

CHAPTER-1

1.1 Introduction:

The economic prosperity of a nation is negatively affected by poverty. Department for International Development (UK) advocated for reducing the poverty rate in developing countries to enhance the quality of life as that will gradually lead to economic growth. Finance helps the poor to be at par with the rest of the economy as it grows (Basu, 2008). Microfinance¹ is a powerful tool against poverty (Ahlin et al, 2011). Microfinance includes savings, credits, insurance and remittance. Microfinance has the ability to increase the earnings of poor people and improve their health, assets and level of consumption (Appah et al, 2012).

After the introduction of economic reforms in the 1990s, the Indian economy was able to witness high levels of economic growth. At the time of India's independence, Gross Domestic Product (GDP) growth rate of India was merely 4.2% which was increased to 8.4% per annum between years 2004 to 2011 (Planning Commission, Government of India, 2011). But poverty and human under-development continued to plague India even after a high degree of GDP growth. According to the World Bank's proposed concept of Modified Mixed Reference Period (MMRP) in 2015, India's poverty rate stood at 12.4% of the total population for the period of 2011-12. According to World Bank's revised methodology based on purchasing power parity (2014), despite various government programmes against poverty reduction viz. Integrated Rural Development Programme

¹ Financial services provided by different types of service provider to the low income groups at very minimum or zero collateral is commonly known as microfinance.

(IRDP), Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Jawahar Gram Samridhi Yojana (JGSY) etc, out of 872.3 million world's population living below the poverty line, 179.6 million (20.6%) lived in India.

After independence successive governments in India, emphasized on promoting equitable growth with the medium of finance. Banks nationalization in 1969 did much less than what was needed, despite the priority sector lending obligation (Mahajan and Navin, 2013). Much of the bank credit was cornered by the big corporations who had majority ownership in many of the commercial banks (Basu, 2008).

Banerjee et. al. (2004) stated the fact that in the 1990s with economic reforms which redirected the bank's priorities in favour of the bank's sustainability overlooked the financial needs of the poor. The job of providing assistance to the poor so that they have access to credit was thus left to NGOs to work out on new modalities for the same (Mahajan and Navin, 2013). According to the census, 2011 (Government of India), only 58.7% of Indian households are availing banking services. Barely half of the total farm households (51.4%) are financially included in both formal and informal finances. Across Indian regions, financial exclusion is more acute in central, eastern and north eastern regions (NSSO 59th round survey results, 2013). The traders and commission agents were the major moneylenders in the rural economy. They provide seeds, fertilizers and pesticides on the basis of credit or on the basis of deferred payment to farmers (Karmakar, 2011).

Non-availability of formal finance and exorbitant interest rate of informal finance made the entry of microfinance smooth in rural India. The two microfinance models of India which made formal finance available to the poor and low-income group are Micro Finance Institution (MFI) model and Self Help Group Bank Linkage (SBLP) Model. The

first MFI was established in 1974 by [Ela Bhatt](#) in the form of Self Employed Women's Association (SEWA) in Ahmedabad, Gujarat which is perhaps one of the first modern days MFI of its kind. NABARD launched a pilot project in 1992 in partnership with Non-Governmental Organisations (NGOs) with the objective of promoting and grooming 500 Self Help Groups (SHGs). These groups consist of homogeneous members who save with banks within the existing legal framework. The steady growth in this pilot project led to the development of SBLP in 1996 which acted like a normal banking activity of banks with widespread acceptance (Rao, 2011). Till 31st March 2017, SBLP has covered 100 million families in India making it one of the largest microfinance programme of its kind in the world. This has been achieved through 8.5 million SHGs with savings deposits of rupees 161.14 billion and 4.84 million groups with the collateral-free loan, of which, 88% are exclusively women groups (Status of Microfinance in India, 2016-17). SBLP has made the bankers to change their opinion towards the credibility of the poor. It is pertinent to mention that poor women living in Indian villages now control financial business with a turnover of more than 1000 billion inclusive of deposits and credits, which is much more than most Multi-National Corporations in India (Annapurna, 2017). On the other hand, the number of MFI, the other model of microfinance, has gone up from a few to several hundred with the number of clients who benefitted from it is somewhere close to 40 million as of March 2016 (Bharat Microfinance Report, 2016).

SBLP is considered as a cost-effective means for financial inclusion of the poor. In contrast to this, the operating costs of MFI are high due to the employment of a huge workforce at the field level. The cost of huge employment of field workers eventually gets transferred to the end clients in the form of high interest rates and processing charges (Paul & John, 2010). Moreover, illiterate borrowers are unaware of the hidden

cost such as upfront fees, documentation charges etc. along with high-interest rate in MFI. The shortcoming of MFI's makes SBLP a dominant microfinance paradigm in India.

In both the models although the banks play the lender's role, the front-end is undertaken either by a SHG or by a MFI (Mahajan and Navin, 2013). In the Indian context institutions offering microfinance services can be broadly categorized into formal institutions and semi-formal institutions. The formal institutions comprise of institutions like apex development financial institutions, commercial banks, regional rural banks and cooperative banks. These institutions provide microfinance services over and above their general banking activities. On the other hand, semi-formal institutions generally referred to as MFIs, are those that undertake microfinance services as their primary activity. The formal financial institutions have both private and public ownership offering microfinance services but in case of the MFIs, private sector ownership plays a dominant role (Rao, 2011).

The three Scheduled Banks namely Commercial Banks (CMB), Regional Rural Bank (RRB) and Cooperative Bank (COB) has been promoting SBLP in India. Out of these, CMB is predominant in those states where poverty incidences are low, while RRB is dominant in poorer states. However, the success rate of SBLP is not uniform in India (Manohar, 2015). In South India, SBLP has been quite a successful approach while in North Eastern Region (NER) of India the performance of SBLP is pitiable (Kumar & Golait, 2009). Better infrastructural facilities are one of the reasons for the high success rate of SBLP in Southern Region (Sriram and Kumar 2005). In Assam, two different RRB's namely Assam Gramin Vikash Bank (AGVB) sponsored by United Bank of India (UBI) and Langpi Dihangi Rural Bank (LDRB) sponsored by State Bank of India is

operating. Only one COB, Assam Cooperative Apex Bank (ACAB) is promoting SBLP in Assam with its head office in Guwahati.

The success of SBLP has negated the age-old perception of formal financial institutions, that the “poor are not bankable” (Bhuyan, 2008). However, SBLP is witnessing many challenges in the form of uneven growth of SHGs in different parts, uneven quality of SHGs across the country and issues related to their sustainability (Das, 2012). The regularity of meeting, attendance of members in the meeting, the regularity of savings, maintenance of records are some of the key parameters to evaluate the quality of SHGs. Non-adherence to these parameters signify poor quality SHGs with high delinquency rate and low sustainability in the long run (Sharma, 2011).

One of the drawbacks of the SBLP movement is, it has not progressed at the same pace in all six regions of India. There is also variation in growth and coverage between different states of the same region (Manohar, 2015). In states like Andhra Pradesh, Tamil Nadu and Karnataka SBLP have been quite successful, while in North Eastern states the progress of SBLP is slow (Kumar & Golait, 2009). Various reasons are associated with this low penetration of SBLP in the NER. However one of the prime reasons that can be cited is the inadequate bank network (Sharma, 2011). A major portion of the growth in the banking network is shared by the southern region (Pokhriyal and Ghildiyal, 2011). Social backwardness and fewer NGO activities are also some of the reasons for low SBLP penetration besides bad banking network (Reddy and Malik, 2011). Lack of proper communication, financial literacy, and geographical positions, as well as the efficiency of banking agencies, are some other prime reasons for the region-wise disparity in terms of SBLP penetration (Singh and Kumar, 2016). Another drawback of the SBLP model is that it is subsidy driven. The increasing subsidy has also led to

increasing cornering of credit by the better-off members, corruption and reduction in repayment rates in expectation of loan waivers. The recovery rates of SHGs in the early years were 95 % plus and have steadily fallen as the poor sensed the programme becoming one of political patronage (Mahajan and Navin, 2013).

SBLP was launched around 1992 in other regions of India. Contrary to this, SBLP movement started in 1998 in NER of India, almost simultaneously with Swarnajayanti Gram Swarozgar Yojana (SGSY) which was launched in 1999. As such the loan recovery of directly linked SHG accounts under SBLP in NER had a negative impact because group members get influenced by benefits of loan weaver option of SHG sponsored under SGSY programme (Sharma, 2011). Further, it is observed that the growth of SBLP in NER of India is uneven and share of the region in disbursing bank loan to SHGs was the lowest among all other regions of India. It was found that 78% of the SHGs in NER are concentrated in Assam as of 2016. Assam also contributes a lion's share of SHG loan disbursement (87%) and an outstanding bank loan (75%) with respect to other seven North Eastern (NE) states as on the financial year 2015-16 (Status of Microfinance in India, 2015-16). This reveals that the majority of SHG linked through SBLP is from only one state of NER i.e. Assam. Apart from Assam the entire NER is mostly hilly with a low density of population. As such the cost of promotion of SBLP would naturally tend to be higher as compared to the plains.

It has become increasingly essential to look into the matter of sustainability of microfinance programme along with the expansion of microfinance in India. Overlooking the sustainability issue and only emphasizing on the expansion of the microfinance programme may lead to an outbreak of crisis like the Andhra Pradesh MFI crisis of 2011 in the country in the near future. Sustainability means continued existence

and functioning of groups providing unfettered access to financial services for their member's facilitation access to higher level financial institutions with low costs and high recovery rates (Srinivasan, 2008). This definition has two aspects, one is the affordability of interest costs to the members of the groups and the second is the easy access to services. Availability of quality manpower in banks, NGOs, government and other support levels is a critical issue in sustainability especially at a time when the programme is being scaled up. So the most important thing is the sustainability of these SHGs (Ghate, 2006) and the sustainability of SHGs is clearly related to the "quality" of groups promoted (Thanka, 2002). In the aforementioned area, MFI programme has not been able to make a strong foothold due to lack of active NGOs which can transform to MFIs. So the present study will concentrate on the performance of SBLP and SHGs formed under SBLP.

The aforementioned studies supported SBLP's strength of reducing incidences of poverty by linking the poor to formal finance for income generation. However, the performance of banking agencies in promoting SBLP in NER and in Assam is questionable. None of the mentioned studies focused on the competency of banking institutions in Assam in promoting SBLP by analyzing the rate of growth of SHG's saving mobilization, credit linkage, SHG loan outstanding and NPA. These studies are partial in nature as it cannot comprehend the actual picture of SBLP progress and the performance of banking agencies in SBLP promotion in Assam. In this study, the coverage of SBLP is determined with the help of all the four indicators in all Indian regions and in NER, particularly in Assam under all three banking agencies. This study is, therefore, is an attempt to assess the sustainability of SHG.

Microfinance help people to become economically empowered and economic empowerment will lead to other forms of empowerment in the long run (Biswas, 2010). Women members of the microfinance programme are more empowered than the non-members (Ringkvist, 2013). SHG obtaining microcredit has many positive impacts on aspects like income, assets, occupation, savings and access to loans, bank connectivity, knowledge, self-worthiness and decision-making level of the participants that eventually empower rural poor (Aruna and Jyothirmayi, 2011). Thamilpavai and Vasanthapriya, M. (2017) supported on group members obtaining both economic and social empowerment post joining SHG. But, for the empowerment aspect of the study, the earlier literature hardly covered all the aspects of women empowerment. Though there are a limited number of studies carried out in Assam on the effect of microfinance on socio-economic empowerment, no study has linked the multi-dimensional empowerment concept with microfinance. Therefore, this study attempts to ascertain women empowerment in Assam through SHGs in four dimensions of empowerment viz. economic empowerment, educational empowerment, social empowerment and political empowerment. It attempts to find out whether the SBLP has helped the rural folk to be empowered economically, educationally, socially and politically.

For making the SBLP a success, the SHG formed under this programme needs to be sustainable in the long run. Group sustainability will lead to the programme sustainability. There is an over reaching concern about the sustainability of the SHG movement in India. Now a day's SHGs have become a medium to run after monetary gain. To do away with such situations, growth along with the quality of SHG has become the need of the hour (Feroze and Chauhan, 2010; Das, 2013). Financial and organisational sustainability of the group is a precondition of the overall sustainability of

the SHG (Rahman, 2011). The study attempts to find out the performance and sustainability of SHG formed under SBLP. The previous studies are concerned with the sustainability of MFI's. But no such study has been found which is extensively related to the sustainability of SHG under SBLP in Assam.

The present study focuses on the performance of banking agencies in SBLP promotion, the impact of this programme on the empowerment of beneficiaries and finding out the status of sustainability indicators and the factors determining the sustainability of SHG in Assam, particularly in the Lower Brahmaputra Valley. This will help in framing policies for the SHGs under SBLP to increase their efficiency and self-dependency.

1.2 Statement of the problem

According to World Bank revised poverty calculation methodology in 2014, as on 2011, India sustained 17.5 % of world's population of which 20.6% of the population was found to be below the poverty line (BPL). In Assam, 10.13 million (31.98 %) of the population was found to be BPL. According to the Planning Commission of India, India's Poverty Estimates (2011-12), Assam has the highest number of poor people in the entire NER and 12th highest in the country. Although there is a varied number of a financial institution in India, only 58.70 % household had access to banking services (Government of India Census, 2011). According to the World Bank Index Survey (2012), in India, only 35% of Indian adult had access to a formal bank account (Garai, 2017).

India's SBLP movement has proved to be quite popular and is one of the world's largest and most successful networks of Community-Based Organisations (Status of Microfinance in India, 2015-16). However, at the beginning of the decade, the

microfinance sector in India witnessed a lot of turbulence primarily due to mushrooming growth of MFI's and their multiple financing. This led to many suicidal cases amongst the farmers due to over-indebtedness (Nair, 2011). But the popularity of SBLP is intact even after the turbulence. However, the SBLP reaches only about one-third of potential borrowers and one-tenth of the estimated demand for credits, despite the increased participation of commercial banks. A huge imbalance was also observed in the spread of the programme across states. So, in order to make the programme more successful it needs to be sustainable (Thanka, 2002).

NER, in particular, is quite backward in most of the aspects when compared with other regions of the country. Assam is the home of 2.57% population of the country. According to census 2011 (Government of India) out of the total population in Assam, 86% of the people live in rural areas as compared to 69% at all India level. As per the Poverty Estimates Data for 2011-12 by Planning Commission of India based on the Tendulkar Methodology, around 10.13 million (1.01 crore /31.98%) of the population in Assam lives below poverty line (BPL). As per data, there are 33.89% of people in rural areas (9.61 million people) of Assam who is below BPL; while 20.49% of the total population (9.21 million people) is BPL in the urban areas of Assam. Thus, Assam's ranks third (3rd), amongst the north-eastern states and eighth (8th) amongst in the 35 states and union territories terms in all India in terms of the percentage of the population in the below the poverty line.

The number of unemployed people registered in employment exchange in 2010 is 1.91 million in Assam. The state has a literacy rate of 73.18% with a male literacy rate of 78.81% and a female literacy rate of 67.27% but is plagued with acute unemployment especially amongst the educated people. Assam continues predominantly an agrarian

economy with the agricultural sector employing more than 50% of the rural people. The agricultural sector supports more than 75% of the population of the state. Agriculture directly or indirectly provides employment to more than 53% of the total workforce in Assam, but its contribution to the State Domestic Product was merely 25% during 2010-11.

The financial institutions are playing a significant role in economic development by mobilizing deposits and credits. According to the “Quarterly Statistics of deposits and credits of scheduled commercial banks of Reserve Bank of India, March 2011” based on projected mid-year population it was estimated that in Assam, one bank branch office covers around 20 thousand population as compared to a national average of 14 thousand during the same period. It implies that the number of the rural branch with respect to rural population is insufficient. On March-2011, Out of the total 1504 reporting offices, 53% of the total bank branch offices (i.e. 802 bank branch offices) are located in the rural areas of Assam and shares only 17% of the total bank deposits in the state. Contrary to this, the bank branch offices in semi-urban and urban areas with 390 and 312 branch offices shared 31% and 52% of the total bank deposits respectively (Economic survey of Assam, 2011-12).

Loans from banks or other credit agencies are known as commercial capital are not generally accessible to farmers in Assam. Till 2005, the number of saving and credit account in Assam per 100 adult populations was estimated to be 39.1 and 5.9 respectively. In the North Eastern Region, the number of saving and credit account was 38.2 and 6.7 respectively while the national average was 55.0 and 13.3 respectively. The NER average was thus much below the national average (Sharma, 2013). In State-wise Index of Financial Inclusion, Assam ranks 22nd in terms of financial inclusion and thus

falls in Low Financial Inclusion Group (Microfinance India, State of the Sector Report 2011). This has contributed in borrowing from unscrupulous lenders who are not under state regulation charge extremely high-interest rate to the borrowers and in many instances, the borrowers lose their livelihood, i.e., their cultivable land to these unscrupulous lenders. One of the main reasons why the commercial banks refuse agricultural loan is the lack of necessary collateral, generally in the form of land which makes formal finance inaccessible for the poor. In order to help this neglected section of poor people, NABARD started micro financing in rural Assam with the help of schedule banks through SBLP. SBLP gathered momentum a little late in Assam and its neighbouring states because of which the regional share of NER with respect to other regions of India is comparatively less (Microfinance India, State of the Sector Report 2015).

Based on the background of the SBLP, the present study mainly aims to investigate whether SBLP has penetrated evenly within all six regions of India, within all NER states and also within all parts of the state of Assam. Further, the study tries to find how much this programme has helped the rural poor, especially the women folk to empower themselves after joining the programme and the status of sustainability parameters in terms of SHG's forming under SBLP.

1.3 Research Questions

The Main Research Question of the study

Whether the SHG Bank Linkage Programme will become sustainable in the long- run?

In terms of the Main Research Question, the following Supplementary questions are framed

1. What is the performance of SBLP in North East India in general and in Assam in particular?
2. Did the SBLP succeed in empowering the rural poor?
3. Whether the empowerment dimensions differ among socio-economic and demographic variables?
4. What factors determine the sustainability of SBLP?

1.4 Objectives of the Study

On the basis of the research questions, the following objectives have been formulated for the study.

1. To find out the performance of SHG Bank Linkage Programme in India and its regions in general and in Assam in particular.
2. To assess the role of microfinance through AGVB in empowering the rural poor.
3. To see whether the empowerment dimensions differ among socio-economic and demographic variables of beneficiaries.
4. To find out the status of sustainability indicators and the factors determining the sustainability of SHG's in Assam.
5. To suggest policy measures to improve and strengthen the programme.

1.5. Conceptual Framework

Microfinance and Microfinance Institutions:

The concept of microfinance dates back to centuries. Broadly Microfinance can be defined as the provision of small-scale financial services such as savings, credit, micro

insurance and other basic financial services to poor and low-income people. It was prevalent as Rotating Savings and Credit Association (ROSCA)² in different countries under different names, like “chit fund” in India, “arisan” in Indonesia, “tendas” in Latin America, “Susu” in West Africa and the Caribbean, “Cundinas” in Mexico etc. However, in the year 1970, Md. Yunus initiated the agenda of providing financial services to the poor which was largely contributed by the founding of Grameen Bank in Bangladesh. From there the concept microfinance and SHG was popularized worldwide. There are two key models of microfinance in India: (a) the Self-Help Group (SHG) Model under the SHG-Bank Linkage Programme (SBLP); and (b) the Microfinance Institution (MFI) Model.

There is a wide range of organisations that are dedicated to providing microfinance services to the poor in India which includes non-governmental organisations, credit unions, cooperatives, private and commercial banks, non-bank financial institutions and part of state-owned banks. These institutions aim at providing a broad range of financial services such as deposits, loans, payment services, money transfer and insurance to the poor and low-income households and their microenterprises. The main objective is to develop institutional financial self-sufficiency and to penetrate breadth and depth wise across the low-income groups/ individuals of the nation. In the present study, the performance of SBLP has been analysed to know the level of penetration of the programme in all India basis. The study also focuses on the performances of banks in promoting the microfinance programme.

² ROSCA are informal groups where member save and borrow simultaneously. Money is not confined to one person and it change hand rapidly. All members contribute same amount of money at a regular interval into a central pool and some borrow from it. The interest paid by borrower is distributed fairly among the group along with the gross saving amount at the end.

Microcredit:

Microcredit is defined as small loans that help poor people wishing to start or expand their small business but are unable to get loans from the banks. Self-Help Group (SHG) Model is the most popular form of delivering microcredit in India. The microcredit provided by the public sector banks particularly by AGVB to the SHG members has been reviewed in the current study.

Self Help Group (SHG):

A SHG is a small group of people having a homogeneous social and economic background that voluntarily comes to save a small amount regularly. They mutually agree to contribute to a common fund and to meet their emergency needs on mutual help basis. SHGs are self-managed by their member and majority of them are rural women who decide how much each member will save in order to reach the minimum balance of group savings which banks demand before lending them money. The members also keep their own records and decide how often they will meet. Members in the SHG save in small amounts, generally Rs 50- 100 a month, to build up the group fund. Loans from this fund and also from the bank can then be extended to the members not only for petty trading and business but also for consumption and family needs such as school, renovating/ building house, medical costs or wedding celebrations. SHG thus, acts like micro banks, mobilizing funds from different sources and lending it to its members at low interest. SHGs are independent institutions but their freedom may be substantially limited by the banks on which they are dependent for money beyond their own savings. The SHGs in India are different from what is known as the Grameen approach of Bangladesh, where groups are set up and controlled by MFIs and thus acts only as a financial intermediary. In India SHG's are financed by banks, which carry out traditional

banking business with those groups linked under them. SHG maintains saving account with the banks. SHGs are either formed under the government-sponsored programme or by the banks under SBLP. In some places, NGO plays an important role in nurturing SHG's. SHG formed under SBLP through banks has been evaluated in this study to find out its role in empowerment generation of beneficiaries and prospects of long term sustainability of the SHG's based on quality and performance.

SHG-Bank Linkage Programme (SBLP):

SBLP is one of the key models of microfinance. It is a major programme that involves financial intermediation by SHGs which was launched in 1992 by the National Bank for Agriculture and Rural Development (NABARD- the apex bank for rural development in India). Within 10 years of its inception, the programme has covered around 7.8 million families with 90% women members with the help of NGOs and other Self Help Promoting Institutions (SHPI). There is a high degree of concentration in the southern states, with Andhra Pradesh and Tamil Nadu accounting for more than 66% of the SHGs linked to banks. SBLP though executed very well in India have not spread at the same pace in all the six regions of India and in all states of NER. The current study focuses on the performance of banks in SBLP promotion.

MFI model:

Another key model of microfinance is MFI. The MFI in India emerged in the late 1980s primarily due to the unavailability of banking services for the rural population with the weak economic background. The MFI's expanded rapidly in the 1990s offering financial services to the low-income population in 28 states and 5 union territories in India. Generally, the MFI's give microloans to their members but there are some MFI's that

offer insurance, deposit and other services. Although MFI's has been very prompt in reaching out to the poor since its inception with its well-structured distribution channels. However, various anomalies at the beginning of 2010 in MFIs operating in southern India particularly in Andhra Pradesh (AP) were observed. The competition amongst the MFI's resulted in chasing for the same set of customers multiple times and borrowers who were initially happy with abundant sources of credit facilities were seen struggling with the exorbitant interest rates charged by MFI's which ranged in between 24 to 55%. The high rate of interest and coercive technique of recovery has lead to microfinance crisis in southern India at the beginning of the decade. In spite of the entire shortcomings microfinance sector regained its grasp and from 2012 has been growing constantly. MFI model is more popular in southern India compared to any other regions. MFI model has not been considered for current analysis due to the less popularity of this model with respect to SBLP model in NER, particularly in Assam because of lesser number of active MFI functioning in this part of the country.

Regional Rural Banks (RRB):

Under the provisions of the Ordinance circulated on the 26th September 1975 and the Regional Rural Banks Act, 1976 the RRBs were established in 1975. The aim of the RRBs was to develop the rural economy as well as create an alternative channel of the 'cooperative credit structure' so that sufficient institutional credit for the rural and agriculture sector was ensured. RRB primarily focuses on serving rural areas as an integral segment of the Indian banking system. RRBs give maximum emphasis on developing the rural economy by providing credit for agriculture, MSME, trade and services and other productive activities with an emphasis on productive credit to the

small and marginal farmers, agricultural labourers, artisans & small entrepreneurs, SHGs etc.

The RRBs are also present in the North Eastern Region. The RRB has covered seven states of the NER excluding Sikkim. There are eight (8) RRB's in the seven states of NER with Assam having two of them namely the Assam Gramin Vikash Bank and Langpi Dehangi Rural Bank.

These RRBs are sponsored by State Bank of India (SBI) and United Bank of India (UBI). Langpi Dehangi Rural Bank in Assam, Nagaland Rural Bank in Nagaland, Ka Bank Nogkyndong Ri Khasi- Jaintia in Meghalaya, Mizoram Rural Bank in Mizoram, Arunachal Pradesh Rural Bank in Arunachal Pradesh are the SBI sponsored RRB's. Assam Gramin Vikash Bank in Assam, Tripura Gramin Bank in Tripura and Manipur Rural Bank in Manipur are UBI sponsored RRB's.

Among the three banking agencies promoting the SBLP, RRB's performance is better in NER as a whole and in Assam in particular, hence RRB has been considered for this study.

Assam Gramin Vikash Bank (AGVB):

The only restructured RRB of the NER, AGVB, was set up on 12th January 2006 by amalgamating the 4 former banks viz. Pragjyotish Gaonlia Bank, Lakhimi Gaonlia Bank, Cachar Gramin Bank & Subansiri Gaonlia Bank as per provision under section 23(A) of RRB Act, 1976. The Head Office of the AGVB is situated at G S Road, Bhangagarh, Guwahati, Assam. The Bank is operational in 30 districts out of 33 districts of Assam, barring only the three hill districts, viz. Karbi Anglong, West Karbi Anglong and Dima Hasao. At the end of March 2016, the Bank had 414 branches in 30 operational districts

with 20, 87 and 307 branches operating in Urban, semi-urban and Rural areas respectively.

As on 31st March 2017, the total business of the bank stood at 120.72 billion Indian rupees with a growth of 4.85% over the previous year. In the financial year 2016-17, a total of 0.021 million new SHGs have been deposit linked which increased the cumulative no. of SHGs deposit linked by the bank to 0.22 million. Again during the same period, 0.018 million new SHGs were credit linked increasing the cumulative number of credit linked SHG to 0.18 million. Yet, again during this period, the cash recovery from NPA was 3.17 billion with an amount of 76.92 million Indian rupees being recovered from Shadow Register Accounts. The Net Profit (after Tax) earned by the Bank during this period was 56 million Indian rupees.

ACCESS Development Services³ along with NABARD awarded AGVB as the winner of Inclusive Finance India Award, 2015 amongst all RRBs for SHG Bank Linkage by a RRB. The bank has also received best bank award from NABARD for its SHG credit linkage for the year 2015-16.

However, it is a matter of concern that while gross NPA has increased from 20.44 % to 25.90%, the Net NPA has increased from 15.61% to 19.99% in terms of percentage from the fiscal year 2015-16 to 2016-17. The NPA at the beginning of the financial year 2016-17 was 8.45 billion Indian rupees against 3.60 billion Indian rupees in the year 2015-16. But bank has been relentlessly taking initiatives to reduce the burden of burgeoning NPA rate. During the financial year 2016-17 in their report, the bank was able to recover and

³ ACCESS is a not-for-profit organisation which offers specialized technical assistances under two verticals: livelihoods and microfinance. ACCESS assists the microfinance sector through structured and streamlined services.

reduce a sum of 3.80 billion in Indian rupees from NPAs as against 2.65 billion Indian rupees during the previous fiscal year.

AGVB is the study bank for the present study due to its better performance than other banks in terms of SBLP promotion in Assam. The present study is an attempt to evaluate the role of RRB in Assam in the promotion of SBLP.

Empowerment:

According to the definition given by World Bank empowerment is “the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes”. It is suggestive of indirectly transforming the choices into action by providing or creating self-motivated employment generation, which will help people to raise the power and decision making in any setting be it within the household or outside it. Empowerment means the removal of gender disparity. And one of the effective ways to attain gender equality is by empowering women. Therefore, the focus has to be on women empowerment while devising various policies for rural and socio-economic development. Microfinance programme has played an important role in empowering rural folk especially women socially and economically. The variables of women empowerment can range from participating in the local election, contributing to raise and solve issues of justice, contributing community services and livelihood and many more.

- ***Economic Empowerment***

Economic empowerment is ensuring financial autonomy, which means having access to and control over productive resources. The status of women is by and large connected with their economic position or status which largely depends on the participation of

women in economic activities. These economic activities include activities like the ability to access credit, role in decision making in financial matters, savings, income and income generating activities etc. It is believed that if a Woman participates in income generating activities it increases their status and decision making power along with employment.

- ***Social Empowerment***

Social empowerment is a very gradual process and is a cumulative endeavour of economic and political empowerment. It means that women should have an important place in her family and society which enables her to make optimum use of the available resources. Social Empowerment also implies that women should be able to have Social interaction with outsiders and also an assertiveness to fight against injustice and problems, to have an expression of views in the family as well as in groups etc. Economic and political empowerment is a distant dream without social empowerment.

- ***Political Empowerment***

Women can play a dominant role in Social transformation by analyzing, organizing and mobilizing their surrounding and situations. Political Participation enhances the social status of women and helps them to solve local problems. Thus, Political empowerment includes active participation in Gram Sabha, Zilla Panchayat, contesting in elections etc.

- ***Educational Empowerment***

There is an inter-linkage between the empowerment of women and their educational and economic status. As such, there is a need to empower them socially, economically and politically through education. For this capacity-building, skill development and improving awareness regarding various issues is of utmost importance. Education

improves the understanding of women about themselves, their household and their children and also the society as a whole. Education is thus an enabling factor for women's empowerment and sustainable development.

As microfinance leads to empowerment, this study evaluates how much SHG members under the SBLP have become empowered with due course of time, how one form of empowerment make members to achieve other forms of empowerment as well and how demographic and socio-economic background affects the level of empowerment.

Sustainability:

World Commission on Environment and Development 1987 (the 'Brundtland definition') has defined sustainable development as "...development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Sustainability involves the reconciliation of three important dimensions: social, economic and environmental (United Nations, 2005). Sustainability thus refers to the long-term ability to meet goals or target. Sustainability of SHGs can be measured in terms of financial and organisational sustainability.

There are three pillars of sustainability viz. Social Sustainability, Environmental Sustainability and Economic Sustainability which acts as a powerful tool for defining the complete [sustainability](#) problem. Social sustainability refers to the ability of a social system, to function at a defined level of social well being and harmony indefinitely. Environmental Sustainability, on the other hand, is the ability of the environment to support a defined level of environmental quality and natural resource extraction rates for an indefinite period. Again, Economic Sustainability is the ability of an economy to support a defined level of economic production for an indefinite period. Some

sustainability indices take into consideration all the three dimensions of sustainable development, while the other either measures the socio-economic or socio-environmental or just economic and environmental dimensions.

However, the current study, only two dimensions of sustainability namely social and economic sustainability are considered. Social sustainability basically focuses on the ability of an organisation to sustain in the long run with the help of good management, so for this study ‘organisational sustainability’ is considered as an indicator of social sustainability.

Economic sustainability is where most businesses feel they are on strong hold. To be economically sustainable, a business must be profitable. Economic sustainability basically deals with a financial aspect of an organisation, so ‘financial sustainability’ is considered as an indicator of economic sustainability.

Organisational sustainability:

The organisational sustainability of a SHG is the first step to reach towards financial sustainability and eventually group sustainability in the long run. SHG depends on certain key factors for organisational sustainability. Homogeneity of the group, nurturing and training to group members, availability of need-based services viz. maintenance of records, auditing of books etc are some of the prime factors which decide organisational sustainability of the group. Only, well-trained groups will be able to sustain in the course of time.

Financial sustainability:

Financial Sustainability means the smooth operation of an institution with necessary profitability and also having adequate liquidity to overcome any challenges of

bankruptcy (Parveen, 2009). Sustainability of the SBLP depends on the level of profitability of both SHG and bank to sustain for the long term. Bank will be interested in lending to groups in the long run only if they will be able to earn profit out of it. On the other hand sustainability at the group level will depend on whether the livelihood activity produces an income that is more than the interest payable on the loan. The rate of NPA against SHG loans is an indicator to analyze the sustainability of SBLP at the bank level and Rotation of fund, utilization of common fund, loan disbursement rate and repayment performance rate are some of the prime indicators of financial sustainability of the group. As group sustainability is very much essential to make the programme sustainable, in the current study those factors which determine the organisational and financial sustainability of the group has been analysed. The trend of NPA percentage against SHG loans has also been taken into account to analyse the sustainability of the programme.

1.6. Methodology

This section in particular deals with the study and method of data collection and the analysis of the collected data. The analysis of the data for the objectives deals with a detail description of the methods and techniques used to provide possible explanations for attaining the objectives laid down for the study. The relevant aspects of the study have been discussed under the following sub-heads- Data sources, Study area and sampling design, Design of the questionnaire, and techniques used.

1.6. A. Data Source:

Both primary and secondary sources have been used for the study. The secondary data has been collected from annual reports of State Level banker's Committee Meeting,

annual reports of AGVB, annual reports of NABARD, reports, published and unpublished documents of the Government of Assam and India. To gather primary information, different structured schedules will be used for household and SHG (Appendix C).

1.6. B. Study area and sampling design

There are six (6) agro-climatic zones, i.e., Upper Brahmaputra Valley Zone, Lower Brahmaputra Valley Zone, North Bank Plain Zone, Central Brahmaputra Valley Zone, Barak Valley Zone and Hills Temperate Zone in Assam (agropedia.com). Out of six (6) agro-climatic zones, AGVB is operational in five Zones barring Hills Temperate Zone where the Langpi Diangi Rural Bank is in operation. In the 5 zones, the total number of SHG under AGVB is 2, 29,672 as of 31st March 2017(Annual Report of AGVB- 2016-17 Financial Year). Of the total, 38.25% (87,865) SHGs are in the Lower Brahmaputra Valley. As such, Lower Brahmaputra Valley Zone is selected purposively due to the presence of a comparatively higher number of SHGs under AGVB.

Out of the 9 districts, namely Barpeta, Baksa, Bongaigaon, Dhubri, Goalpara, Kamrup (R), Kamrup (M), Kokrajhar and Nalbari in the Lower Brahmaputra Valley, 5 districts namely Barpeta, Baksa, Kamrup (R), Kamrup (M) and Nalbari are selected purposively because in these districts AGVB has the highest number of branch network and has the highest number of SHG linked under AGVB. These five districts account for 81 branches of AGVB. In Barpeta total SHGS linked to the 19 branches are 10,736 ; In Baksa total SHGS linked to the 12 branches are 9,769; in Kamrup (R) total SHGS linked to the 18 branches are 13,1260; in Kamrup (M) total SHGS linked to the 14 branches are 30,282 and in Nalbari the total SHGS linked to the 18 branches are 9,568. A total of 73,481 SHG's are linked in these five districts by AGVB which accounts for

84% of the total SHGs of lower Brahmaputra valley. From each district, two branches have been selected. The total sample considered for the study amounts to 170 SHGs under AGVB. From the total SHGs in each district, between 1-7% of the SHGs are considered as it fulfils the minimum requirement of 30 samples per district for the analysis. From each SHG two households have been selected which accounts for 340 households in total.

1.6.3 Design of the Questionnaire

The questions included in the questionnaire were kept short and simple. The questionnaire had questions of 5 points Likert scale. Several of the dimensions adopted in the study were from the literature review of previous researches. The questionnaire was divided into two sections:

Part A: This section was designed to determine empowerment in households. A total of 36 assertions were made relating to various forms of empowerment where economic empowerment has 12 assertions, educational empowerment has 8 assertions, and social empowerment has 10 assertions and finally, political empowerment has 6 assertions. A five-point Likert scale was used to know the level of agreement or disagreement of the respondents with the assertions made. 5= strongly agree, 1= strongly disagree.

Part B: This section aimed at collecting various information related to the functioning of SHGs and to analyze their sustainability.

The questionnaire was pre-tested through a pilot survey. The pilot survey was undertaken to judge the reliability and validity of the questionnaire. Based on the pilot survey necessary modifications were made in the questionnaire.

1.6.D Technique used:

The objective wise methodology used

OBJECTIVES	DATA TYPE	METHODS
To find out the coverage and performance of SHG Bank Linkage Programme in India, particularly in Assam.	Secondary Data	Descriptive Statistics- Percentage , Figures etc.
Analyze the role of microfinance in empowering rural poor through Assam Gramin Vikash Bank's SHG Bank Linkage Programme	Primary Data	Descriptive Statistics, Exploratory Factor Analysis, Correlation Co-efficient
To see whether the empowerment dimensions differ among socio-economic and demographic variable of beneficiaries	Primary Data	Bi-variate Analysis- Independent Samples t-test, One-way ANOVA
To find out the status of sustainability indicators and the factors determining the sustainability of SBLP in Assam	Primary Data	Index Formation, Multiple Linear Regression Analysis

1.7 Chapter Plan

The thesis is organised in the following manner:

Chapter 1 gives the introduction of the study along with various concepts techniques used in the study and also the chapter plan.

Chapter 2 gives the theoretical background and empirical evidence for the study on SBLP promotion and coverage, empowerment of rural women and sustainability of SHG.

Chapter 3 gives a view of the performance of SBLP in India and its six regions, NER and in Assam. The study is based on secondary data.

Chapter 4 gives the analysis of empowerment of the beneficiaries through SBLP.

Chapter 5 gives a brief demographic profile of the respondents and checks how these demographics affect empowerment. Bi-variate analysis – independent sample t-test and one- way ANOVA has been used to analyse the data.

Chapter 6 gives an idea of the sustainability of SHG under SBLP that are promoted by Assam Gramin Vikash Bank. For this, the sustainability index has been constructed. This chapter also gives an insight into the variables which contributes to organisational and economic sustainability.

Finally, **Chapter 7** concludes the study with some suggestions.