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**A Study on Microfinance and Rural Development with the initiative of nationalized Bank specially SBI in Assam**

**Dr. Dilip Ch. Das**

Asst. Professor, Dept. of Commerce, Goreswar College, Goreswar (BTAD) Baksa, Assam

**Abstract**

Micro finance is a provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi Urban or Urban areas for enabling them to raise their income levels and improve living standards. Again Micro finance in the provision of a broad range of financial services such as deposits, loans payment services, money transfers, insurance to poor and low income households, their micro enterprise etc. Micro finance is a participative model that can address the needs of the poor especially woman members. It envisages the empowerment of the members by promoting their savings habits and extending bank loans to them Robinson (2001) defines microfinance as “small scale financial services primarily credit and savings provided to people who farm, fish or herd” and adds that it refer to all types of financial services provided to low income household and enterprises. Micro finance is recognized and accepted as one of the new development paradigms empowerment for alleviating poverty through social and economic empowering of the poor with special emphasis on empowering woman. In India, Micro finance is generally under stood but not clearly defined. The emerging Micro finance revolution with appropriate designed financial products and services enable the poor to expand and diversify their economic activities, increase their incomes and improve their social well being (Bonnet and cuevas, 1996 ledger wood, 1999) Micro finance is the provision of financial services to low income clients or solidarity banking groups including consumers and self employed, who traditionally lack access to banking and related services. In board sense it is a movement who objects is a world in which as 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, those who promote micro finance generally believe that such access will help poor people come out of poverty. On the other hand, the revolution of microfinance particularly the success stories of institutions like a Nobel laurite institution propounded by Md. Unus Ali Gramin Bank in Bangladesh, Banco sol in Bolivia, and Bank Rayat in Indonesia (BRI) attracted several economists to study micro finance in the latter half of 1990s . In India SEWA (Self Employed Woman’s Association) Bank is the oldest micro finance organization,

*A Study on Microfinance and Rural Development with the initiative of nationalized Bank Dilip Ch. Das which was founded in 1974 in Ahmadabad, Gujarat. It was a trade union that first started organizing self employed woman.*

***Keywords: Thrift, Credit and other financial services, loans payment services, money transfers, insurance to poor and low income households.***

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**Introduction:** Microfinance is the provision of a broad range of financial services such as deposits, loans, payments, money transfers and insurance to the low-income households and their microenterprises. The basic purpose of Microfinance is to provide access to financial assistance, including Credit to the poor to enable them to start/expand micro enterprises to break out of poverty. Micro Credit enables the poor people to be thrifty and helps them in availing the credit and other financial services for improving their income and living standards. The poor are encouraged to voluntarily come together to save small amounts regularly and extend micro loans among themselves. Once the group attains required maturity of handling larger resources, the bank follows.

After independence, the Government of India and Reserve Bank of India have made effort to provide credit to the poor through organized financial institutions. In the organized sector formal credit institution has been increased. But they are unable to cover the all backward area. The rural people continue to depend on informal sources of credit. Institutions have also faced difficulties in dealing effectively with a large number of small borrowers, whose credit needs are small and frequent and their ability to offer collaterals is limited. Micro-finance has become one of the most effective interventions for economic empowerment of the poor. Micro finance is expected to play a significant role in poverty alleviation and development.

### **Objective of Study:**

In view of the above this paper being prepared with the following objective –

- (i) To examine the concept of Micro finance.
- (ii) To evaluate Microfinance provided by the bank and socio economic Development of rural people.
- (iii) To Analysis the information collected from respondent.
- (iv) To find out the result of Micro financing in rural area.

With the objectives this is an attempt to examine the concept of Microfinance in the economically backward district of Assam.

**Methodology:** This study is based on both primary and secondary information. The Primary information are collected from the operating nationalized bank UCO & SBI Mukalmua Branch in Nalbari District, Assam and another a Branch of SBI at Dadara in Kamrup District .

The Secondary information for the Study will be collected from the following Sources-  
Book and Journal, wave side,  
SHGs of Nalbari District.

**Microfinance in our country:** In India, a variety of micro-finance schemes and various approaches have been practiced by both Governmental and Non-Governmental organizations. But they are unable to provide financial assistance in the long run. Ultimately the aim is to empower the poor and encourage them into development.

Variety of micro finance organizations in government as well as non-government sectors exists in India. Leading national financial institutions like, the National Bank for Agriculture and Rural Development (NABARD) the Small Industries Development Bank of India (SIDBI) and the Rashtriya Mahila Kosh (RMK) have played a significant role in making micro credit a real movement in India. Most of the organizations tend to operate within a limited geographical area. There are a few exceptions like Professional Assistance for Development Action (PRADAN), International Centre for Entrepreneurship and Career Development (ICECD), Mysore Resettlement and Development Agency (MYRADA), Self Employed Women's Association (SEWA), which have been successful in replicating their experiences in other parts of the country and act as resource organizations. Also, many organizations have been involved with SHGs is not only providing credit, but for other purposes like watershed, agriculture also.

One of the most common practices and approaches is providing credit through self-Help Groups. The approach is to make SHGs the main focal point to channelize all credit to members. Almost, all national funding organizations (NABARD, RMK) as well as other Government organization advocate forming of Self-Help Groups and providing or linking with credit.

The experiences of micro credit movement in India have shown that Self-Help Groups are widely used to promote and serve the micro credit needs of the poor for a sustainable livelihood. System, SHGs, which were organized by either NGO or GO had to be linked to the commercial or nationalized banks to get financial assistance. It is done based on the strategy to provide each of its member's opportunity to improve their personal and public life economically.

**Growth of Micro Credit Institutions:** A pilot project for purveying micro credit by linking Self-Help Groups with banks was launched by NABARD in 1991-92 with a view facilitating smoother and more meaningful banking with the poor, RBI had been advising commercial Banks to actively participate in this linkage programmed. The scheme has since been extended to RRB and Co-operative Banks. There are three models of linking SHG and Banks in India.

**With regard model-wise linkage:**

**Model I,** provide all assistance directly to SHGs without any intervention or facilitation by any NGOs.

**Model II,** provide all assistance directing to SHGs with facilitation by NGOs and other formal agencies and

**Model III,** provide all assistance through NGO as facilitator and financing agency.

**Institutional Financial Sufficiency (IFC):** Institutional Financial Sufficiency is essential for a Micro Finance Organizations to obtain the large amount of funds required to reach and benefit a significant number poor and poorest household. Christen, Rhyme, Vogel & McKean, e, (1995) mentioned that IFS reflects on MFO’s, “ability to operate at a level of profitability that allows sustained service delivery with minimum or no dependence on donor inputs.” The most important reason for moving towards IFS is funding Reducing poverty by reaching a significant numbers of poor and poorest households require vast amounts of funds. Donors funds for supporting microfinance are limited, and probably not from governments either, Grants and soft loans have played and continue to play, major roles in financing MFO’s start-ups (Gibbons and Meehan, 2000)

In rural areas, the practice of saving money in financial institutions is yet to catch up with. The study revealed that 74.39 of them did not have the habit of saving money in financial institutions, only 8.09 percent of them save their money in the banks. In the target area 8.52 percent of them saved their money in SHGs. In post office 2.57 percent of them saved their money. People had slowly started saving little money in SHGs and banks. If these efforts could be encouraged eventually the money lenders would vanish from rural areas and marginal farmers can be saved.

**Details of Savings Institution:**

Particulars	Number of Households	Percent
Banks	132	8.09
SHGs	139	8.52
Postal	42	2.57
Others	105	6.43
No Savings	1214	74.39
Total	1632	100.00

*Sources: Website Micro Finance (SBI)*

**Concept of Self Help Group:** A Self-Help Group (SHG) is a small, economically homogeneous and affinity group of 10 to 20 poor persons which come together to –

- \* Save small amount regularly.
- \* Mutually agree to contribute to a command fund.
- \* Meet their emergency needs.
- \* Have collective decision making.
- \* Resolve conflicts through collective leadership and mutual discussion.
- \* Provide collateral free loans on terms decided by the group at market driven rates.

**Physical and Financial Growth:** During 2006-07, the number of new SHGs credit linked with banks was 0.7 million taking the cumulative number of SHGs credit linked to banks at 2.9 million. During 2007-08 87852 SHGs have been credit linked taking the cumulative figure to 3.01 million. The phenomenal outreach of the programmed has enabled an estimated 41 million poor households to gain access to micro finance firm the formal

banking system registering a growth of 24.16 percent over 2005-06, today Commercial Banks with more than 32000 rural branches have the largest share (55 percent) in credit, linked SHGs followed by Regional Rural Banks (31 percent) through their 11,900 branches. Besides NABARD is working with more than 3000 NGOs and other development agencies as partners in the process.

Microfinance program is typically viewed as an economic development strategy, where disadvantaged groups basically not benefited from involvement with the formal economic activities. MFO's are designed to improve access of the rural poor to financial services, make them bankable clients and promote savings mobilization among them.

The primary objective of MFO's following welfare approach is to alleviate, poverty, that is increase the economic and Socio economic impact of their product and services on a significant number of poor.

**SBI and Microfinance:** SBI has adopted the Self Help Group movement in a mission mode with an objective to provide credit facility to those households not having access to credit from any formal financial institution and consequently dependent on money lenders and other informal sources.

SBI has been extending financial help to non-government organizations (NGO's) or Voluntary Agencies since 1976 and thereby it has been associated with Microfinance prior to the launch of SHG – Bank credit linkage programmed as a pilot project by NABARD in the year 1992. Since 1992, SBI has been playing a significant role in financing SHGs and a steady growth has been witnessed.

The data relating to SHG bank linkage as on March 2010 shows that SBI with the help of its vast network of branches which are stretched throughout the length and breadth of the nation, have opened 12,16,891 Saving Bank account of SHG out of which more than 10.62 lakhs SHGs have been availing credit facilities, thereby benefiting more than 138 lakh poor people. Out of those SHGs 85 percent are women SHGs.

**SBI and Financial Inclusion:** In line with the GOI initiatives, the financial inclusion efforts planned by SBI during the year 2009-10 are as follows –

1. To issue one crore IT enabled no frills accounts through alternate channels. Alternate channels help aggressively in increasing the number of customer service points (CSP's) in a very. Alternate channels leverage technology to reduce costs.
2. To open 15 lakh no frills accounts through Banks branch channel.
3. To cover 1,00,000 unbanked villages through Business correspondent and opening new branches.
4. To increase outreach through 25,000 customer service point outlets.
5. To setup additional processing capacity of Rural and Semi urban branches by setting up 300 rural credits processing centers.
6. To open 870 new branches under seen wave of branch expansion programmed.

7. To open at least 250 rural house hold account at each Rural and Semi urban branches every year as per GOI directives.

In the field Survey the nationalized Bank have been visited to find out the working SHGs. In Kamrup District SBI Dadara Branch has been visited and they have given the following Information

- i) Total loan Sanctioned to 150 SHGs. The loan amount Rs 25,000 each totaling Rs. 150 x 25,000 = 37, 50,000 during the year 2012-13.
- ii) Rs. 10,000 from each loan its subsidy thus ultimately SHGs is to refund Rs. 15,000.
- iii) The SHGs working in Kamrup District are very quickly refunding the loan amount. After refund the loan they apply again for a credit linkage system.
- iv) The Branch Manager inform that after getting the higher amount of loan from the bank Self Help Group are not refunding the loan from a numbers of year in spite of regular notice to them. This has led to increase NPA of the bank. The following chart shows the NPA of SBI Dadara Branch.

State Bank of India  
Local Head Office,  
Guwahati

MOVEMENT OF NPA:: As on 13-03-2013  
Branch : DADARA (7390) Region : 4 Module : 02

Particulars	31-03-2012		12-03-2013		13-03-2013	
	No	Amount	No	Amount	No	Amount
(A) Stamped NPA	455	3,56,75,702.90	1007	7,07,38,382.15	1007	7,07,38,382.15
(i) Housing Loan	1	46,185.65	2	1,33,254.88	2	1,33,254.88
(ii) Educational Loan	2	2,54,891.66	1	52,267.00	1	52,267.00
(iii) Car Loan	0	.00	1	2,14,293.00	1	2,14,293.00
(iv) SBI Saral	0	.00	0	.00	0	.00
(v) ACC/KCC	203	77,64,423.15	592	2,25,06,118.46	592	2,25,06,118.46
(vi) XPRESS Credit	6	6,63,826.32	4	3,61,230.67	4	3,61,230.67
(vii) Cash Credit	33	30,81,140.00	22	27,78,635.19	22	27,78,635.19
(viii) ATL	125	1,57,15,516.83	193	3,12,11,195.72	193	3,12,10,195.72
(ix) Loan against Security	1	51,663.75	1	51,663.75	1	51,663.75
(x) TL – C&I	0	.00	0	.00	0	.00
(xi) TL – SME	55	52,11,390.49	61	65,89,173.55	61	65,89,173.55
(xii) TL – Personal Loan	0	.00	0	.00	0	.00
(xiii) DL – Others	1	10,200.41	3	63,737.00	3	63,737.00
(xiv) RA, CA-Per, CA-C&I	28	28,76,444.64	127	67,76,812.93	127	67,76,812.93
Check Total	455	3,56,75,702.90	1007	7,07,38,382.15	1007	7,07,38,382.15

**Conclusion:** Nearly three billion poor people do not have access to the basic financial services essential for them to manage their precarious lives. Microfinance is the provision of providing financial services to low income poor and extreme poor people all over the world. Microfinance program incorporate the social and economic development concepts as well as principles that underlie financial and commercial concept. This contribution has led to the development of a growing number sustainable microfinance institutes around the world. The successful experience of micro finance institutes has drawn attention to the profit potential from serving the low income market segment. Microfinance has a substantial impact on money dimensions of social and economic development. Microfinance enables borrowers to attain higher house hold incomes, increase saving rates, Smooth consumption pattern over their life time and finally be able to diversify their sources of income generation. Access to financial services also interprets into broader social benefits, including improve health, increased educational participation and greater gender equality.

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