



## BANKING SECTOR DEVELOPS RURAL WOMEN THROUGH MICRO FINANCE: AN ANALYSIS

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**ABSTRACT** The institutional credit agencies like commercial banks, Regional Rural Banks (RRBS) and Cooperative banks have been playing a pivotal role in the formation, strengthening and development of the Self-Help Groups (SHGs) through micro finance in India. In fact, the banking institutions have become more instrumental in developing micro-enterprises by the women members of Self-Help Groups through providing financial services. Self-Help Groups linkage programmes is suitable and an effective intervention in economic uplift met and financial inclusion for the bottom of the pyramid. 1 A proven platform initially conceived for increasing the outreach of banking services among the poor has since graduated to a programme for promotion of livelihoods and poverty the banking sector in rural and urban areas. 2 An attempt is made her to analyze the different, financial agencies such as CBs, RRBs and Cooperative banks in providing financial services to the poor and marginalized sections for the promotion and strengthening of self-help groups in India. Micro-finance is an economic development tool whose objective is to assist the poor to work their way out of poverty. In fact, micro-finance is powerful weapon to remove the poverty in our country. There is a greater involvement of banks in providing the loans to the women members of the Self-Help Groups in the country. The institutional credit agencies have played a crucial role in the development of the poor women members of the SHGs. The Regional Rural Banks have covered more than 45 per cent of the women by way of providing loans and advances whereas the Commercial Banks have given the highest amount of loans to the women members of the SHGs. The Cooperative Banks are in the third position in providing the micro-credit to the women members of the SHGs. On the whole, the banking sector has played a dominant role in the provision of the bank loans to the poor women of the SHGs in India.

**KEYWORDS :** Micro finance- Self-help Groups – Banking Sector- Non Performing Assets

### Introduction

The institutional credit agencies like commercial banks, Regional Rural Banks (RRBS) and Cooperative banks have been playing a pivotal role in the formation, strengthening and development of the Self-Help Groups (SHGs) through micro finance in India. In fact, the banking institutions have become more instrumental in developing micro-enterprises by the women members of Self-Help Groups through providing financial services. Self-Help Groups linkage programmes is suitable and an effective intervention in economic uplift met and financial inclusion for the bottom of the pyramid. 1 A proven platform initially conceived for increasing the outreach of banking services among the poor has since graduated to a programme for promotion of livelihoods and poverty the banking sector in rural and urban areas. 2 An attempt is made her to analyze the different, financial agencies such as CBs, RRBs and Cooperative banks in providing financial services to the poor and marginalized sections for the promotion and strengthening of self-help groups in India.

### Bank-Wise Saving Amounts

The banks have encouraged the women of self-help groups to save more than linked to the micro-credit provided for talking up self-employment income generating activities. The particulars relating to the number of SHGs linked with banks and savings amount of SHGs with banks are presented in table-1

**Table-1: Agency-wise total Savings of SHGs with Banks (Amt. in lakhs)**

Sl No	Banks	No. of SHGs		Percentage Change	Total Saving of SHGs		Percentage Change
		2010-11	2020-21		2010-11	2020-21	
1	Commercial Banks	4323473 (57.94)	6128387 (54.60)	42	423006.42 (60.29)	2259633 (60.29)	434
2	Regional Rural Banks	1983397 (26.58)	3596731 (32.05)	81	143539.67 (20.46)	951168 (25.38)	563
3	Cooperative Banks	1155076 (15.48)	1498282 (13.35)	30	135084.19 (19.25)	536960 (14.33)	298
Tot al	7461946 (100.00)	11223400 (100.00)	50	701630.28 (100.00)	3747761 (100.00)	434	

Source: NABARD, Status of Microfinance in India-2010-11 and 2018-19, Mumbai.

The table above reveals that the number of SHGs with savings bank accounts has risen by 25.52 lakhs during 2018-19 over 2010-11, registering an increase of 34 percent. The banks have reported addition of 12.70 lakh savings linked SHGs at all India level registering a growth of 14.5 percent during the year 2018-19. Among the total SHGs having saving linked SHGs, commercial banks accounted for 55 percent of the SHGs during 2018-19 as against 58 percent during 2010-11, Regional Rural Banks and Cooperative banks have constituted 31 percent and 15 percent during 2018-19 respectively. The number of SHGs having savings whereas the SHGs attached with RRBs have risen by 4.16 percentage points during 2018-19 over 2010-11. But in case of Cooperative banks, the share in the total SHGs has marginally increased during the same period. The total savings of SHGs with all banks have increased more than three times between 2010-2019. The commercial banks have the lion's share in the total saving amounts followed by RRBs and Cooperative banks. There is a considerable decline in the share of total saving amounts of commercial banks and cooperative banks during 2018-19 over 2010-11 whereas the significant growth in the saving amounts is found in case of Cooperative banks. More than five-fold and three-fold increase in the saving amounts is found in case of RRBs and commercial banks. But in case of Cooperative banks the change in savings between 2010-11 and 2018-19 s about two-fold increase. On the whole, Commercial banks by virtue of their vast banking network throughout the nation take the lead in SHG-BLP. More than half of the SHGs in the Country maintain their savings accounts with commercial banks. On the hand, a little more than 33 percent SHGs maintained their savings bank accounts with RRBs. Cooperative banks continued their subdued performance under SHG-BPL with 15 percent SHGs and 10 percent of saving amounts during 2020-21.

### Bank-Wise Distribution of Micro-credit

The commercial banks and Regional rural banks have extended financial services to the women members of SHGs. The role of Commercial banks is significant in fostering the SHGs in both rural and urban areas whereas the regional rural banks have a commendable role in developing SHGs in rural areas. 3 But Cooperatives banks have not spread their hands to foster the Self-Help movement in majority of the states in India. the agency-wise disbursement of loans micro-credit to the SHGs is presented in table-2

**Table-2: Agency-Wise Total Bank loans Disbursed to SHGs**

Sl No	Banks	No. of SHGs		Percent age Change	Total Loans to SHGs		Percent age Change
		2010-11	2020-21		2010-11	2020-21	
1	Commercial Banks	669741 (55.99)	1457333 (50.47)	118	972455 (66.85)	2795251 (48.14)	187
2	Regional Rural Banks	229620 (19.20)	1184775 (41.03)	416	162556 (11.17)	2449430 (42.18)	1407
3	Cooperative Banks	296773 (24.81)	245286 (8.50)	-17	319761 (21.98)	562387 (9.68)	76
Total		1196134 (100.00)	2887394 (100.00)	141	1454773 (100.00)	5780244 (100.00)	297

Source: Status of Microfinance in India-2010-11 and 2021-22, NABARD, Mumbai

The table above reveals that the commercial banks have disbursed Rs.34492 crores to 15.23 lakh SHGs (6.70 lakh in 2010-11) with an average of R.2, 27988 (Rs.145199 in 2010-11) per SHGs, against national average of (Rs.2,16,119) during 2018-19. The share of commercial banks in number of SHGs provided bank loans is more than 56 percent and the share of the total loan disbursement is more than 59 percent during 2018-19. The number of SHGs and the quantum of loan disbursed have increased two and half-fold and three and half-fold during 2010-11 and 2018-19. The share of RRBs in credit disbursement to SHGs stood at 34 percent. However, the number of SHGs declined substantially to 11.17 percent in 2018-19 from 19.20 percent in 2010-11. The average loan disbursement by RRBs during 2018-19 is Rs.207826 as against Rs.70,794 during 2010-11 but there is a significant increase in the number of SHGS (four-fold) and the quantum of loans disbursed (twelve-fold) between 2010-2019. The share of cooperatives both in number of SHGs provided bank loan during the year as well as the quantum of loan disbursed drastically declined in 2018-19 as compared to 2010-11. The average loan per SHG provided by cooperatives is Rs.1,74,620 as against Rs.107746 in 2010-11. There is a considerable decline average loan per SHG due to non-repayment of the post loans to the cooperatives. Bank-Wise loans outstanding Against SHGs is presented in table-3.

**Table-3: Agency-Wise Bank Loan Outstanding**

Sl No	Banks	No. of SHGs		Percent age Change	Loan Outstanding amount		Percent age Change
		2010-11	2020-21		2010-11	2020-21	
1	Commercial Banks	3053472 (63.79)	3218302 (55.68)	5.40	2188326 (70.09)	5978570 (57.88)	173.20
2	Regional Rural Banks	1281493 (26.77)	2032734 (35.17)	58.62	190787 (6.11)	3592322 (34.78)	1782.9
3	Cooperative Banks	451798 (9.44)	529208 (9.16)	17.13	743005 (23.80)	758079 (7.34)	2.03
Total		4786763 (100.00)	5780244 (100.00)	20.75	3122117 (100.00)	10328971 (100.00)	230.83

Source: NABARD, Status of Microfinance in India-2010-11 and 2020-21, Mumbai.

The table above shows that the numbers of SHGs having outstanding loans with banks also increase to 21 percent during 2020-21 as compared to 2010-11. The loan outstanding has grown by more than three-fold increase over 2010-11. The average loan outstanding per SHGs works out to Rs.1,71,543 during 2020-21 which is higher than that of Rs.65224 during 2010-11.

The number of SHGs having loan outstanding as on 31st March 2021 considerably increased in case of all categories of banks except commercial banks. The increase is more prominent in case of RRBs

from 16.96 lakhs in 2020-21 to 12.81 lakhs in 2010-11, registering an increase of 32.31 percent. The number of SHGs having loan outstanding with commercial banks has declined 1.52 lakh SHGs. The commercial banks accounted for about two thirds of the bank loan outstanding under SHG-BPL. The highest amount of average loan outstanding is found in case of commercial banks (Rs.191785) followed by RRBs (Rs.154499) whereas it is low in case of the cooperatives (Rs.109470) which is lower than the national average (Rs.171543). The above analysis reveals that the low average lending by cooperatives is the main cause for the low loan outstanding. Whole, than is a spectacular increase in the growth of loans outstanding (more than thirteen and half times increase) whereas there is a negative growth (-29.19 percent) is found in case of cooperatives.

#### Region-Wise and State-Wise performance of Banks

The highest number of SHGs having saving accounts with banks is found in case of commercial banks (24.97 lakhs) in Southern region followed by Eastern region (13.33 lakhs) and Western region (17.64 lakhs) whereas the lowest number of SHGs is reported in North Eastern region (1.52 lakhs) followed by Northern region (2.64 lakhs) and Central region (4.67 lakhs). The same trends have also appeared with regard to the savings amounts maintained by the commercial banks. The highest savings amounts maintained by the commercial banks is found in Southern region (Rs.8098.11 crores) followed by Eastern region (Rs.2619.01 crores) and Western region (Rs.1283 crores) whereas the lowest amount of savings is noticed in case of North Eastern region (Rs.1,45,019 crores) followed by Northern region (Rs.353.18 crores) and Central region (Rs.741.63 crores). The highest average amount of savings of SHGs with commercial banks is found in Southern region (s.32427) followed by Eastern region (Rs.17394) and Western region (Rs.16,794). But the lowest average saving of SHGs is reported in case of North eastern region with Rs.9582 followed by Northern region (Rs.13395) and Central region (Rs.15,877). The above analysis reveals that the southern region is leading in both the number of SHGs and the amount of savings with commercial banks.

The highest number of SHGs having saving accounts with commercial banks is found in case of Tamil Nadu (7.93 lakhs) followed by Andhra Pradesh (6.77 lakhs) in Southern region Maharashtra (5.56 lakhs) in Western region, West Bengal (4.84 lakhs) in Eastern region and Karnataka (4.63 lakhs) in Southern region whereas lowest number is reported in case of North Eastern and North States. The commercial banks in Andhra Pradesh possessed the highest amount of savings (Rs.5041 crores) followed by Telangana (Rs.1028 crores) and Maharashtra (Rs.1006 crores). Majority of the states in Southern region are developed in all aspects, so that the SHG movement is highly developed in those states. The highest number of SHGs having saving accounts with regional rural banks is found in case of Eastern region (10.15 lakhs) with Rs.2701.4 crores of savings followed by Southern region (8.43 lakh) with Rs.3822.83 crores and Central region (5.45 lakhs) with Rs.537.88 crores saving amount. But lowest number is recorded in case of North region (1.55 lakh) with Rs.205.11 crores saving amount. The average savings amount per SHG is highest in case of Southern region (Rs.45369) followed by Eastern region (Rs.26622) and Central region (Rs.9872).

The cooperatives are the third largest banking system with the direct involvement of the farmers, agricultural labour, artisans and small business entrepreneurs. The highest number of SHGs having saving accounts with Cooperatives Banks is found in Southern region (4.98 lakhs) followed by Western region (4.42 lakhs) and Eastern region (3.06 lakh) whereas the lowest number is appeared in case of North Eastern region (0.33 lakhs) followed by Central region (0.51 lakhs) and Northern region (1.30 lakhs). The highest savings amounts of SHGs is found in case of Southern region (Rs.978.34 crores) followed by Eastern region (Rs.691.07 crores) and Western region (Rs.564.54 crores) but the lowest savings amounts helpful with Cooperatives banks is found in case of North Eastern regions (Rs.9.57 crores) followed by Northern region (Rs.95.93 crores) and Central region (Rs.52.78 crores). Can the whole, the cooperative movement is strengthened and strong in Southern and Western regions. Hence, they seem number one and two ranks in member of SHGs and the amount of savings. The share of total savings of Southern region is 41 percent of the total savings of the Cooperative Banks in the Southern region, the highest amount of savings is found in Karnataka State (Rs.477.73 crores) followed by Tamil Nadu (Rs.219.59 crores), Andhra Pradesh (Rs.134.59 crores) and Kerala (Rs.122.23). The highest amount is reported in West Bengal (Rs.602.22 crores) in Eastern region and Maharashtra (Rs.527.83 crores) in Western region. Among all States,

West Bengal has the highest saving amount followed by Maharashtra and Karnataka states. However, the average savings per SHG is the highest (Rs.91968) followed by West Bengal (Rs.28031), Kerala (Rs.23463) and Karnataka (Rs.19439), Cooperative banks in Maharashtra, Tamil Nadu and Telangana states have around Rs.13000 average savings amount per SHG.

### Region-Wise and State-Wise Disbursement of Microcredit

Commercial banks have well development in Southern and Western regions and to some extent in Eastern region. In the Southern region more than 63 percent of the SHGs have obtained about 81 percent of the loans from commercial banks during 2018-19 as against 49 percent of SHGs got 83 percent of the loans from commercial banks during 2010-11. The eastern region is the second highest receiver of the microcredit from commercial banks. 24 percent of the SHGs have received about 13 percent of the microcredit during 2018-19 as against 14 percent of the SHGs got more than 8 percent of the micro credit during 2010-11. The commercial banks have disbursed 4 percent of the micro credit to 6 percent of the SHGs in Western region as against 3 percent of the loans distributed to 6 percent of the SHGs in this region during the same period. The rest of the regions covers only below 3 percent of the SHGs with about one percent of the loans from the commercial banks during the same period. The highest average bank loan per SHG (Rs.2,90207) is found in case of Southern region followed by Western region (Rs.153307), Northern region (Rs.128805) and Eastern region (Rs.1,19,873) whereas the lowest average micro credit is reported in case of Central region (Rs.77889) followed by Northern Eastern region (Rs.88994) during 2018-19. The highest amount of micro-credit of Rs. 4695.57 crores disbursed to 2.68 lakh SHGs in Andhra Pradesh. In Tamil Nadu, commercial banks disbursed bank loans of Rs.2080.05 to 1.35 lakh SHGs. Uttar Pradesh is the third largest state in which Rs.184.08 crore disbursed to 1.29 lakh SHGs during 2018-19.

Commercial banks are one source of financing for small business. The role of Commercial banks in economic development rests chiefly on their role as financial intermediaries. Commercial banks provide banking services to the people who are in need, through a network of branches spread over the nook and corner of the nation. Banks attract deposits from the public and advances loans. It enables to create banking habits or saving habits among people.<sup>5</sup>

Regional Rural Banks (RRBs) are also known as Grameena banks. RRB plays a pivotal role in economic development of the rural India. The main goal of establishing RRBs in India is to provide credit to the rural people who are economically strong enough, especially the small and marginal farmers, artisans, agricultural labours, and even small entrepreneurs. Government of India has taken initiatives to widen the outreach of the RRBs all over India, especially in rural areas where commercial banks and other financial institutions are outside the outreach of rural poor particularly the weaker sections. Micro financing is one of the distinctive function areas of RRBs. Regional rural banks are small men's bank working for the wellbeing of the weaker sections in the rural society. The total number of self-help groups which are having saving accounts with the RRBs has increased from 2.97 lakh during 2010-11 to 3.20 lakhs during 2018-19 shows more than three-fold increase. The deposited amounts of SHGs held up with the RRBs have also significantly increased from Rs.3198 cores to 19553 crores, registering more than six-fold including during the same period. The southern region and Eastern region have accounted for 46.08 percent and 46.01 percent respectively during 2018-19 as against 44.43 percent and 29.43 percent respectively during 2010-11. The rest of the regions have experienced a decline in their shares in 2018-19 when compared with that of 2010-11. The out of the total SHGs (30.79 lakhs) which are having savings accounts with the RRBs only (9.41 lakh) 31 percent of the SHGs have got micro credit during 2018-19 as against 15 percent of SHGs 2.97 lakhs during 2010-11. The above analysis indicates that about 70 percent of the SHGs having more than one and half crore women are denied the loans from the RRBs in India. 62 percent of the SHGs to the total SHGs promoted by RRBs, have received micro credit in Southern region whereas about 78 percent of the SHGs have got the loans in the Eastern region during 2018-19. About 10 percent of the total SHGs having savings with RRBs have obtained the bank loan during 2018-19 as against 4 percent during 2010-11. The rest of the regions are able to cover below 2 percent of the SHGs under their loaning operations.

The highest average amount of bank loan per SHG is found in case of Southern region with Rs.284440 in 2018-19 and Rs.143754 in 2010-11

followed by Eastern region with Rs.148807, Eastern region with Rs.134163 and North Eastern region with Rs.130726 during 2018-19. But average bank loan per SHG is lower with Rs.63073 in case of North Eastern region followed by Northern region with Rs.77194. The highest number of SHGs and the amount of micro credit from RRBs is found in case of Andhra Pradesh followed by West Bengal, Orissa and Karnataka States. Cooperative banks have 14.57 percent there is the total savings linked SHGs with more than 10 percent of the total saving amount with banking sector during 2018-19. Southern region has the highest number of SHGs (34 percent) followed by Western region (30 percent) and Eastern region (21 percent) but in case of saving amount, the Southern region stood first with 41 percent followed by Eastern region with 0.84 lakh SHGs 29 percent and Western region with 24 percent have got Rs. 2763 crores cooperative banks, 34 percent have received 65 percent of the cooperative credit in the Southern region. Cooperative banks have extended Rs.1103.53 crores to 1.07 lakh SHGs. About 44 percent of the SHGs have received only 20 percent of the cooperative credit in Eastern region. Eastern region has third largest recipient of Cooperative credit of Rs.319.42 crores (8 percent) to 0.45 lakh SHGs (19 percent). The vest of the regions have extended with low level of cooperative credit for 8 less number of SHGs. On the balance Southern region out performed all regions in credit disbursement by Cooperative banks.

### Non-Performing Assets of Banks against SHGs

The accumulated non-performing asset of the banks creates many hurdles like stopping the recycling of funds and non-expanding credit facilities to the priority sectors. The high rate of the NPAs will create unhealthy tendency in the functioning of the banks.<sup>6</sup> The particulars relating to the non-performing assets of banks against SHGs are shown in table-4

Sl No	Banks	Amount of NPA	% of NPA to total Loans outstanding	Amount of NPA	% of NPA to total Loans outstanding
		2010-11		2020-21	
1	Commercial Banks	106698.92 (72.38)	4.88	303386 (62.05)	5.07
2	Regional Rural Banks	13430.15 (9.16)	7.04	143460 (29.34)	3.99
3	Cooperative Banks	27281.73 (18.51)	3.67	42075 (8.61)	5.55
Total		147410.80 (100.00)	4.72	488921 (100.00)	4.73

Source: NABARD :Status of Microfinance in India-2010-11 and 2020-21, Mumbai.

The table above that the overall NPA rate in bank loans to SHGs is 4.73 percent during 2020-21 as against 4.72 during 2010-11 registering a fall of 17 basis points. The shares of non-performing assets of commercial banks have 64 percent in 2018-19 as against 72 percent in 2010-11. However, the total NPA of commercial banks have shown more than two and half fold increase between 2010-11-2018-19. Out of the total NPA amount of Rs.4524 crores, the commercial banks with Rs.2897 crores accounted for two third of it and there has been a marginal decline of 4.72 percent in 2018-19 as against 4.88 percent in 2010-11. The RRBs have maintained with 28 percent of total NPAs which is about nine and half-fold increase in the total NPAs between 2011-21. However, the percentage of NPAs to total outstanding is considerably reduced from 3.89 percent in 2018-19 to 7.04 percent in 2010-11. But cooperatives have also increased the percentage of NPAs to total outstanding loans from 6.29 percent to 3.67 percent during the same period.

### Conclusion:

Micro-finance is an economic development tool whose objective is to assist the poor to work their way out of poverty. In fact, micro-finance is powerful weapon to remove the poverty in our country. There is a greater involvement of banks in providing the loans to the women members of the Self-Help Groups in the country. The institutional credit agencies have played a crucial role in the development of the poor women members of the SHGs. The Regional Rural Banks have covered more than 45 per cent of the women by way of providing loans and advances whereas the Commercial Banks have given the highest amount of loans to the women members of the SHGs. The Cooperative Banks are in the third position in providing the micro-credit to the women members of the SHGs. On the whole, the banking sector has

played a dominant role in the provision of the bank loans to the poor women of the SHGs in India.

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