



MICRO FINANCE IN MANIPUR

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Manipur lives in villages. The rural population contributes to about 76.12% of the total population. Enhancement in the quality of life of the economically weaker section of the society has been one of the basic objectives of development planning of the State. Rural development, by empowering the rural masses through economic self-reliance, is one of the priority areas of the Central and State Govts. To bring about development in rural areas, the govts. and banks/financial institutions have formulated various programmes and schemes. Micro Finance is one such scheme adopted for the development of rural people.

The term "Micro Finance" is of recent origin and commonly used while discussing issues related to:

- Poverty alleviation interventions
- Income distribution amongst a wider section of population
- Savings in small amounts and small loans
- Purchasing power redistribution where a large number of people do not have enough purchasing power to participate in a market economy
- The affordability, availability and accessibility of small loans in a flexible, sensitive and responsive manner

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- Financial support to micro entrepreneurs
- Gender development etc.

There is, however, no statutory definition for micro finance. The Taskforce on Supportive Policy and Regulatory Framework for Micro finance has defined micro finance as under:

“the provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards.”

The term, “micro” literally means, “small”. But, the task force has not defined any amount. However, as per the Micro Credit Special Cell of the Reserve Bank of India, the borrowal amount, up to the limit of Rs. 25,000 could be considered as micro credit products and this amount could be gradually increased up to Rs. 40,000 over a period of time.

The term micro finance, sometimes, is used interchangeably with the term micro credit. However, while micro credit refers to the purveyal of loans in small quantities, the term micro finance has a broader meaning covering other financial services like saving, insurance, etc.

The typical micro finance clients are low-income persons WHO do not have access to formal financial institutions. Micro finance clients are typically self-employed, often household-based entrepreneurs. In rural areas, they are usually small farmers and others who are engaged in small income-generating activities such as food processing and petty trade. In urban areas, micro finance activities are more diverse and include shopkeepers, service providers, artisans, street vendors, etc.

Experience has shown that micro finance can help the poor increase income, build viable businesses and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-empowerment by enabling the poor, especially women, to become economic agents of change.

Micro finance has emerged as one of the most sustainable and effective tools for enabling the poor and disadvantaged sections of society to access institutional credit. With 504 banks providing credit access to 116 lakh poor families through 30,942 participating branches supporting over 7 lakh Self Help Groups (SHGs) upto March 2003, the micro finance movement in the country has come to be recognized as the largest in terms of its outreach.

Initiative Taken by NABARD

In order to improve access by the poor to formal credit institutions and their socio-economic empowerment, NABARD took various initiatives to forge linkages of SHGs with banks, enlisting support from NGOs, capacity building of NGOs and providing 100% refinance facilities at concessional interest rates to credit institutions. This is likely to help improve the banks' recovery performance and reduce their cost of transaction.

The concept of micro-credit/micro-finance through SHGs was launched by NABARD as a pilot project in 1991-92. The objectives were:

- To evolve supplementary credit strategies for meeting the credit needs of the poor by combining the flexibility, sensibility and responsiveness of the informal credit system with the strength of technical and administrative capabilities and financial resources of formal financial institutions
- To build mutual trust and confidence between the bankers and the rural poor
- To encourage banking, thrift and credit in a segment of the population that the formal financial institutions usually find difficult to reach/serve.

The actors/ partners in the pilot project were NABARD, Banks, NGOs and SHG members. In February 1992, NABARD issued detailed operational guidelines to banks for linking 500 SHGs on an experimental basis.

Self Help Groups (SHGs)

SHGs are usually informal groups whose members have a common perception of the need and importance of collective action. These groups promote saving among members and use pooled resources to meet the emergent needs of their members. No. of members generally ranges from 10 to 20.

The basic objective of SHGs is to develop the saving capability among the poor people of society. This will make them develop self-reliance and depend less on financial institutions.

Function of SHGs :

- Identifying poor families and building awareness among them
- Forming of Groups

- Guiding groups in developing procedures and systems in savings and credit operations
- Liaison with banks for the linkage of groups and selectively acting as financial intermediaries
- Addressing the social and infrastructure needs of members

Table No. I: Key Indicators in SHG Financing

Sl.No.	Particulars	Number/Amount
1	No. of SHGs linked to bank for credit	7,17,360
2	% of women groups	90
3	Number of participating banks	504
4	Number of participating NGOs/SHPIs	2,155
5	Number of states/UTs	30
6	Number of districts	531
7	Bank Loan (Rs. Crore)	2,048.67
8	NABARD's refinance to banks(Rs. Cr.)	1,418.80
9	Number of families assisted (in lakh)	116
10	Average loan per SHG (Rs.)	28,558

Source: NABARD, 2003

To further boost this programme, a "Micro Finance Development Fund" has been created in NABARD with contributions from RBI, NABARD, Banks and other Institutions. RBI and NABARD contributed Rs. 40 crore each to the Fund. As on March 2003, the balance available in the Fund was Rs. 100 crore. The fund is expected to address institutional and delivery issues like institutional growth and transformation, governance, accessing new sources of funding, building institutional capacity and increasing volume.

SHG Bank Linkage - Status

The micro finance initiatives of the National Bank have evolved as a sustainable social movement over a decade by now. It was started as a modest pilot project in the year 1992, linking around 500 SHGs with half a dozen banks across the

country and reached a stage of linking 7.17 lakh SHGs as on 31st March 2003 with a loan portfolio of more than Rs. 2000 crore, reaching the door steps of 116 lakh very poor households, involving over 31,000 rural outlets of more than 500 banks.

The cumulative progress of the SHG-bank linkage programme over the years (as on 31st March) is as follows:

Table No. II: SHG-Bank Linkage Programme Over the Years

Year	No. of SHGs Financed	Bank Loan Disbursed (Rs. Crore)	No. of SHGs Refinanced	Refinance Disbursed (Rs. Crore)
1999	32,995	57.07	32,995	52.09
2000	1,14,775	192.98	94,645	150.13
2001	2,63,825	480.87	2,13,213	400.74
2002	4,61,478	1026.34	3,40,131	796.47
2003	7,17,360	2048.67	4,93,634	1418.80

Source: NABARD, 2003

From the above table, we can know that the number of credit linkages by SHGs with NABARD is an increasing trend. The significant increase in the number of SHGs linked during the year was possible due to the active involvement of 504 banks, 2800 NGOs and many other agencies including the developmental departments of different State Governments. The credit linkage programme covered 523 districts in 30 states and union territories.

Quick studies conducted by NABARD on the impact of the linkage program have revealed encouraging and positive features. In 1999, RBI set up a micro credit cell to make it easier for micro-credit providers to pursue institutional development process. The following table presents the trend of SHGs linked with banks since the launching of the pilot project.

Table No. III: Progress of SHG-Bank Linkage in India

Amount in Million Rupees				
	SHGs	SHGs	Bank Loan	Bank Loan
	Number	%	Number	%
Commercial Banks	361,061	50	11,495	56
Regional Rural Banks	277,340	39	7272	36
Co-operatives	78,959	11	1,720	8

Source: NABARD, 2003.

Model of SHGs-NGOs-Bank Linkage

There are 3 practical models. They are given below

SHG-Bank Linkage Model – 1 : Banks as SHPI

SHG-Bank Linkage Model – 2: NGOs/SHPI as facilitator

SHG-Bank Linkage Model – 3: NGOs as financial intermediary

SHG-Bank Linkage Model – 1:

Here, Banks assume the role of NGOs and ensure linkage with SHGs.

SHG-Bank Linkage Model – 2:

Here, NGOs organize the poor into SHGs, undertake training programmes for awareness building, entrepreneurship and skill training, help in arranging inputs and marketing, introduce saving, help in accounts handling and taking credit from banks. Banks provide loans to SHGs directly with recommendations from an NGO. Here, an NGO act as a facilitator.

SHG-Bank Linkage Model – 3:

Here, NGOs work as financial intermediates, NGOs act as lenders to SHGs after sourcing loans from banks.

Bankers should allow the SHGs to graduate their performance by observing 13 parameters issued by NABARD to evaluate the performance of SHGs.

The percentage share of linkage under Model 1, 2 and 3 are 16%, 75% and 9% respectively as on 31st March 2002.

SHG Linkage Status in Manipur

SHG Bank linkage programme is gaining momentum in the State. In every DCC/SLBC meeting, it is stated as an agenda item and banks are evincing interest in promoting/financing SHGs. Bank-wise position of implementation of the programme as on 31.03.2003 is presented as follows:

Table No. IV: SHG and Bank Linkage in Manipur (Rs. Lakh)

Bank	No. of SHGs with Credit Linkage	Credit Sanctioned	Credit Disbursed
MRB	577	53.87	53.87
SBI	33	22.40	22.40
UBI	35	11.16	11.16
Total	645	87.43	87.43

Source: NABARD, 2003

The Manipur Rural Bank (MRB) has been sanctioned a promotional assistance of Rs. 2.35 lakh for promoting SHGs in the state by NABARD.

From the table, we know that the no. of SHGs with credit linkages to MRB is 577, SBI is 33 and UBI is 35. This means that the highest number of credit linkage to SHGs is in Manipur Rural Bank (MRB) and in credit sanctioned, MRB is 53.87, SBI is 22.40 and UBI is 11.16 and credit disbursed in MRB is also 53.87, SBI IS 22.40 and UBI is 11.16. After analyzing the table, we know that MRB has the maximum member of credit linkages to SHGs.

Role of NGOs in Manipur

NGOs are actively involved in promoting SHGs in the State and some of them play the role of financial intermediaries. There are a number of NGOs operating in the

state. But some NGOs have reportedly misutilised the funds they received from the government and other donors. The government has therefore blacklisted those NGOs who misutilised the funds and also instructed various ministries of the State govt/central agencies to not fund any NGO which misutilised the funds and, that information relating to misutilisation should be reported to the govt. The further funding of NGOs may be done with due caution and careful enquiry.

NABARD has been playing a catalytically important role, both in terms of promotional grant support to NGOs and developing the capacity building outreach of various partners in the formation and nurturing of quality SHGs. NABARD has also been supporting Farmers' Clubs (FCs) and promoting self-help promotional institutions (SHPIs). It is also providing fund assistance to NGOs.

Thus, the micro finance programme has made significant progress both in terms of coverage and outreach. However, there are some issues of concern. They are:

- The coverage of poor families in the SHG movement is yet to gain momentum. Out of 52 million poor families in the country, only 11.6 million families or 23% of the poor families were covered as on March, 2003.
- Another area of major concern is the uneven growth of micro finance. As on March 31, 2003, of the total SHGs credit linked (26,229 SHGs), Andhra Pradesh accounted for 39% followed by Tamil Nadu, Karnataka and Uttar Pradesh. These four states together accounted for 69% of the total SHGs credit-linked and four-fifth of the total amount of bank loan as on March 31, 2003.

Comparison of Micro Financing in Manipur with Andhra Pradesh for the Year 2003

A comparison is made between Manipur and A.P. with regard to micro financing. A.P. has the maximum number of successful SHGs in the country and therefore, the largest investment in this system. The comparison is made on the basis of the Annual Report (2002-03) of RBI.

Table No.V: Comparison of Microfinancing Between Manipur and Andhra Pradesh

(Amount in crores of rupees)

State	Commercial Banks		Regional Rural		Co-operative Banks		Total	
	No. Of SHGs	Amount	No. Of SHGs	Amount	No. Of SHGs	Amount	No. Of SHGs	Amount
Andhra Pradesh	174992	634.10	99558	322.20	6788	19.10	281338	975.40
Manipur	162	0.5	162	0.5

Source: Annual Report (2002-03) RBI

The table below gives a picture of the lending to SHGs in various regions of the country. It is quite clear that various Banks/FIs are making a good amount of investment in SHGs.

Table No. VI: Position of Lending to Self Help Groups (2002-03)
(amount in Crore of Rupees).

Region	Commercial Banks		Regional Rural Banks		Co-operative Banks		Total	
	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
North	13404	25.90	14512	33.10	7007	18.00	34923	77.00
Northeast	640	1.60	3386	4.40	43	0.10	4069	6.10
East	27573	42.50	41352	56.40	21968	21.50	90893	120.40
Central	27550	44.10	49067	93.70	4966	6.90	81583	144.70
West	23718	51.60	3459	25.70	5003	9.60	42180	86.90
South	268176	983.80	155564	513.90	39972	115.70	463712	1613.40
Total	361061	1149.50	277340	727.20	78959	171.80	717360	2048.50

Source: Annual Report (2002-03), RBI

Conclusion

Micro Finance in Manipur is faced with problems arising out of factors that are internal as well as external to the system. Internal factors include unorganized marketing channels, misinterpretation of the concept of micro finance by the members of the SHGs, indifferent attitude of members in spite of various training programmes and lack of innovative thrust among members. External factors are irregular payments of salary, natural calamities, accidental death of loanee, low demand of product, dislocation of market and the emergence of private banks with unfair means and lack of technological know how.

Various areas can also be identified which can be prospects for the future. They are the need-based criteria adopted for financing, the ability to generate income from one's own occupation, good recovery performance, economic liberty, increase in literacy rate, women empowerment, product development and production means improvement. The FIs, NGOs and SHGs are of the same view that financing through SHGs is a better and more effective system to reach rural masses than the system of direct financing.

Micro finance is a tool for the development of rural areas. In pursuit of this objective, this system has made tremendous progress in the state inspite of infusing a small amount of money in the system. This system has made rural people realize the importance of self-reliance, strengthening education, endeavour for growth and development.