

## MICRO-FINANCE: SOLUTION TO AN ALLEVIATION OF POVERTY

**Mr.Jagannath K, Khemnar\***

**INTRODUCTION:** More than 400 million of India's people – or one-third of the world's poor - still live in poverty. Approximately 53 million people between 2005-2010 are still highly vulnerable to falling back. In fact, due to population growth, the absolute number of poor people in some of India's poorest states actually increased during the last decade. Inequity in all dimensions, including region, caste and gender, will need to be addressed. Poverty rates in India's poorest states are three to four times higher than those in the more advanced states. While India's average annual per capita income was \$1,410 in 2011 - placing it among the poorest of the world's 'middle-income countries' - it was just \$436 in Uttar Pradesh (which has more people than Brazil) and only \$294 in Bihar, one of India's poorest states. Poverty imposes an oppressive weight on India, especially in the rural areas where almost three out of four Indians and 77 percent of the Indian poor live. Although poverty has been reduced during the past four decades, it remains painfully high.

In the half century since its independence, India has accomplished many notable social and economic achievements. Among these is the eradication of widespread famine, a reduction in population growth, some lowering of caste barriers to economic opportunity and the creation of a large pool of technical and scientific talent, employment schemes, nationalization of commercial banks and introduced Micro-Finance.

Since independence period, Government of India and Reserve Bank of India were developed wide banking system across the country, though many people were not seen the banks face. Due to the bank policy, poverty and illiteracy many people were not shown interest to approach the bank. For inclusive development of all poor people were need the specific policy those cover and

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\* Astd. Professor, N.G.Acharya and D.K.Marathe College, Chembur

attracts the poor people. Apart from agriculture, the poor people need more credit for different purposes like to complete lifecycle needs (weddings, funerals, childbirth, education, homebuilding, widowhood, old age), personal emergencies (sickness, injury, unemployment, theft, harassment or death), disasters (fires, floods, cyclones and man-made events like war or bulldozing of dwellings) and Investment Opportunities (expanding a business, buying land or equipment, improving housing).

Formal credit and savings institutions for the poor have also been around for decades, providing customers who were traditionally neglected by commercial banks a way to obtain financial services through cooperatives and development finance institutions.

Since the Nineties, Micro-Finance concept was introduced by Reserve Bank of India through the National Bank for Agriculture and Rural Development. Micro finance is positively influencing the economic conditions of the poorer sections of the society. Even its movement whose aim is many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers. In Micro-Finance era, the Self-Help Group-bank linkage programme is very popular among the poor people and being implemented by commercial banks, Regional Rural Banks and Cooperative banks. Micro-Finance is the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed people who traditionally lack access to banking and related services. As per the Khan Commission (2004) and K C Chakraborty (2005) report, financial inclusion is necessary across the country. Micro-finance is an important instrument for maintaining financial inclusion because it is the delivering of financial services, at affordable costs, to sections of disadvantaged and low income segments of society.

#### OBJECTIVE OF THE PAPER:

This paper believes that Micro-finance movement is a solution for overtaking the poverty. The important objectives are given below.

- 1) To select one state for presenting paper.
- 2) To study the progress of Micro-Finance through SHGs in selected state.
- 3) To analyse the performance of micro-finance in selected state.

#### METHODOLOGY OF PAPER:

For the Paper, we have refers and collected information from various reports ,publications and websites of Governments, Reserve Bank of India , National Bank for Agriculture and Rural Development and District Rural Development agencies Reports. The paper is based on simple statistical process.

#### SELECTION OF STATE:

As per Status of Micro-Finance in India 2011-2012, development of SHGs in India classified in six regions and every region belong some states.(Table-1)

**Table-1: INFORMATION OF REGION –WISE STATES BEFORE MARCH2011**

Sr.No	Name of Region	Name of States	Percentage of States	Rank
1	Northern	1. Haryana 2. Himachal Pradesh 3.Punjab 4. Jammu and Kashmir 5. Rajasthan 6.New Dellhi	20	2
2	North-Eastern	1. Assam 2. Manipur 3.Meghalya 4.Sikkim 5. Tripura 6.Nagaland 7.Arunachal Pradesh 8. Mizoram	26.66	1
3	Eastern	1. Bihar 2. Jharkhand 3.Orissa 4.West Bengal 5.A& N Islands (UT)	16.66	3
4	Central	1.Madhya Pradesh 2.Chhattisgadh 3.Utter Pradesh 4.Utteranchal	13.33	5
5	Western	1. Goa 2. Gujrat 3.Maharashtra	10	6
6	Southern	1.Andra Pradesh 2. Karnataka 3.Kerala 4.Tamil Nadu	13.33	4
	Total	30	100	

Above table defines that North-Eastern Region was covered higher number of states and Western region was covered less states .Therefore, in this phase, the paper has select Western Region because it ranked at lowest number.

A Western Region consist only three states i.e. Goa, Gujarat and Maharashtra. The study has considered only number of SHGs i.e. started by Commercial Banks, Regional Rural Banks and Co-operative banks in Western region. In this way, Maharashtra ranks first number and Goa ranks lowest number. Hence, the study has chosen the state of Maharashtra. (Table -2)

TABLE-2 Bank –wise classification of SHGs in Western Region

Name of State	Commercial Banks	% of SHGs	Rank	Regional Rural Banks	% of SHGs	Rank	Co-operative Banks	% of SHGs	Rank
Goa	5400	0.11	3	00	00	3	3014	0.24	3
Gujarat	136741	2.96	2	58713	2.75	2	31172	2.56	2
Maharashtra	430614	9.32	1	94519	4.44	1	301914	24.85	1
India	4618036			2127368			1214895		

#### **BANKING BACKGROUND OF MAHARASHTRA:**

Maharashtra is the second largest state in India both in terms of population and geographical area spread over 3.08 lakh sq. km. The State has a population of 11.23 crore (2011 Census), which is 9.4 per cent of the total population of India. The State is highly urbanized with 45 per cent people residing in urban areas as against around 31 per cent at the national level. The Sex ratio in the State is 925 female per 1000 male (940 All India). The density of population in the State is 365 per sq km as against 382 per sq km in the country. The decennial population growth in the State from 2001 to 2011 has been at 16%. Literacy rate in the State is 82%. The State has a widespread banking network. As on 31 March 2012 there were 30 CBs, 3 RRBs, 31 DCCBs and 21693 PACs in the State. There were 11970 branches of Scheduled Commercial Banks, DCCBs and RRBs in the State (excluding branches in the metropolitan city of Mumbai). Out of the above, 4758 were rural, 2386 were semi-urban and 4810 were urban branches. The deposits outstanding of CBs, RRBs and Cooperatives as on 31 March 2012 were Rs.870289 crore, Rs.5569 crore and Rs.50478 crore respectively. Thus aggregate deposits as on 31 March 2012 were Rs.926337 crore. The total loans and advances outstanding as on 31 March 2012 were Rs. 764149 crore comprising CBs share at Rs.725592 crore, RRBs share at Rs.3311 crore and cooperative banks share at Rs.35, 245 crore indicating a Credit Deposit (C/D) ratio of 82.4%.The

State has 35 districts (including Mumbai & Mumbai sub-urban), which are divided into six revenue divisions viz. Konkan, Pune, Nasik, Aurangabad, Amravati and Nagpur for administrative purposes. For local self-governance in rural areas, there are 33 Zilla Parishads, 351 Panchayat Summitts and 27,906 Gram Panchayat. The urban areas are governed through 23 Municipal Corporations, 221 Municipal Councils, 5 Nagar Panchayat and 7 Cantonment Boards.

### PROGRESS OF SELF-HELP GROUPS ACROSS THE MAHARASHTRA

The present state of Maharashtra came to existence on 1<sup>st</sup> May 1960. It is largely inhabited by Marathi speaking people. It expresses of their cultural linguistic and social homogeneity. The area of the state is 307762 sq. km. and occupies 9.36% of total area of land of India. The total length of the coastline of state is 720 km; east-west length of the state about 800 km, north-south width is about 700 km. Maharashtra state is bounded on east, north and north-east by parts of Madhya Pradesh, South parts of Karnataka and Goa, North -West by parts of Andhra Pradesh and Karnataka and to its West side is the Arabian seas. For administrative connivance the state is divided into six divisions namely, Mumbai, Pune, Nashik, Aurangabad, Amravati and Nagpur. It has involved 35 districts and 355 Talukas and 43663 villages. There are 69646147 poor rural household living in India, out of them 8.46% living in the Maharashtra. Under the SHG linkage programme, 62.7 rural households covered in Maharashtra. (Table-3)

**Table-3, Rural Household coverage under the SHG Banks Linkage Programme**

	Maharashtra	% share of Maharashtra	India
Est.No .of Rural Households	12309088	7.27	169137532
Est.No.of poor Rural Households	5896053	8.46	69646147
No.of Househols already covered	7719934	8.54	90366444
% of poor rural households already covered	130.9	--	129.8
% of total rural households already covered	62.7	--	53.4

Commercial banking has open 8515 branches in Maharashtra, with located the 2488 villages. Under financial inclusion, of the identified 4,292 unbanked villages, 3,839 (87 per cent) villages were covered trough SHGs by the end of December, 2011. It means, most number of villages

depend on SHGs for banking services. For the analysis, we refers the region like a) Konkan- Raigad, Ratnagiri, Sindhudurg and Thane b)Marathwada- Aurangabad,Beed,Jalana,Latur,Nanded, Parbhani,Osmanabad and Hingoli C) Vidarbha- Akola, Amravati, Bhandhara,Buldhana,Chandrapur,Gadchiroli,Gondia,Nagpur,Wardha,Washim and Yathmal D) Western Maharashtra- Ahmednager, Dhule,Jalgaon,Kolhapur,Nandurbar,Nasik,Pune,Sangli,Satara and Solapur.

**Table-4, Region-wise SHGs performance in Maharashtra at the end of March 2011**

Region	2010-11	% of Share	Rank
Konkan	33102	14.28	4
Marathwada	39474	17.03	3
Vidardbha	73991	31.93	2
Western Maharashtra	85152	36.74	1
Total	231719	100	

Table-4 is defining the growth of Self-Help Groups in various regions at the end of March 2011. The western Maharashtra region was ranked first in development in Maharashtra, followed by Vidardbha,Marathwada and Konkan. Konkan has so poor to development of SHGs in Maharashtra.It has also reflecting in following graph.

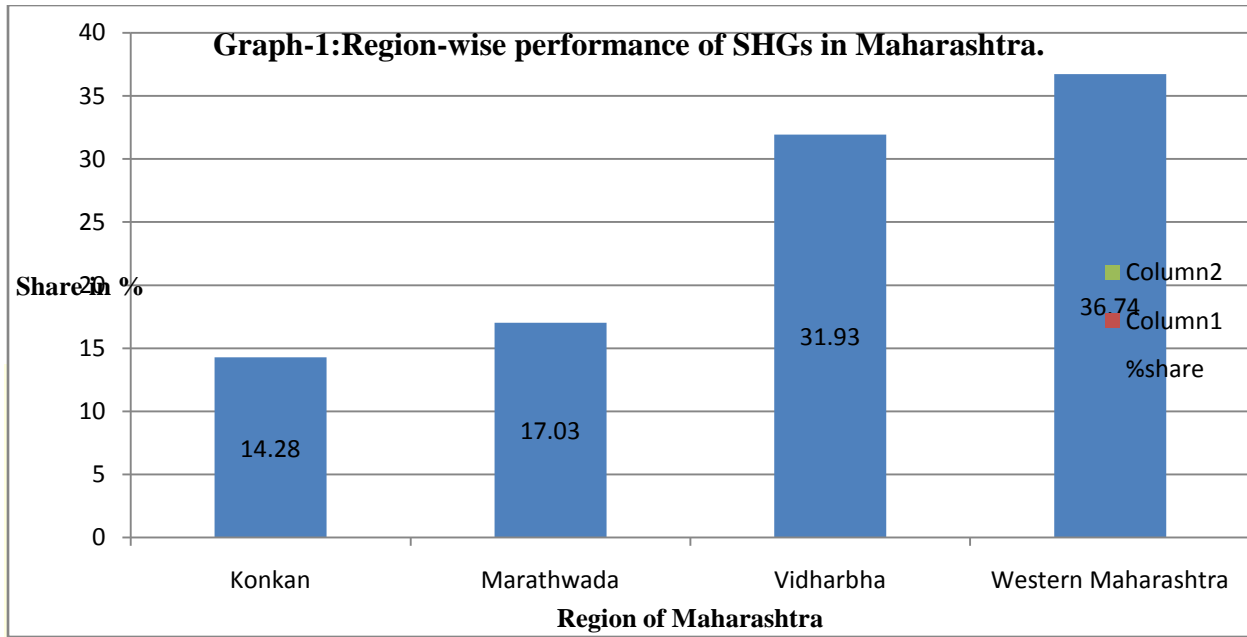


Table -5 is defining the following features:

	No. of SHGs
1 Per talukha wise SHGs:-	700
2 Per talukha Wise women SHGs:-	587.5
3 Per talukha Wise primary business initiated SHGs:-	108.1
4 Per talukha Wise secondary business initiated SHGs:-	28.3
5 Per talukha Wise Service business initiated SHGs	22.43
6 Per district wise SHGs:-	8005
7 Per district Wise women SHGs:-	6301
8 Per district Wise primary business initiated SHGs:-	1159.3
9 Per district Wise secondary business initiated SHGs:-	303.8
10 Per district Wise Service business initiated SHGs	240.6

As per Directorate of Economic and Statistics 2011-12 report, district wise SHGs status given in table-5.

Table5, District-wise SHGs and No of types business started By SHGs (Before March-2010)

	Name of district	Talukas	Total SHGs	Total Number of Women SHGs	Primary	Secondary	Service
1	Jalana	8	4370	3559	1485	--	---
2	Ahmednager	13	10613	5478	692	---	----
3	Beed	11	7382	7290	1831	----	-----
4	Dhule	4	4056	3898	2195	73	171
5	Jalghoan	15	13054	7991	782	14	18
6	Kolhapur	12	5902	5831	1097	498	320
7	Latur	10	6850	6280	33	---+---	-----
8	Nandurbar	6	6324	5657	0	2667	-----
9	Nashik	15	7634	6246	0	3018	0
10	Ratnaghiri	9	7906	7883	80	115	237
11	Raighad	15	8006	7344	118	193	77
12	Sangli	10	6444	6243	1089	131	117
13	Wardha	8	6225	5233	217	14	97
14	Satara	11	6668	5540	2807	517	00
15	Sindhudurag	8	6588	4407	986	1172	130
16	Solapur	11	14360	12366	2833	12	62
17	Thane	15	10602	8814	3961	673	3034
18	Washim	6	4811	3822	247	20	21
19	Osmanabad	8	6593	4904	1417	40	23
20	Gadchiroli	12	4867	4355	559	42	1348
21	Gondia		9416	7253	395	09	90
22	Buldhana	13	991	894	145	----	----
23	Nagpur	14	7394	6739	449	10	08
24	Aurangabad	9	6162	4935	1657	----	-----
25	Chandrapur	15	7579	6281	2340	65	722
26	Amravati	16	12899	11239	504	71	143
27	Pune	14	10097	9690	2590	-----	---



28	Yavatmal	16	10550	9813	2993	262	611
29	Bhandhara	7	7395	6745	399	-----	28
30	Akola	7	6731	5507	1827	56	320
31	Nanded	16	7436	5700	252	21	32
32	Parbahani	9	4274	3696	1118	31	86
	Total	343	240179	201633	37098	9724	7695

### Bank wise performance in Maharashtra at the end of March 2011

In Maharashtra, banks are classified in four major groups as Commercial banks, Regional Rural Banks, Co-operative banks and private sector Banks. Both together help and provide banking services to poor people through the Self-Help Groups in Maharashtra. In the point of saving and SHG bank linkage, the commercial bank liked with the SHGs at highest level followed by co-operative bank, Regional Rural Banks and Private Sector Bank, but there is gap between SHGs linkage and the savings amount. Public commercial bank is highest link with SHGs and the saving amount, in point of private commercial bank is lowest link with SHGs as well as the amount of saving at the end of March 2011. However, the co-operative bank success to collect more saving as compare to number of SHGs. (Table –6)

Table-6, Bank-wise saving Performance in Maharashtra

Name of bank	No of SHGs	% share in Total SHGs	Total Savings(in lakh)	% share in total saving
Commercial Banks	420259	55.06	31172.29	48.05
Regional Rural Bank	52685	6.90	3351.09	5.16
Co-operative Bank	287217	37.63	30255.89	46.63
Private Sector Bank	3061	0.40	93.23	0.14
Total	763222		64872.5	

### NPAS against bank loans to SHGs and recovery performance in Maharashtra

NPA is important in banking sector because it shows banks asset quality. If the ratio of NPA is high, lower profit of bank and vice versa. The percentage of NPA of Public sector bank, Regional Rural banks and co-operative banks are very high level as compare to national level.

NABARD Report 2010-11 point out the reason for the sudden decline in the recovery performance will need be studied in detail and strategic intervention will need to make to avoid any further slippage in future. (Table-7)

(Table-7) Ratio of NPA of commercial banks in Maharashtra

	Maharashtra		India	
	NPA as % to total o/s	NPA as % to total o/s under SGSY	NPA as % to total o/s	NPA as % to total o/s under SGSY
Public Sector Bank	7.7	7.5	4.8	7.4
Private Sector Bank	1.7	34.4	10	6.4
Regional Rural Banks	4.5	1	3.7	6.4
Co-operative Bank	12	11	7	6.3

Conclusion: Micro-finance is playing the important role for an alleviation of poverty. In Maharashtra, more than 83% SHGs dominated by women's, around 15.44% SHGs were started primary sector related business, 4.04% SHGs were started secondary sector related business and 3.20 SHGs were started service sector related business. It means, the 23% SHGs started own business and 77% SHGs are yet not started any business. The paper is pointing that 77% SHGs were started for saving but they use on unproductive or consumption purpose. Government had need more effort in banking sector for involve more SHGs in business sector.

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