



AN ANALYTICAL STUDY ON POVERTY ERADICATION THROUGH MICROFINANCE: WITH REFERENCE TO KARNATAKA VIKAS GRAMEENA BANK

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Abstract

Micro finance is expected to play a pivotal role in poverty eradication and employment generation. The commercial and co-operative banks provide micro finance services to large number of poor people. The present research paper is an attempt to study the role of Micro-Finance and Self-Help-Groups (SHGs) for the socio-economic development of poor people living in the rural and flood affected areas like Karnataka. Efficiency of micro finance provided by the banks and also identifies level of customer satisfaction about micro credit offered by the banks. Further, it concludes that, the most important form of micro finance is credit targeted to poor people who are also talented entrepreneurs. If these people gain access to credit, they will expand their business, stimulate local economic growth. These banks will be able to support their clients efforts to control family risks as well as capitalize on business opportunities. They will offer savings, insurance, remittance services and personal and business loans, to help clients grow their assets while increasing their incomes. The goal of growth and poverty alleviation is now well recognized, so the micro finance is a very good platform for ensuring this by optimizing use of the financial resources and generate the employment potentiality.

Keywords: Poverty Reduction, Shgs, Upliftment, Opportunities, Resources.

Introduction

Achieving balanced and inclusive economic growth is a key challenge faced by policy makers in countries around the world. Gains of economic growth are easily accessible to relatively advantaged, who find it easier to participate in the growth process while, poor people have to wait much longer to reap the benefits. Engaging these sections of society to mainstream economically is essential to achieve equitable growth, which is critical for the long-term sustainability of social development and economic prosperity. Microfinance sector has responded to these challenges admirably in the last 20 years. NABARD is proud to say that the Self Help Group- Bank linkage programme, which is the largest microfinance programme in the world, today touches 101 million households through 7.9 million SHGs with thrift & deposits of about INR 1,36,914 million, annual loan off take of INR 3,72,869 million and loan outstanding of nearly INR 5,71,192 million. Despite these milestones, a large section of the poor population still remains unreached and even majority who are in the SHG fold face the issue of inadequate credit. Bridging the last mile gap and forging partnerships to meet the myriad needs of the poor and to ensure sustainable livelihoods to them are the biggest challenges being faced today. I exhort all stakeholders viz. the banks, the SHG Federations, the NGOs, the MFIs, the Government agencies to put their compassionate foot forward to bring together complementary resources to address complex development problems that no one agency can address alone. During the year, NABARD and NRLM collaborated in a meaningful way to bring greater synergy in efforts and in taking SHG Bank linkage programme to a higher plane. NABARD revisited its policy and added selectively the NGO-MFIs as partners in SHG formation in priority states and also revised the handholding period for fresh projects to four years. During the year a new sustainable livelihood initiative viz. Livelihood Enterprise Development Programme (LEDP) has also been introduced. LEDP is a project based approach encompassing the complete value chain for offering end to end solutions to the SHG members in a cluster of villages.

Being a movement, implemented through various channel partners poses its own problems in publishing reliable data. NABARD had however, taken up this onerous task and is painstakingly collecting, collating and publishing the same as "Status of Microfinance in India" year after year.

Review of Literature

Tiwari and Fahad (2004), described study on Microfinance Institutions in India- the paper the poor repay their loans and are willing to pay for higher interest rates than commercial banks provided that access to credit is provided. These two findings imply that banking on the poor can be a profitable business. However, attaining financial viability and sustainability is the major institutional challenge. Deposit mobilization is the major means for microfinance institutions to expand outreach by Leveraging equity . In order to be sustainable, microfinance lending should be grounded on market principles because large scale lending cannot be accomplished through subsidies.

Sriram (2004)- Building Bridge between Poor and the Banking System the paper on Saghmithra rural financial services tries know more in MYRADA which is one of the innovators concept in SHGs, Regulatory Issues and Impact of SHGs. The



paper shows Sanghamithra represents a unique experiments in the Microfinance Sector. The paper discusses issues of taxability, MFIs . If an institution has tax-free status as a non-negotiable part of its model, it may encounter regulatory roadblocks. The paper also concludes that there is enough scope for an intermediary level organization such as sanghamithra to exit given the way the baking system is evolving and given the fairly inelastic nature of demand for credit vis-à-vis interest rates.

Morduch (2004), undertook study on- The role of subsidies in microfinance: evidence from the Grameen Bank. The Grameen Bank of Bangladesh has been in the vanguard of the microfinance movement, showing the potential to alleviate poverty by providing credit to poor households. Part of this success has been built on subsidies. In 1996, for example, total subsidies evaluated at the economic opportunity cost of capital amounted to about US\$2630 million. The evidence helps to explain why institutions like Grameen have not just sprung up on their own as private commercial ventures, and it underscores the value of openly addressing the costs and benefits of subsidization. The paper also describes recent difficulties in maintaining high repayment rates.

Islam, Mohajan and Datta (2012) emphasized on aspects of microfinance system of Grameen Bank of Bangladesh Microcredit is the most useful and popular financial system in the world to face financial crisis of the poor people. Grameen Bank loan distribution has risk of default and sometimes the loans are used even dowry which is crime against women right. The rate of interest in Grameen Bank is very high and due to high interest rate the poor women cannot use the loan in a high profitable business to bear this burden, so some of the borrowers lose lands and assets to pay the loan.

Nasir (2013), study on Microfinance in India: Contemporary Issues and Challenges, Microfinance refers to small savings, credit and insurance services extended to socially and economically disadvantaged segments of society. The prospect of Micro-Finance is dominated by SHGs (Self Help Groups) - Banks linkage Program. Its main aim is to provide a cost effective mechanism for providing financial services to the poor. This paper discovers the prevailing gap in functioning of MFIs such as practices in credit delivery, lack of product diversification, customer overlapping and duplications, consumption and individual loan demand with lack of mitigation measures, less thrust on enterprise loans, collection of savings/loans and highest interest rate existing in micro finance sector.

Subramanya and Dakshayini (2015), conducted on Impact of Micro Insurance on SHG Members: Micro insurance as a powerful tool for achieving the goal of financial inclusion has gained momentum all over the country. The role played by commercial banks in this task, particularly CKG bank, is not only stupendous, but also a model for other banks in the country. Micro insurance initiatives of CKG bank are driven by its consideration of promoting financial services to unorganized segments of rural and semi urban sector. The CKG focus on bank SHG linkage is a grand step forward in achieving risk minimization of economically poor people in Mysore city. The result of this study based on sample survey clearly indicate high rate of success of bank- SHG linkage insurance delivery model.

Taruna and Yadav (2016) - study on Microfinance : Emerging Role, Issues and Challenges in India. The main objectives of this study are: To examine the glaring challenges of microfinance in India. This study concludes that microfinance is an important tool for improving standard of living of people. In India micro finance has succeeded with repayment rates upto 98 percent reported in all across the country which consists states like Andhra Pradesh, Tamil Nadu, west Bengal, Karnataka, and Orissa etc. This tells us that micro finance has certainly has the capacity to reduce poverty by a great margin. The challenging issue in microfinance helps to reduce the financial problems faced by poor people.

Pipare (2016) undertook study on microfinance grade and their SWOT analysis in Rural India: An Overview. The study deals with the need for a regulatory body to regulate, develop and guide the numerous MFIs and NGOs who work in the field of microcredit. The paper discusses the factors and theoretical position associated with evolution of microfinance and its role in global scenario. The paper also delineates three distinct aspects of microfinance, first growth of microfinance in India and some other countries; secondly it discusses the role played by NABARD and other National Banks in growth of SHGs and Grameen Bank. Third, it deals with the role of government in framing legislation for protection of right of micro borrowers.

Scope of the study

The scope of the study involved getting knowledge about the Micro Finance. The major part of the study focused on understanding the micro finance and Self Help Group. The approach was to get a deep insight into the SHG's through a study which included Saving amount, Loan Disbursement and NPA in Karnataka Vikas Grameena Bank.

Objectives of the Study

1. To examine the nature of micro finance in India;

2. To highlight the profile of Karnataka Vikas Grameena Bank;
3. To assess the efficiency of micro finance provided by the bank; and
4. To offer findings, suggestions and conclusion in light of the study.

Methodology

Research Design: The research method adopted in this study is analytical and descriptive in nature. This study enables to determine the extent of Regional Rural Bank especially in Karnataka Vikas Grameena Bank Promoting the SHGs.

Sources of Data: All the data required for this research work is obtained from secondary sources. Secondary data collected from status of micro finance in India, Annual report of in Karnataka Vikas Grammena Bank, Website, Books, magazine, journals, and internet information have been relied up on.

Profile of Karnataka Vikas Grameena Bank

The Karnataka Vikas Grameena Bank (KVGB), a Regional Rural Bank, was constituted on 12 September 2005 after amalgamation of four Regional Rural Banks (RRBs) namely Malaprabha Grameena Bank, Bijapur Grameena Bank, Varada Grameena Bank and Netravathi Grameena Banks as per recommendations of the Narasimhan Committee under Government of India Notification dated 12 September 2005. All four amalgamated RRBs were sponsored by Syndicate Bank and were located in Karnataka. The bank, thus formed, currently has 448 branches in rural areas of Karnataka, around Dharwad. After amalgamation, the level of the bank's business was around 3263.73 Crores. After the merger, the RRB is called Karnataka Vikas Grameena Bank with its head office at Dharwad under the sponsorship of Syndicate Bank.

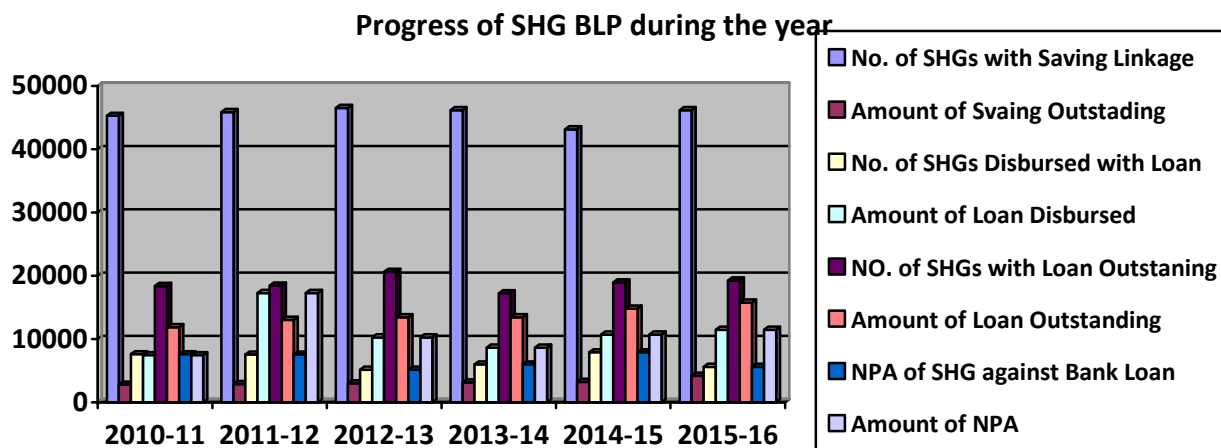
Area of operations

Head Office of the Bank is situated at Dharwad, located in the state of Karnataka. The bank is currently operating in 9 districts in the State which are:-

- Bagalkote
- Belgaum
- Bijapur
- Dakshin Kannad
- Dharwad
- Gadag
- Haveri
- Udipi
- Uttar Kannad

Result and Discussion

SHG-BLP is a strong intervention in financial inclusion for the bottom of pyramid. A proven platform initially conceived for increasing the outreach of banking services amongst the poor it has since graduated to a programme for promotion of livelihoods and poverty alleviation. The number of SHGs with savings linkage, credit disbursed during the year and bank loans outstanding as well as the quantum of savings outstanding, loan disbursed during the year and total loan outstanding had shown positive growth during the past three years (Figure). Year 2015-16 was particularly positive for the growth of SHG-BLP.



Self Help Group: Karnataka Vikas Grameena Bank - A self-help group (SHG) is a village-based financial intermediary committee usually composed of 10–20 local women or men. A mixed group is generally not preferred. A self-help group may be registered or unregistered. It typically comprises a group of micro entrepreneurs having homogeneous social and economic backgrounds, all voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the basis of mutual help. Rejuvenation of SHG requires coordinated efforts by all stake-holders to tackle. The number of SHGs having savings linkage increased to 46169 lakh as on 31 March 2016 from 45294 lakh a year back. The Saving Amount is increasing from 2010-11 i.e., 2780.90 to 2015-16 i.e., 4187. From this table the Number of SHGs is increasing with saving amount. The rural people started their saving by this way.

Table:1 No. of SHGs having SB A/C

Year	Karnataka Vikas Grameena Bank		
	Detailed of SHG Saving Linked with Bank		
	No .of SHG's	Saving Bank Amount (in lakhs)	Average Saving Amount(/ SHG)
2010-11	45294	2780.90	6140
2011-12	45889	2846.00	6202
2012-13	46542	2962.00	6364
2013-14	46162	3128.00	6776
2014-15	43157	3222.44	7467
2015-16	46169	4187.00	9069

Source: Status of Micro finance in India.

Loan disbursed to SHG-Amount of loan disbursed to SHGs under the SHG-Bank Linkage (SBL) programme was increasing every year. Total loan disbursed to SHGs during 2010-11 i.e.,7442.07 in 2011-12 i.e, 17269 is very high then in 2013-14 i.e., 8631.4 then its decreased. The average loan disbursed is more in the year 229062 is the highest compared with other year. The loan disbursed is depending on the SHGs though it is group in members are depending on their requirement the fluctuation are more in Number as well as in loan disbursement.

Table: 2 Loan Disbursed

Year	Karnataka Vikas Grameena Bank		
	Total Loan Disbursed		
	No. of SHG's	Loan Disbursed(in lakhs)	Average Loan Disbursed (/ SHG)
2010-11	7593	7442.07	98012
2011-12	7539	17269.00	229062
2012-13	5152	10255.00	199049
2013-14	5977	8631.04	144404
2014-15	7891	10686.00	135420
2015-16	5596	11457.00	204736

Source: Status of Micro finance in India.

Bank Loans outstanding against SHGs- As on 2010-11, the number of 18390 SHGs were having outstanding bank loans of 11868.99 lakhs as against 20592 SHGs with bank loans of 13434 lakhs as on 2012-13 with a growth. After this 2013-14 decrease in the No of SHG Loan Outstanding with 13407.53 thereafter it started growing and stood 19227 of with 15734 Rs, in 2015-16. The average loan outstanding is more in 2015-15 i.e., 81833 lakhs. Loan disbursed during the year and total loan outstanding had shown positive growth during the past six years.

Table: 2 Outstanding Loan of SHGs

Year	Karnataka Vikas Grameena Bank		
	Total bank loan outstanding against SHG's		
	No. of SHG's Loan Outstanding	Amount Loan Outstanding	Average Loan Outstanding
2010-11	18390	11868.99	64540
2011-12	18411	13005.00	70637

2012-13	20592	13434.00	65239
2013-14	17213	13407.53	77892
2014-15	18936	14777.00	78037
2015-16	19227	15734.00	81833

Source: Status of Micro finance in India.

Non-Performing Assets (NPAs) of Bank Loans to SHGs:

The Bank received the data on NPAs to total bank loans outstanding against SHGs. As on 2010-11, NPAs to total bank loans outstanding against SHGs were 98%, which amounted to 7442.07 lakhs. The NPA as percentage to total loan outstanding more i.e., 229% of amount 17269.00. Thereafter it started decreasing then in the year 2015-16 percentage is 205 against 11457 lakhs. in previous year. High ratio indicates a relatively high NPA rate and vice versa. High outstanding joined with low disbursement implies a situation where repayment rate is low and many of the SHGs are not eligible for subsequent doses of loans because of outstanding loans.

Table: 3 NPAs of SHGs

Year	Karnataka Vikas Grameena Bank		
	NPA of SHG against Bank Loan		
	Total Outstanding against SHGs	Amount of NPAs	NPA as % age to Total loans O/S
2010-11	7593	7442.07	98
2011-12	7539	17269.00	229
2012-13	5152	10255	199
2013-14	5977	8631.04	144
2014-15	7891	10686	135
2015-16	5596	11457	205

Source: Status of Micro finance in India.

Findings of the Study

- SHGs having SB account amount from period 2010-11 - 45294 accounts but gradually it is increased in 2015-16 to 46169 accounts and the amount is increasing from 2011-12 to 2015-16 from 2780.90 lakhs to 4187 lakhs.
- Amount of loan disbursed to SHGs under the SHG-Bank Linkage (SBL) programme was increasing every year. Total loan disbursed to SHGs during 2010-11 i.e., 7442.07 lakhs in 2011-12 i.e., 17269 is very high then in 2013-14 i.e., 8631.4 showed a decreasing trend.
- KVGB loan issued for SHGs from period as on 2010-11, the number of 18390 SHGs were having outstanding bank loans of 11868.99 lakhs as against 20592 SHGs with bank loans of 13434 lakhs as on 2012-13 with a growth. After this during 2013-14 decrease in the No. of SHG loan outstanding with 13,40,703 thereafter it started growing and stood 19227 of with 15734, in 2015-16. Majority of the SHGs are poor and illiterate.
- KVGB outstanding loan as on 2010-11, the number of 18390 SHGs were having outstanding bank loans of 11868.99 lakhs as against 20592 SHGs with bank loans of 13434 lakhs as on 2012-13 with a growth. After this 2013-14 decrease in the No. of SHG loan outstanding with 13,407.53 thereafter it started growing and stood 19,227 of with 15734 during 2015-16.
- The KVGB Bank received the data on NPAs to total bank loans outstanding against SHGs. As on 2010-11, it was 7442.07 lakhs, which was also 98% of total bank loans outstanding against SHGs.

Suggestions for the Study

- The majority of SHG members depend on Micro insurance for their protection.
- Educating the illiterates and poverty people and utilize the SHGs with SHGs institution to reduce the poverty line.
- The micro insurance is very essential for SHG members. The major reason behind this suggestion is when the family size increases directly income also increases but simultaneous expenditure also increases.
- The family earning members and income of the family is negative in nature so protect the SHG members the micro insurance is essential.
- The micro insurance protects the SHG members from uncertainties. The majority of SHGs members belong to lower income category with annual income not exceeding 15000.



Conclusion

Micro finance as a powerful tool for achieving the goal of reduction in Poverty has gained momentum all over the country. The role played by commercial banks in this task, particularly KVG bank, is not only stupendous, but also a model for other banks in the country. Micro insurance initiatives of KVG bank are driven by its consideration of promoting financial services to unorganized segments of rural and semi urban sector. The KVGB focus on bank SHG linkage is a grand step forward in achieving risk minimization of economically poor people in Karnataka. The result of this study clearly indicate high rate of success of bank- SHG linkage insurance delivery model.

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