been increased from the year 2011-12 to 2015-16.

Findings of the Study:

By analysis the collected material from different journals and annual reports of NABARD; some point has been found that shows that NABARD has been playing the role of propagator and facilitator by providing a conducive policy environment, training and capacity building besides extending financial support for the healthy growth of the SHG- bank linkage programme in the country. This has resulted in the development of the largest Micro Finance programme in every state. Finding of the present paper is highlighted as below:

- It is found that cooperative banks, commercial banks and regional rural banks are the main agencies of NABARD for developing the micro-finance programme in India and also in Himachal Pradesh.

- NABARD has developed a conducive policy framework through provision of opening saving bank accounts in the names of SHGs (though they are informal groups).
- Encouraged banks (RRBs and co-operative banks) for promotion of SHGs.
- The position of Credit distribution has been found sound in the state. Banks have distributed loans in grass root level.
- The position of recovered and outstanding loans has not found satisfactory. Banks are failed to recover the distributed amount from the borrowers.
- Financial support to NGOs and rural individual volunteers for promotion of SHGs.
- There is provision for intensive training for skill building, refresher training for SHG members.
- Setting up a microfinance development and equity fund in NABARD for meeting the promotional costs of up scaling the micro-finance interventions.

Suggestions for Better Functioning of Micro Finance

On the basis of the present study, few suggestions are put forward for the better functioning of Self help groups through NABARD:

- There is a need to strengthen the bank linkage programme in the backward districts with and to reduce the inter-district disparities in the outreach of micro-financing.
- The banking system must improve its functioning by working with local government and local voluntary organization.
- There should be regular evaluation and monitoring of SHGs through different useful agencies like govt., bankers, NGO, etc. To enhance the participation of all the members, exclusive membership education programmes need to be conducted.
- Media can encourage the people to become member of SHGs. Media should emphasize on publicity about the benefits of the SHGs by this more people will involve in the SHGs.
- NABARD must primarily focus on a strategic action plan on SHG-BLP, evolving quality standards, financial literacy, digitization of SHGs, livelihood promotion, creating proper eco system for SHG-BLP and other functions facilitating greater credit flow to SHG.

Conclusion:

At the end of the paper, it concluded that NABARD has been instrumental in facilitating various activities under micro finance sector. It has improved the credit distribution for upliftment of weaker section in rural areas. It has provided investment credit for development of small industries, village and cottage industries, handicraft and other rural crafts, artisans and farmers. Self help group –bank linkage programme has given great opportunity for the very poor people to improve their living slandered by getting credit on low interest rate. NABARD should enhance the credit amount more for development of economy. NABARD has also organized fairs and provided opportunities for the groups to sell their products.

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