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**A STUDY ON TRENDS IN SAVINGS AND CREDIT EXTENSION
IN PROGRESS OF MICROFINANCE IN INDIA**



SK. Ghouse¹ and K. Ekambaram²

¹Lecturer in Commerce, Sri Sai Co-operative Junior College, Co-operative colony,
Kavali, Nellore.

²Dept. of Commerce, V.S.University PG Centre, Kavali, Nellore.

ABSTRACT:

India, one of the BRIC (Brazil, Russia, India and China) countries with more than 1.2 billion populace is seen by numerous created nations as a developing economy. India's financial development has neglected to make a huge change in its neediness figures Government of India with its concern began different destitution mitigation programs yet they have neglected to convey the goals to the level which is wanted. The reasons might be numerous, for example, inability to achieve the objective gathering, escape clauses in the framework, building up a powerful instrument to give some examples. Numerous nations including India tried different things with financed credit which just prompted increment in the NPAs. The microfinance has approached to top off the hole. In any case, the effort is too little when contrasted with the necessity and potential. However there is some advancement in such manner after dynamic pretended by NABARD and arrangement of SHGs gatherings. Various

NGOs and MFIs have likewise dug into the business. Some of them have additionally begun bigly and have begun issuing so as to make benefit IPOs (Initial open offers). Be that as it may, certain improvement lately has brought a crisp spotlight on the issue of regulation in field of microfinance. The paper separates three particular features of microfinance, first development of microfinance in India; furthermore it talks about the pretended by NABARD and other National Banks in development of microfinance. Third, endeavor has been made to assess the future patterns by comprehension the past conduct in smaller scale financing through SHG-Bank Linkage Model and MFI-Bank linkage model. The paper examines the variables and hypothetical position connected with advancement of microfinance and its part in worldwide situation.

KEY WORDS: Trends In Savings, Credit Extension, Progress Of Microfinance In India, India's economic growth

INTRODUCTION:

In India, the historical backdrop of microfinance goes back to foundation of Syndicate Bank in 1921 in private division. Amid the early years, Syndicate Bank focused on bringing smaller scale stores up in the type of day by day/week after week premise and endorsed smaller scale credits to its customers for shorter timeframe. Be that as it may microfinance came to spotlight just when Dr. Yunus gave it a mass development in Grameen Bank test. Microfinance can be known as a novel way to deal with give sparing and venture office to the poor around world. Enhanced access and effective procurement of reserve funds, credit, and protection offices specifically can empower the poor to smoothen their utilization, deal with their dangers better, step by step construct their advantage base, build up their business, upgrade their wage winning limit, and appreciate an enhanced personal satisfaction. In India, microfinance primarily works through Self Help Group (SHGs), Non-Government Organizations (NGOs), and Credit Agencies. It gives destitute individuals the intends to locate their own specific manner out of destitution. It put the force soundly in their grasp, giving them a bigger stake in their own prosperity than one time gift of nourishment, merchandise, or money. Today microfinance has been generally spread everywhere throughout the world as a powerful device to neediness annihilation. It is found that microfinance has come to around 80 million family units and around, 20000 microfinance Institutions are working in creating nations of Asia, Africa, Europe and Latin America (Pillai and Nadarajan, 2010).

Meaning and Definition of Micro-finance

The expression "Microfinance" worries to the loaning of to a great degree little measures of cash-flow to poor business visionaries with a specific end goal to make an instrument to mitigate neediness by giving poor people and denied with assets that are accessible to the well off, despite the fact that at a littler scale. The adequacy of miniaturized scale account is better acknowledged by dejected segments when their abilities are likewise improved alongside access to money related administrations.

A decent meaning of microfinance as gave by Robinson (2001) is, 'Microfinance alludes to little scale budgetary administrations for both attributes and stores that are given to individuals who homestead or fish on the other hand crowd; work little or microenterprises where products are delivered, reused, repaired, or exchanged; give administrations; work for wages or commissions; pick up salary from leasing little measures of area, vehicles, draft creatures, or hardware and instruments; and to different people and nearby gatherings in creating nations, in both country and urban zones'

REVIEW OF LITERATURE

Annas (1993) clarifies that two real standards for human life exist internationally: in no general public is it unconcerned to the state of one's life and what one can make of it, whether one is a man or a lady. One's sex might close a few choices totally, or make them less accessible however it generally has any kind of effect to what ones choices is over one's life overall. As indicated by her, in a conventional society standards for the lives of men and ladies are implemented emphatically and there exists genuine division of exercises and methods for living.

Beteille (1999), India is the disagreement instance of populist political request and is a progressive social structure. In this manner monetary and social imbalances established in conventions and social standards should be changed as political measures alone can't bring strengthening. He brings up that strengthening is conjured in the connection of financial shortcoming and instability, especially of minimized, disorderly also, other burdened gatherings.

MYRADA – Mysore Resettlement and Development Agency (2002), a study directed by NABARD in the mid-eighties uncovered that budgetary administrations required by poor family units are: sheltered keeping of little surpluses as thrift; access to utilization advances to address crisis issues and monetary administrations and items that did not require guarantee

Basu (2006) analyzed that smaller scale money is a decent approach to advantage poor people and that it was not the great stream down methodology however a stream up one. This technique is redistributive, entrepreneurial and enabling. The idea of stream up financial aspects specifically profiting poor people has been observed to be working better for economies such as India's.

Bhatt & Jhaveri (2008) inspected that miniaturized scale money has been hailed as another age answer for reduce destitution and convey monetary thriving to the provincial economy. MFIs add to enhancing lives of the destitute individuals however they have far to go.

OBJECTIVES OF THE STUDY

1. To think about and investigate the development of microfinance in India throughout the years through different conveyance models.
2. To gauge the future patterns of reserve funds and credit expansion by comprehension the past conduct of miniaturized scale account conveyance models.

In India, at first numerous NGO microfinance establishments (MFIs) were financed by contributor support in the type of spinning finances and working stipends. Be that as it may, it is strictly when mediation of National Bank for Agribusiness and Rural Development (NABARD) in 1992 in the field of microcredit, the development of microfinance got a help in India. The offer of formal money related part altogether rustic credit was 56.6 for each penny contrasted with casual money at 39.6 for every penny and unspecified source at 3.8 for each penny (Gol, 1998). In India, around 70 for each penny of landless and negligible agriculturists did not have a ledger and 87 for each penny of poor had no entrance to credit from a formal source (WB-NCAER, 2003). Presently, the microfinance administration suppliers incorporate summit establishments like National Bank for Agriculture and Rural Development

(NABARD), Small Industries Development Bank of India (SIDBI) and Rashtriya Mahila Kosh (RMK). At the lower level we have business Banks, Regional Rural Banks and cooperatives to give microfinance

administrations. The private foundations that attempt microfinance administrations as their fundamental movement are for the most part alluded to as Micro fund Institutions (MFIs) in Indian connection. There are additionally some NGOs which loan credit to Self Help Group (SHGs). The NGOs that backing the SHGs incorporate MYRADA in Bangalore, Self Help Women's Association (SEWA) in Ahmadabad, PRADAN in Tamilnadu and Bihar, ADITHI in Patna, SPARC in Mumbai. The NGOs that are straightforwardly giving credit to the borrowers incorporate Offer in Hyderabad, ASAIN Trichy, RDO LOYALAM Bank in Manipur (Tiwari and Fahd, n.d.)

GROWTH ANALYSIS OF MICROFINANCE DELIVERY MODELS IN INDIA

In India, microfinance is provided through the SHG-Bank Linkage Model (SHGBLM) and Microfinance Institution (MFI) Model.

1. SHG-Bank Linkage Model: In this model, the informal self-help groups (SHGs) are credit linked with the formal financial institutions. The SHG-BLM has emerged as a dominant model in terms of number of borrowers and loans outstanding. The programme uses SHGs as an intermediation between the banks and the rural poor to help in reducing transaction costs for both the banks and the rural clients.

2. MFI Model: MFI model is discovered worldwide though the SHG-BLM model is an Indian model. In MFI model MFIs obtain substantial measure of assets from the peak money related establishments, contributors and banks for on-lending to the people or gatherings. These MFIs give money related administrations to the people or to the gatherings like SHGs, JLGs and Grameen bunches.

In the study the development of microfinance conveyance models has been examined through estimation of pattern as it aides in decide the heading which it takes i.e. developing or declining. By considering the pattern the development component has been learned which helps in anticipating what's to come conduct of both the above models. In the wake of deciding the pattern values the rate of development is determined and conditional appraisals concerning measure of investment funds and credit expansion under both the models are made as needs be. To think about the development incline the strategy for Least Square has been utilized to discover pattern values. Here it has been utilized to fit a straight line pattern by accepting the steady development throughout the years which is spoken to by the comparison:

$$Y_c = a + bX$$

Where Y is utilized to assign the pattern qualities to recognize them from the real values (Y) c identifying with measure of investment funds and measure of credit reached out under microfinance. The X variable speaks to the time and the estimations of constants "a" and "b" are resolved through the mathematical statements:

$$Y = Na + b \quad X$$

$$XY = a \quad X + b \quad X^2$$

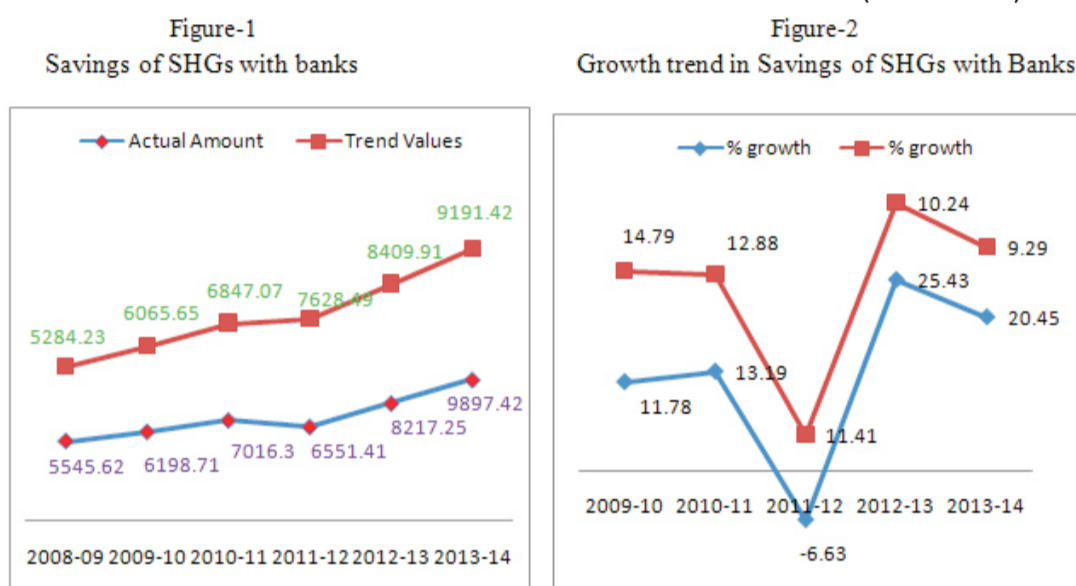
Year	Actual Amount	% growth	Trend Values	% growth
2008-09	5545.62	--	5284.23	--
2009-10	6198.71	11.78	6065.65	14.79
2010-11	7016.3	13.19	6847.07	12.88
2011-12	6551.41	-6.63	7628.49	11.41
2012-13	8217.25	25.43	8409.91	10.24
2013-14	9897.42	20.45	9191.42	9.29

Where 'N' represents the number of years for which data related to study has been observed.

SHG BANK LINKAGE MODEL

1. Growth analysis on amount of savings of Self Help Groups with the Banks under Microfinance

Table 1
Savings of SHGs with banks from 2008-09 to 2013-14
 (Rs. in Crore)

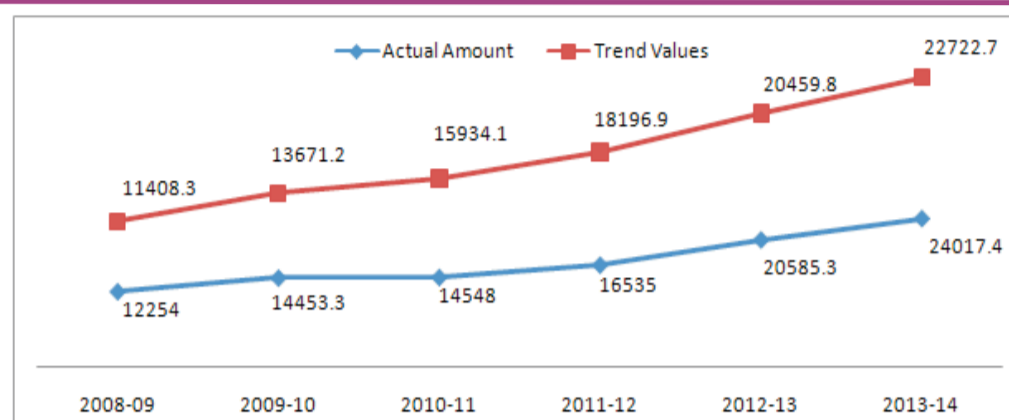


Source: NABARD annual reports

Table-1 contains that in the year 2008-09 the amount of savings of Self Help Groups with the

Year	Actual Amount	% growth	Trend Values	% growth
2008-09	12254	--	11408.3	--
2009-10	14453.3	17.95	13671.2	19.84
2010-11	14548	0.66	15934.1	16.55
2011-12	16535	13.66	18196.9	14.20
2012-13	20585.3	24.50	20459.8	12.44
2013-14	24017.4	16.67	22722.7	11.06

banks was 5545.62 crore which incremented to 6198.71 crore in 2009-10 and 7016.30 crore in 2010-11 showing the growth of 13.2 per cent. But in 2011-12 it shows a declining trend with a negative growth rate of -6.7 per cent due to decrease in amount of savings as compared to previous year i.e. 6551.41 crore respectively. Again in the year 2012-13 growth rate of 25.40 per cent has been analyzed as the savings has been incremented to 8217.25 crore and then amounts to 9897.42 crore in the next year 2013-14 but the growth is less as compared to previous year i.e. 20.45 per cent.



2. Growth analysis on amount of credit extension to Self-Help Groups by the Banks under Microfinance

Table-2 contains that a growth rate of 17.9 per cent has been observed in the year 2009-10 due to increase in the amount of credit extension from the previous year i.e. 2008-09 (12254 crore to 14453.3 crore). The trend has been represented in the figure-3.

Table-2
Credit Extension to SHGs by the Banks from 2008-109 to 2013-14

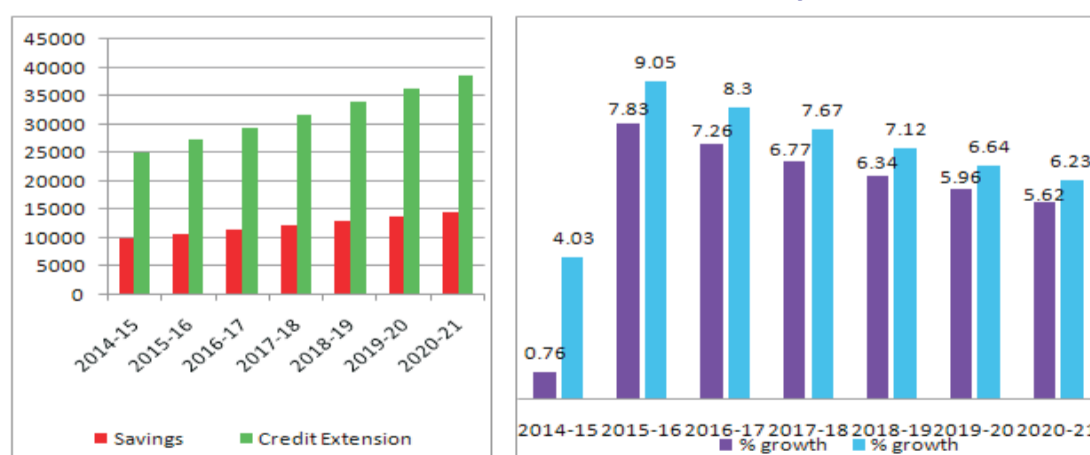
(Rs. in Crore)

Year	Savings	% growth	Credit Extension	% growth
2014-15	9972.75	0.76	24985.5	4.03
2015-16	10754.17	7.83	27248.36	9.05
2016-17	11535.59	7.26	29511.22	8.3
2017-18	12317.01	6.77	31774.08	7.67
2018-19	13098.43	6.34	34036.94	7.12
2019-20	13879.85	5.96	36299.8	6.64
2020-21	14661.27	5.62	38562.66	6.23

Source: NABARD annual reports

There was a minute increase in the amount of credit extension in 2010-11 i.e. 14548 crore showing an increment of just 0.01 per cent. Again in the year 2011-12 the amount extends to 16535 crore and up to 20585.30 crore in 2012-13 showing an increasing trend in the growth rate i.e. 13.7 per cent to 24.5 per cent respectively. The amount increased to 24017.36 crore in the year 2013-14 showing a growth of 16.67 per cent.

Figure-3
Growth trend in Credit Extension to SHGs by Banks



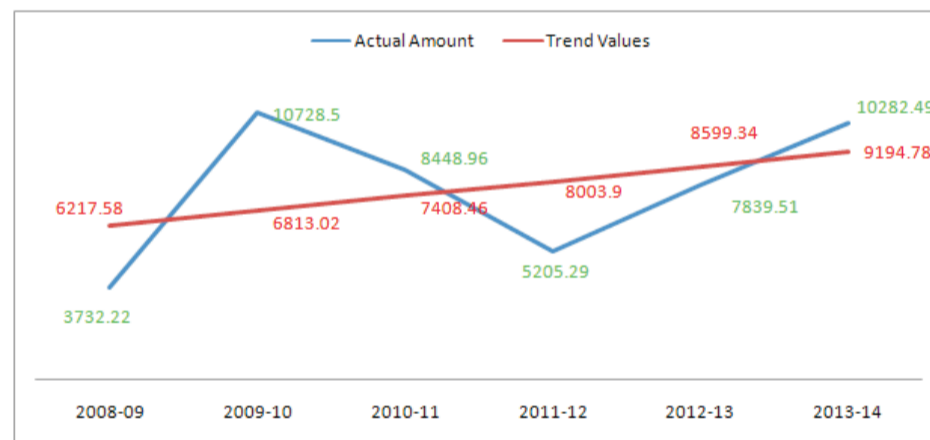
3. Estimated amount of savings and credit extension under SHG-Bank Linkage Model from 2014-15 to 2020-21: By comprehension the past conduct of development pattern provisional assessments with respect to measure of investment funds and credit expansion under the model are made which are portrayed in the accompanying table-3. We can see from the accompanying assumes that the measure of reserve funds and also credit expansion will be expanded in the coming years yet the development rate demonstrates a declining pattern in both the cases.

Table-3
Estimated Growth in Amount of Savings and Credit Extension from 2014-15 to 2020-21

Year	Actual Amount	% growth	Trend Values	(Rs. in Crore)
2008-09	3732.22	--	6217.58	--
2009-10	10728.5	187.46	6813.02	9.58
2010-11	8448.96	-21.25	7408.46	8.74
2011-12	5205.29	-38.39	8003.9	8.04
2012-13	7839.51	50.61	8599.34	7.44
2013-14	10282.49	31.16	9194.78	6.92

Source: Compiled from own calculations

Figure-4 Estimated Growth of Savings & Credit Extension **Figure-5** Estimated Growth under SHG- Bank Linkage model



MFI-BANK LINKAGE MODEL

The information identified with credit augmentation under this model has been broke down and the rate development has been delineated in the table beneath. Pattern qualities are additionally decided as in SHG-Bank Linkage model to comprehend its development design

Table-4
Growth Trend in Credit extension to MFIs by Banks

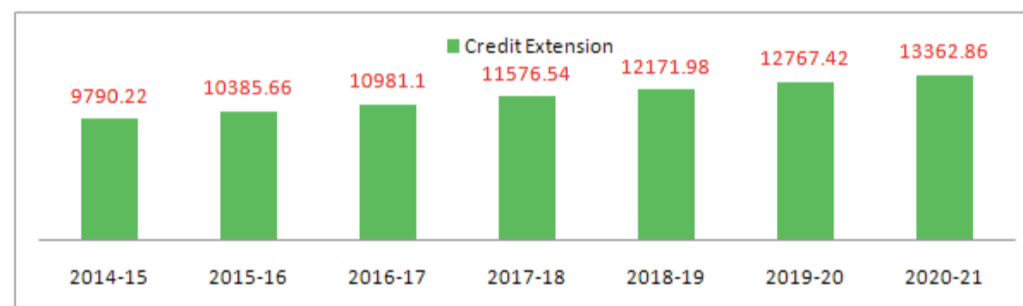
(Rs. in Crore)

Year	Credit Extension	% growth	Year	Credit Extension	% growth
2014-15	9790.22	6.47	2018-19	12172	5.14
2015-16	10385.7	6.08	2019-20	12767.4	4.89
2016-17	10981.1	5.73	2020-21	13362.9	4.66
2017-18	11576.5	5.42			

Source: NABARD annual reports

The fact that Commercial Banks are losing their confidence in lending to MFIs is evident from the fact that the fresh lending to MFIs by banks during the year 2011-12 declined by over 38 per cent as compared to last year 2010-11. After 3 years of the microfinance crisis, the MFIs seem to be on the path of regaining the confidence of the clients as well as with the lending institutions from 2012-13 onwards. Fresh loans issued to MFIs by Banks showed a 50 per cent increase over the previous year low. But again 31.16 per cent of growth rate has been achieved in lending in 2013-14.

Figure-6
Growth Trend In Credit Extension To MFIs By Banks



Estimated Credit Extension under MFI-Bank Linkage Model

The tentative figures of credit extension and percentage growth under this model are presented in the following table 5.

Table-5
Estimated Credit Extension under MFI-Bank Linkage Model (2014-15 to 2020-21)
(Rs. in Crore)

Source: Compiled from own calculations

Figure-7
Estimated Credit Extension Under MFI-bank Linkage Model

ISSUE OF CONCERN UNDER MICROFINANCE

From the information examination and evaluated figures we can watch that small scale financing under both the models will take after a declining development rate in the coming years which is a primary issue of concern. The SHG-Bank linkage program has become quickly amid the most recent two decades and more than 103 million poor family units have now access to customary reserve funds which demonstrates the endeavors made by the project in the advancement of smaller scale money segment. Yet, in the meantime one ought to see the rate at which the project is developing so endeavors are made to enhance the rate of development which at last prompts development of microfinance segment. The same example of declining development rate has been seen in MFIBank Linkage model. The administration's drives to streamline credit operations and conveyance framework through smaller scale account development and fortifying and extension of credit establishments (SHG's) can certainly help in the recovery of provincial economy and strengthening of the rustic poor. Miniaturized scale credit intercession system ought to be all around perceived world over as a compelling apparatus for neediness mitigation, enhancing financial states of rustic poor and their maintainable improvement. As per Ghate ET AL. (2008), microfinance program has possessed the capacity to cover only 16.5 million of the aggregate 75 million poor families. Along these lines, there is a sufficient degree to cover these unreached destitute individuals all together to accomplish monetary incorporation objective. Additionally, the normal credits gave to the SHG individuals under both the SHG-BLM and MFI models range between Rs. 3,500 to 5,000 which can meet the liquidity necessities just and are not adequate to help a part to begin gainful exercises. So far the government has been succeeded in giving just Rs. 2,000 crore every year against an interest of over Rs. 50,000 crore by the 75 million poor families (Ghate ET AL., 2008). Consequently, there is an unfathomable unmet request in the provincial and urban segments which is again a significant issue of concern, and there is sufficient scope for the development of various types of MFIs and microfinance administration suppliers.

CONCLUSION

Micro-finance is one of the ways of building the capacities of the poor and graduating them to sustainable self-employment activities by providing them financial services like credit, savings and insurance. This study tries to appraise the role of microfinance in upgrading the lives of rural and deprived masses in a sustainable way by depicting the trends under micro-financing. SHG movement has the potential to satisfy the financial service needs of India's unbanked people in scalable and sustainable manner which in turn leads to social and economic prosperity of deprived sections. The progress of both the models discussed in study indicates the role of micro finance sector in financial inclusion process of country. Microfinance programme has witnessed phenomenal growth in India in the past years and has a wider prospect to expand both the outreach and depth of services provided.

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