

MBA-II / SEM-IV / RURAL AND MICRO FINANCE (2021-22)**COMPREHENSIVE CONCURRENT EVALUATION****Faculty Name: Prof. Nilofar Sayyad****Subject: Rural and Micro Finance****Subject Code: 413**

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1	Case Study	50	18 th July 2022
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Case Study 1

The rural finance policy pursued in most developing countries beginning from 1950s was based on providing subsidized credit through state controlled or directed institutions to rural segments of population. The key problem areas visualized in rural financial markets includes- lack of credit in rural areas, absence of modern technology in agriculture, low savings capacity in rural areas and prevalence of usurious moneylenders. Emergence of micro credit in late 1970s and early 1980s in the backdrop of growing world attention on deficiencies of earlier approach in rural finance explains much of its dominant theoretical underpinnings. Microfinance refers to providing loans and finance to poor people for self-employment. Generally, small amounts are disbursed as loans, and the timeframe for repayment of loans is longer compared to commercial banks. Together with providing financial services, many microfinance institutions work for social development in the areas in which they operate. Microfinance institutions generally have the following characteristics:

- Providing small loans for the working capital requirements of the rural poor.
- Minimal appraisal of borrowers and investments as compared to commercial banks.
- No collateral demanded; however, these institutions impose compulsory savings and group guarantees.

Based on the loan repayment history of the members, microfinance institutions extend larger loans to the members repeatedly. Though microfinance institutions provide the necessary monetary support and try to increase social awareness among their members, their activities do not include providing training

for basic skills required for doing business. They do not extend any marketing facilities nor undertake activities to improve the literacy rate and health conditions of members. Micro Finance and Poverty Relief in India A significant amount of the underprivileged people in India is somehow able to tailor their financial resources in a way that they can realize their ambitions vis a vis their houses or other plans. However with the introduction of micro finance in India, the standard of living of the poor section of the population is expected to improve. Micro finance services are designed to help the underprivileged to increase their earning, consolidate their properties and even gain a decent financial stability in life. The advantage of availing the micro finance credit over the more traditional means is the unwillingness of the later to serve the underprivileged people.

Grameen Bank- Role Model in Microfinance Yet another monsoon season was approaching; but Joshuna Begum (Begum) unlike her neighbours was not worried about her house getting damaged during the monsoon. Her house now had a tin roof, mud walls and wooden windows, a luxury in rural Bangladesh. Earlier, Begum's house had a straw roof and bamboo walls, which used to get damaged in the monsoon season, forcing the whole family to live in the kitchen. She got her hut repaired with a loan from the Bangladesh Grameen Bank (Grameen Bank). Begum wasn't the only one; there were thousands of people in rural Bangladesh who had improved their living conditions with the help of the microfinance programs of Grameen Bank, a pioneer in microfinance. Grameen Bank helped thousands of poor Bangladeshi women to improve their lives by extending loans to them to start their own enterprises. By 2003, it was reported that between 33-48% of Grameen Bank borrowers had moved above the poverty line. By 2003, with 1,170 branches across Bangladesh, Grameen Bank was seen as a role model for microfinance all over the world. The Grameen Bank model was replicated across the world ñ not only in developing countries like India, Pakistan, and Vietnam, but even in developed countries such as Australia and the USA, where similar schemes were set up to improve the lives of the urban poor.

However, the Grameen Bank also attracted criticism from the media and economists all over world. Analysts pointed out that there was no proper monitoring of how the loans were utilized; it was reported that the loans availed of by women were used largely for consumption rather than for investment purposes. Analysts also pointed out that the accounting methods used by Grameen Bank were not in accordance with industry standards, and that the bank did not provide full details about its financial position and loan repayments position. Background Note In the mid-1970s, Professor Muhammad Yunus (Yunus), then Head of the Rural Economics Program at the University of Chittagong, observed that banks did not extend their credit schemes to the rural poor as they were not considered

creditworthy. In this situation, the rural poor were forced to approach moneylenders who charged exorbitant rates of interest. In 1976, Yunus launched The Grameen Bank Project, on an

experimental basis to study the framework of banking services for the rural poor. The objectives of the Grameen Bank Project were:

- Providing banking services to the rural poor
- Eliminating exploitation of the rural poor by moneylenders
- Facilitating self-employment projects for unemployed rural people
- Making women self-reliant by providing them opportunities through Grameen Bank
- To reverse the vicious cycle of ñ low income, low saving & low investment, into a new cycle of more credit, more investment, more income.

To start with, Yunus took loans from commercial banks and extended the money to 42 needy women in Jobra village in Chittagong district. The project spread to surrounding villages between 1976 and 1979. However, bankers were skeptical about the project and argued that it was initially successful because Yunus implemented it around the university campus where he had a good reputation. In order to convince bankers about the project's long-term viability, Yunus took two years leave from the university and started working in the Tangail district. The Bangladesh Central Bank provided financial support for the Tangail project and Yunus was appointed as the Project Director. The project was started in 1979. With the successful implementation of the Grameen Bank project in the Tangail district, it was extended to other districts in the country. By 1980, Grameen Bank had disbursed \$1.10 million as loans to the rural poor. In 1983, Grameen Bank was given the status of an independent bank by a special ordinance of the Bangladesh Government.

Initially, government contributed around 60% of the bank's capital and bank members held the remaining 40%. However, by 2003, government held only 7% and members held a 93% stake in the bank. Initially, Grameen Bank raised funds through bonds issued to the commercial banks and it also borrowed from Central Bank at subsidized interest rates. Grameen Bank also got funds from international agencies like the World Bank and the Ford Foundation. Foreign governments also provided funds for the Grameen Bank at subsidized rates. In the late 1980s, Grameen Bank diversified into a number of different fields. It started leasing unutilized and underutilized fishing ponds and irrigation pumps. At the same time, it also started training and extending support to people from other developing countries to replicate the Grameen Bank model in their countries. When it was successful in

leasing fishing ponds to the poor, Grameen Bank started expanding its nonbanking activities. The Grameen Fisheries Foundation and the Grameen Krishi Foundation were formed to oversee the leasing of fisheries and irrigation pumps. In 1989, the Grameen Trust was formed to provide training and support to people from other countries to start micro finance programs. By the mid-1990s, Grameen Bank had expanded its activities to areas such as venture capital, textile industry and Internet

Service Provider (ISP). All the non-banking ventures of Grameen bank were grouped under the Grameen Family. By 2002, Grameen Bank had 2.4 million borrowers (95% of them were women) and its activities were spread across 41,000 villages with over 1,100 branches. By August 2002, it had disbursed cumulative loans of \$3708.22 millions and the loan repayment rate was reported to be around 95%. The Success Story of Grameen Bank The Grameen Bank model was one of the most widely researched microfinance models all over world. The Bank had four tiers, the lowest level being branch office and the highest level being the head office. The branch office supervised all the ground activities of the bank such as organizing target groups, supervising the credit process and sanctioning loans to members. For every 15-22 villages, a branch was set up with a manager and staff. An area office supervised around 10-15 branch offices. Program officers assisted the area office to supervise the utilization of loans and their recovery. All area offices 120 were under the purview of a Zonal Office. Each zonal office supervised around 10-13 area offices and all zonal offices reported to the head office situated in Dhaka.

Grameen Bank operated on the principles of mutual trust, supervision, accountability and member participation. Unlike commercial banks, which granted credit on the basis of collateral security, Grameen Bank did not demand any security for extending credit. The interest charged by Grameen Bank was higher than that charged by commercial banks, but lower than the interest charged by moneylenders. The difference between the interest earned by the Grameen Bank and interests paid by it on the loans taken from commercial banks was used to cover the operational costs of the Bank. When Grameen Bank started, many felt that it would soon fail; but on the contrary the bank expanded its operations very rapidly. From 15,000 borrowers in 1980, the membership increased to 100,000 in 1984; by 1991 it had 910,842 members, and by 2002, the number increased to 2.3 million. From a figure of US \$498 in 1976, the bank's total disbursements increased to US \$170.39 million in August 2002. The loan repayment rate was reported to be 95%. The high repayment rate was probably a result of peer group pressure, and the Grameen Bank's rule that for availing of fresh loans, earlier loans had to be repaid.

Another important factor that led to high repayments of loans was social pressure. Creditors knocking at the door for loan repayments was considered disgraceful among Bangladeshis. It is believed that the above factors led to the success of Grameen Bank, which also succeeded in improving the lives of its members. Many research studies indicate that Grameen Bank brought positive changes in the lives of thousands of rural Bangladeshis. The landless poor benefited the most from the Grameen Bank movement. The landless poor, who earlier worked as agricultural laborers, acquired land for their own farming activities after becoming Grameen Bank members. According to a World Bank study conducted in 1994, Grameen Bank had improved the position of women in rural Bangladesh. Women members of Grameen Bank were more confident and socially aware than their non-Grameen Bank counterparts. Grameen Bank members even took active part in politics. In the 1997 local elections, more than 2,000 Grameen Bank women members were elected to local civic bodies.

Grameen Bank also encouraged the rural poor to get educated. It provided educational loans to its members to enable their children to go to school and college. According to reports, the rate of schoolgoing girls among Grameen Bank member families was 57% higher than that in non-member families (www.grameen-info.org, en.wikipedia.org). Global Acceptance of Microfinance It is claimed that this new paradigm of unsecured small scale financial service provision helps poor people take advantage of economic opportunities, expand their income, smoothen their consumption requirement, reduce vulnerability and also empowers them. Former World Bank President James Wolfensohn said Microfinance fits squarely into the Bank's overall strategy.

As you know, the Bank's mission is to reduce poverty and improve living standards by promoting sustainable growth and investment in people through loans, technical assistance, and policy guidance.

Microfinance contributes directly to this objective. The emphasis on microfinance is reflected in microfinance being a key feature in Poverty Reduction Strategy Papers (PRSPs). Microfinance & MDG Micro credit Summit Campaign's 2005 report argues that the campaign offers much needed hope for achieving the Millennium Development Goals, especially relating to poverty reduction. Food and Agriculture Organization (FAO) and the World Food Programme (WFP) declared that it will be possible to achieve the eight Millennium Development Goals (MDG) by the established deadline of 2015 the developing and industrialized countries take action immediately by implementing plans and projects, in which micro credit could play a major.

Questions for Discussion:

1. According to analysts, Grameen Bank was successful because of its unique working model. Analyze the working model of Grameen Bank and discuss how it differs from the traditional commercial banking model?
2. Many analysts criticized Grameen Bank for its style of functioning. Analyze the drawbacks of the Grameen Bank model.
3. Microfinance has tremendous potential as an instrument for poverty reduction (MDG1). Comment upon the statement.
4. Do you suggest that the Grameen Bank model for poverty alleviation be emulated in other developing countries? Explain with reasons.

Case Study 2**State And Status Of Self Help Groups (SHGs) In Maharashtra: A Study On Self Help Groups In Wardha District:**

These are the informal groups formed by women for addressing their routine problems of socio-economic in nature. These groups function with a common and general objective of cooperation and mutual trust and support. Even though the initiation of the Self Help Groups could be seen since 1975 the NABARD formally started this concept in 1986-87. The main reason behind the formation of SHGs is to make available the institutional credit facility to the needy and poor women of the SHGs. During the period of 1991-92 NABARD started promoting self-help groups on a large scale. Reserve Bank of India during the year 1992-93 allowed SHGs to open saving accounts in banks. This has become a big boon on the part of the SHG movement in India.

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India during the year 1992-93 allowed SHGs to open saving accounts in banks. This has become a big boon on the part of the SHG movement in India.

The initiation of Self Help Groups in India can be found through the formation of SEWA (Self-Employed Women's Association) during the year 1972. During the arena of 1992-93 lot of efforts have been played by the NABARD and RBI for the effective launch of SHGs in India. This has begun by way of allowing the SHGs to open and operate the Savings Bank Accounts in the name of their respective groups. During the year 1999 the Government of India with an intention of promoting self employment has initiated the Scheme Swarn Jayanti Gram Swarozgar Yojana through providing better skills and abilities among the members of the SHGs. Ultimately in 2011 the evolution of NRLM

(National Rural Livelihoods Mission) took place to include the scope of the SHGs under it for effective promotion as well as development of the SHGs.

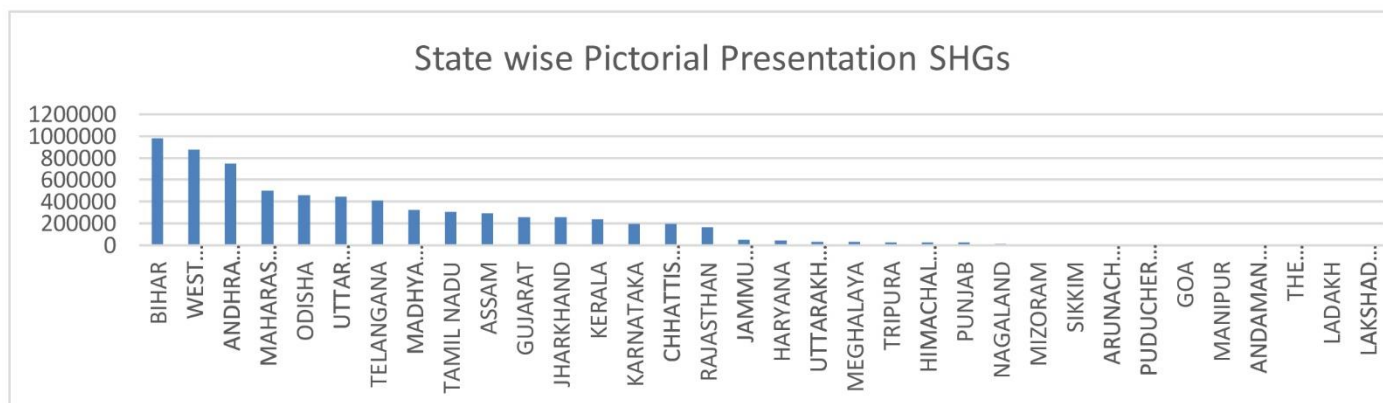
III. Stages of Evolution of SHGs in India: (Process)

Table 1: Quantity of Self Help Groups in India

S.NO.	STATE/ UNION TERRITORY	TOTAL DISTRICTS	TOTAL SHGs
1	ANDHRA PRADESH	13	749907
2	ASSAM	33	293773
3	BIHAR	38	981099
4	CHHATTISGARH	28	195839
5	GUJARAT	33	255070
6	JHARKHAND	24	252854
7	KARNATAKA	30	197107
8	KERALA	14	238766
9	MADHYA PRADESH	52	324279

10	MAHARASHTRA	34	500709
11	ODISHA	30	453811
12	RAJASTHAN	33	166625
13	TAMIL NADU	31	303060
14	TELANGANA	32	404499
15	UTTAR PRADESH	75	441695
16	WEST BENGAL	22	874003
17	HARYANA	22	44439
18	HIMACHAL PRADESH	12	24648
19	JAMMU AND KASHMIR	20	44842
20	PUNJAB	22	23148
21	UTTARAKHAND	13	32320
22	ARUNACHAL PRADESH	25	3195
23	MANIPUR	16	2123
24	MEGHALAYA	11	29098
25	MIZORAM	11	6660
26	NAGALAND	11	12171
27	SIKKIM	4	5088
28	TRIPURA	8	25918
29	ANDAMAN AND NICOBAR	3	934
30	GOA	2	2933
31	LADAKH	2	451
32	LAKSHADWEEP	1	154
33	PUDUCHERRY	2	3116
34	THE DADRA AND NAGAR HAVELI AND DAMAN AND DIU	3	504
	Grand Total	710	6894838

Source: <https://nrlm.gov.in/shgReport>



The Self-help promoting agencies include NGOs, Government, Commercial banks, Microfinance institutions, SHG Federations and SHG leaders/Entrepreneurs.

- a. Functions of Self Help Groups**
1. They try to build the functional capacity of poor and marginalized sections of society in the domain of employment and income-generating activities.
 2. Those people who face severe difficulty in getting loans from bank will be rescued with offering of collateral-free loans.
 3. Resolution of conflicting situation through dialogue between the parties and mediation.
 4. Act as an important source of Micro Finance Service support to the Poor and Needy people of the society.
 5. Rural Formal Banking go through is done through the SHGs.
 6. Savings habit generation among the poor and down trodden sections and weaker sections of the society.

b. Need for Self Help Groups

It can be observed from the Indian economic scenario that the main reasons for the rural poverty is the lack of access or limited access to credit and financial services. According to the Rangarajan Committee Report the indicated main four major causes are Inability to give collateral security, Weak credit absorption capacity, The insufficient reach of institutions and Weak community network etc.

The SHGs here play a major role to solve the above specified four reasons by way of their functioning. They act as collateral security providers to the poor and weaker sections of people within the groups, nullifying the possibility of weak credit absorption capacity of individuals, enlarge the scope of reaching the trading and economic institutions, and finally facilitate the effective networking and connectivity with the outer world.

c. Advantages of Self Help Groups

1. SHGs support the financial institutions to lend credit to the poor and weaker sections of the society.
2. SHGs act as a voice to those poor and weaker sections of the society.
3. SHGs are an important gateway for organizing several programmes of the Government to eradicate many social ills such as dowry, alcoholism, early marriage, etc.
4. SHGs provide women empowerment and support the nation in carrying out the gender equality.
5. SHGs act as pressure generating forces to make governments govern socially responsible in general and to the rural economy in particular.
6. SHGs help control corruption through social audits.
7. SHGs help people earn their livelihood through vocational training,
8. SHGs encourage savings habit generation among the poor and down trodden sections and weaker sections of the society.

IV. Research Methodology of the Study

The present study is based on the secondary data sources available on the websites of State and Central Governments as well as the research articles and news articles on the Self Help Groups. The data and information obtained have been processed to find out the present state and status of the Self Help Groups in India as well as in the State of Maharashtra with particular emphasis on Wardha District of Maharashtra State.

a. Objectives of the Study

The following are the objectives of the study. They are:

1. To acquire the context and concepts of Self Help Groups in India
2. To find out the state and status of the Self Help Groups in India in Maharashtra and in particular Wardha District of Maharashtra State.
3. To verify the role of Self Help Groups in the development of Wardha District.

b. Hypotheses of the Study

This study has been configured on the following Hypotheses statements. They are:

1. There is significant need of Self Help Groups in India for the economic development of India.
2. There is a significant scope for the further development of Self Help Groups in Maharashtra State and Wardha District.

c. Limitations of the Study

1. The present study is confined to the Wardha District only.
2. The data sources referred are secondary only hence there is a scope of marginal error.
3. The data and information are variable from time to time and may not be updated to the present times.

V. Data analysis and Interpretation: The present study has been conducted from the statistical data and information obtained through the websites of the Central and State Governments. To find out the state of the existence of the Self Help Groups as per the data are described statistically as below:

It can be observed from the Table No.1 and the subsequent diagram that Bihar consisting highest

number of Self Help Groups followed by West Bengal, Andhra Pradesh, Maharashtra, Odisha, Uttar Pradesh, Telangana, Madhya Pradesh etc. It shows that the Self Help Groups are highly located in Bihar, West Bengal, Andhra Pradesh, Maharashtra, Odisha, Uttar Pradesh, Telangana, and Madhya Pradesh.

As the present study is confined to Maharashtra State in general and Wardha District in particular the district wise Self Help Groups of entire Maharashtra the data and information of the Maharashtra State district wise is as below. As per the below mentioned Table No.2 it can be observed that there is a minor change in the number of SHGs in comparison to the above Table No.1. This is because of frequent upgradation of Data and information in the Portal. Apart from that it can also be observed that majority of the districts in Maharashtra State are having more than 10,000 Self Help Groups in existence. Among these the districts like Yavatmal, Solapur and Jalgaon have crossed 20,000 SHGs and followed by Amaravati, Beed, Buldhana, Nashik, and Palghar Districts have crossed 19,000 SHGs and the districts like Chandrapur, Gadchiroli, Gondia, Jalna, Latur, Nandurbar, and Ratnagiri have crossed above 15,000 SHGs. Hence it could be stated that the SHGs existence and their status is good and continued in the state of Maharashtra.

Table No. 2 State of Self Help Groups Existence in Maharashtra

S No	District Name	Category Wise SHG			
		New	Revived	Pre-NRLM	Total
1	AHMEDNAGAR	9652	2677	640	12969
2	AKOLA	9943	1174	459	11576
3	AMRAVATI	16142	3017	547	19706
4	AURANGABAD	7744	2706	103	10553
5	BEED	17055	2513	1	19569
6	BHANDARA	7082	4367	1128	12577
7	BULDHANA	15355	3389	573	19317
8	CHANDRAPUR	8894	9051	36	17981
9	DHULE	7423	1708	572	9703
10	GADCHIROLI	10430	812	3913	15155
11	GONDIA	10256	1241	4880	16377
12	HINGOLI	5875	1070	296	7241
13	JALGAON	17447	1716	1084	20247
14	JALNA	15463	603	1516	17582
15	KOLHAPUR	11520	2491	493	14504
16	LATUR	12834	2331	481	15646
17	NAGPUR	9587	3717	68	13372
18	NANDED	10772	2398	746	13916
19	NANDURBAR	13289	2485	281	16055
20	NASHIK	16093	3416	104	19613
21	OSMANABAD	11971	2206	127	14304
22	PALGHAR	14952	3006	1164	19122

23	PARBHANI	9422	953	631	11006
24	PUNE	10490	2850	259	13599
25	RAIGAD	7532	3734	1336	12602
26	RATNAGIRI	12924	1440	1591	15955
27	SANGLI	7527	1464	155	9146
28	SATARA	9006	1796	835	11637
29	SINDHUDURG	6504	1769	2006	10279
30	SOLAPUR	19277	1046	566	20889
31	THANE	7293	906	2304	10503
32	WARDHA	10783	3497	4	14284
33	WASHIM	7273	2151	3	9427
34	YAVATMAL	19904	2525	2111	24540
Total		387714	82225	31013	500952

Source: <https://nrlm.gov.in/shgReport>

In the case of the Self Help Groups of Wardha District is concerned the following Table No. 3 as

describes that Wardha Block is containing majority of the SHGs (2782) followed by Samudrapur, Hinghanghat, Arvi, Deoli, and Seloo Blocks. A very few blocks like Ashti and Karanja are lagging behind to reach a great mark as far as the quantity of the SHGs existence is concerned.

Table No. 4 category wise Membership among the Self Help Groups in Wardha District

S.No.	Block	SC	ST	Minority	Others	Sub Total	PWD
1	ARVI	2392	3559	370	11316	17637	311
2	ASHTI	1492	1582	662	8410	12146	300
3	DEOLI	4059	2321	477	10918	17775	474
4	HINGANGHAT	3341	2779	305	15059	21484	350
5	KARANJA	996	1939	149	10086	13170	231
6	SAMUDRAPUR	2648	4114	285	15045	22092	349
7	SELOO	1913	2782	343	12071	17109	306
8	WARDHA	5723	3285	565	21542	31115	346
Total		22564	22361	3156	104447	152528	2667

Source: <https://nrlm.gov.in/shgReport>

In the case of a clinical observation of the category wise membership dispersion of the Self Help Groups among the backward classes in the Wardha District is concerned as per the Table No. 4 it could be observed that out of the total of 152528 members existing in the 14284 Self Help Groups in Wardha District at present the Scheduled Caste members are 14.79% followed by the Scheduled Tribe members about 14.67%, others are 68.48% and the remaining are Minority group members. Here it can be observed that the Schedule Caste, Scheduled Tribe and Minority Members are very much few in comparison to the other members and there is an urgent need for focus to increase the membership of those groups. In the case of Scheduled Castes membered SHGs are concerned Wardha, Deoli and Hinghanghat are the toppers followed by Samudrapur, Arvi, and Seloo Blocks while Ashti and Karanja are very few. At the same time in the case of the Scheduled Tribes Membered SHGs are concerned Samudrapur and Arvi blocks are the toppers followed by Wardha, Hinghanghat, Deoli, Seloo, and Karanja and the remaining are lagging behind in this context.

Table No. 5 SHGs Classification by Nature of Business in the Deoli Block of Wardha District

S.No.	Nature of Business	No. of Units	Annual Turnover Rs.(Approx.)	No. of households involved
1	Tailoring	136	81000	136
2	Food, Joints, Canteen, and Tiffin	130	65000	130
3	Flour Mill	103	74000	103
4	Beauty Parlor	58	20000	58
5	Studio and Photography	30	28000	30
Total		457	268000	457

Source: <https://nrlm.gov.in/shgReport>

Now it is the turn of sample study of the Block Deoli regarding the Self Help Groups existence is concerned. It can be found out from the Table No. 5 that describes the type of the SHG based upon the nature of its business and other details of the SHG. As per this table it can be concluded that majority of the Self Help Groups in the Deoli Block are limited to the extent of place demanded entities and particularly with a very low income. As far the Per Capita income is concerned it will be much more less.

Questions:

1. What is requirement Maharashtra state about SHG'S?
2. What is the need of of Wardha District in Maharashtra?
3. Explain the context and concepts of SHG.
4. Explain the role of Self Help Groups in the development of Wardha District.
5. Find out the state and status of the Self Help Groups in India in Maharashtra and in particular Wardha District of Maharashtra State.