

# Microfinance in MP- A Critical Evaluation of Current Status

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**Abstract:** Economic enabling environment entails the inclusive financial system. Though there is widespread of Jan dhan Yojana but penetration of microfinance in Madhya Pradesh (MP) to large population is still not taken place and huge population is below poverty line and financially excluded. This research paper emphasize on potential significance to promote microfinance in poverty eradication and aim to critically evaluate the present state of microfinance in MP. The basis of this article is the investigation of ongoing microfinance programme which are facing challenges of low growth and from various reports like Reports of Nabard, RBI, Status of Microfinance, SLBC, World Bank, journals, insights of microfinance experts, books, websites et cetera to examine to such degree that result of research could address root cause of the problem and identify the issues which retarded the growth of microfinance a developmental tool. The findings are that Government sponsored microfinance programmes are showing slowdown in comparison of private players and prime reasons are external and internal environmental issues. Call of action is that given the size and potential importance of microfinance programme in poverty eradication and promotion of micro enterprises the researcher should explore the innovative ways of its growth. For policy framers, this imperative role is to facilitate microfinance programme by integration of external & internal environmental factors state wise in policies is apparent is this research.

**Keywords:** Microfinance, Poverty, Microfinance Clients, Growth, Madhya Pradesh.

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## I. INTRODUCTION

Chronic poverty challenge can be addressed by many ways and one of that is suitable access of financial services. As claimed by modern microfinance Guru Yunus (1999), that “If we are looking for one single action which will enable the poor to overcome their poverty. I would go for credit, money is power.” Micro finance helps the poor to escape poverty by scaling up their operations in an affordable manner. Microfinance according to Otero (1999, p.8) is “the provision of financial services to low –income poor and very poor self- employed people” And it is based on more important finding is that, the poor can save, can borrow and will certainly repay the loans. Microfinance is not a charity. The poor cannot be left to the mercy of those who look down upon microfinance as ‘discretionary’ funding and the clients of microfinance as ‘beneficiaries.’ Actually, they are all partners in a common endeavor. Microfinance benefit poor in such a way that when micro credit is provided, a poor borrower can use a tiny loan to start a sustainable business generate more income and over a period of time, come out of poverty. But it is also essential to know that Microfinance is not a panacea which removes poverty in one go, it takes time besides that its impact is also different on different person. Micro credit is only one type of services provided in Micro finance. Micro finance is a broader term and it includes – savings, remittance, insurance and range of services. And due to its importance, Microfinance is categorized as priority sector by RBI.

In India microfinance facilities are provided from various sources. A range of institutions in both public and private sector are providing microfinance services in India. They can be broadly categorized into two categories namely, Main Stream Financial Institutions and Alternative Financial Institutions. The Main Stream Financial Institutions comprises of Apex developmental institutions, Commercial Banks (CB), Regional Rural Banks (RRB) and Cooperative Banks that offer microfinance services in addition to their general banking business. In contrast the Alternative Financial Institutions

undertake microfinance services as their main business known as Micro finance Institution. These MFIs are of different legal frame work. They can be Society, Trust, and Cooperative Society or mutually aided cooperative society, Non banking financial company (NBFC-MFI), Section 8 companies etc. The Micro Finance Institutions registered under society/ trust and section 8 companies are mainly social enterprise and serving the poor is their main objective instead of earning profit from microfinance operation, that's why term NGO MFI for all such type of MFIs is in practice. In this research we used Funding Institutions to refer collectively both Main Stream Financial Institutions and Alternative Financial Institutions. There are various delivery mechanisms prevalent in present environment for delivery of microfinance. But in Madhya Pradesh three model of Microfinance is operational are as follows:

- **Self Help Group- Bank Linkage Model (SBLP):** This model involves the SHGs financed by the Commercial banks (Public sector and Private Sector), Regional Rural Banks (RRB) and Co-operative Banks.
- **MFI model:** This model covers the financing by Micro Finance Institutions (MFIs) through Joint Liability Group (JLG), individual lending and other models. These MFIs are of different legal frame work.

With the practice of SHG-B model and JLG and other models in the state the coverage under microfinance are around 6.7 million people through SHG-B linkage model and 2.5 million poor people through MFIs.

- **Region wise share of client outreach**

In India despite the rapid development of the microfinance industry, there is a great disparity in microfinance activities across different parts of the country. India is divided into six regions and clients outreach is Northern region and North Eastern region 3%, Eastern region 25%, Central region 19%, Western region 09% and Southern region 38%. But growth pattern of microfinance across states is in favour of southern region. Southern region have maximum number of clients and whereas Central region which consist of most of the poorest states viz. Madhya Pradesh, Uttar Pradesh and Uttaranchal etc. has less client outreach than Southern region and Western region.

- **Region wise share of loan portfolio**

In terms of loan volume the Southern region is leader with 39%, the second highest is Eastern region with 29% in which states like Bihar, West Bengal registered impressive growth. The third highest is central region with 15% in which Madhya Pradesh and Uttaranchal registered notable growth.

For spreading of SHG bank linkage programme the Nabard had given priority status to resource poor states they are viz Assam, Bihar, Chhattisgarh, Gujarat, Himachal Pradesh, Jharkhand, Maharashtra, Madhya Pradesh, Orissa, Rajasthan, Uttarakhand, Uttar Pradesh and West Bengal. There growth is uneven in micro finance activities; the table of Microfinance penetration index reveals the reality.

**Table I: Microfinance penetration Index (MPI)**

States	Microfinance penetration Index(MPI)
Andhra Pradesh	3.64
Tamil Nadu	2.27
Madhya Pradesh	0.38
Odisha	2.00
West Bengal	1.48

(Source: "Microfinance India-State of the Sector Report,")

When we compare the microfinance penetration in different states and if leave Andhra Pradesh and Tamilnadu and compare Madhya Pradesh with Odisha and West Bengal which are priority states as per Nabard, the microfinance penetration in Odisha and West Bengal is four times and three times respectively higher than Madhya Pradesh.

Growth trend of SHG-bank linkage in India is also is quiet disproportionate. The best performance is obvious is of Andhra Pradesh followed by Tamilnadu, Karnataka and Kerala in terms of saving mobilization, number of groups and loan amount (source: Nabard). Even the average loans were higher in Andhra Pradesh per SHG. However Madhya Pradesh performance in SHG-bank linkage programme is modest only.

- **State-wise performance of MFIs in few states (Alternative Financial Institutions)**

The largest share of client outreach and loan amount is still in Southern region but other states are also improving very rapidly (Source: MFIN, 2018). The states recorded highest growth in loan disbursement is Odisha (13%) followed by Bihar (12%). And Madhya Pradesh stood eighth in terms of loan disbursement and have 9% of total loan disbursed i.e. 4772 crores. The client acquisition is not proportional to the population and population of poor household. The growth pattern is not proportional to the population of poor household and required the policy decisions for equitable growth.

The microfinance penetration is excellent in Andhra Pradesh, Tamilnadu and Gujarat due to various reasons. (Agarwal, S, 2009) in her research reveal that these states took diverse steps to provide favourable environment for the growth of microfinance for example Andhra Pradesh Government has provision of awards for banks that lend the maximum credit at the state and district level. There is a Forum for the MFIs at state level in both Gujarat and Maharashtra, where these MFIs can explain the concerned authorities about their demand and problems. But in absence of many facilities in MP the overall growth rate of the Funding Institutions remained unexceptional. And the objective of this research paper is to critically evaluate the present state of microfinance in MP and identify the issues which are impediment in the growth of microfinance sector.

The organization of the paper is as follows. In Section II we discussed the social economic profile of MP on the basis of various reports. The Section III consist of literature review in which we discuss that how microfinance as developmental tool assist in poverty eradication. Section IV consist of Methodology and objective of the study. Section V discuss the key findings i.e. the critical evaluation of current scenario of micro finance and Section V contains concluding remark of key observation and last Section VI is reference section.

## II. HINDUSTAN KA DIL -SOCIO ECONOMIC PROFILE OF MP

MP is in the heart of India with overall population of 726.43 lakh out of which male population is 376.29 lakh i.e. 51.8% of the total population and female population is 350.14 lakh i.e. 48.20% of the total population. Population below poverty line is 31.6% which is significantly higher than national average of 21.95% and literacy rate of MP is 70% which is lower than national average of 74.04%. The majority of its population lives in rural areas relying on agriculture for their livelihood. Poverty is reducing but with very slow pace and it is still a major issue. Rural poverty is largely a result of low productivity and unemployment in Madhya Pradesh. Rural People of MP depend on unpredictable agriculture incomes, While urban people rely on jobs that are, at best, scarce. As indicated by other measures of poverty like Multi Dimensional Poverty Index (MPI, 2017) Poverty level of India is 21% whereas in MP it is quite high at 28%. Beside that as Human development index the national HDI is 0.467 and of MP HDI is 0.375, which shows the weak economic condition of residents of MP on the basis of parameters of HDI. Additionally in MP there are two districts which have chronic poverty, they are Jhabua and Alirajpur. And eight districts declared as backward by NITI Aayog, they are Vidisha, Barwani, Khandwa, Chattarpur, Damoh, Guna, Rajgarh and Singrauli. Since its inception, the issue of poverty in Madhya Pradesh has remained prevalent concern. And it is well recognized that microfinance bring significant change in standard of living of economically active poor population and assist in poverty alleviation.

MP has 50 districts out of which 48 districts are covered by microfinance services and the total numbers of villages are 54903 and villages having banking facilities are 21717. Even now 39.55 percent villages of the state are still not having any financial access of formerly financial institutions. Thirty nine villages with a population of more than 5000 are not having any bank branches as on 31<sup>st</sup> March, 2017 (source: Nabard). In case of MFIs, out of 50 districts 70% of microfinance activity and clients are concentrated in 15 districts and main districts are Indore, Jabalpur, Bhopal, Ujjain and Dewas. (Source: Sidbi, 2015).

In Madhya Pradesh there are various funding institutions are providing microfinance namely 49 CBs, 03 RRB, 01 MPSTCB (State cooperative bank), 38 DCCB (District Central Cooperative Bank), 4522 PACS (primary agriculture cooperative society), 98 MFIs/MFOs and has a branch network of 7218 bank branches, out of which rural branches are 2615 (36%) and 2309 branches (32%) are located in semi urban areas and state have 9263 ATMs network. The CBs and RRBs account for 55% and 21% respectively of the total branch network in the state. MP is among the list of under banked state where the Average Population per Branch Office (APPBO) is 10062 means every branch has to handle more number of clients. And formal banks are the key drivers of the micro finance movement so far in the country. The Planning commission specifically emphasizes the importance of Microfinance and its competence in providing financial services to deprived section of society.

### **III. LITERATURE REVIEW: MICROFINANCE – A DEVELOPMENT TOOL FOR POVERTY ERADICATION**

The impact of Micro finance operation is based on an incremental approach and cannot be expected to produce immediate results. Several cycles of lending may result in reversing the condition of abject poverty and ensure that clients can meet their day to day needs of the family and the production /investment credit are also met ultimately. This process requires long time but help clients to come out of poverty eventually (Ramakrishnaya.M, 2008). Many research studies conducted in different countries to measure the impact of microfinance on its clients, out of that one is as per (Rahman), World Bank sponsored the study of the impact of micro credit projects in rural Bangladesh in 1991-92, in eighty seven villages and covered 1800 households. The Microfinance institutions involved were Grameen Bank, the Bangladesh Rural Advancement Committee (BRAC), and RD12 (a CIDA supported Programme, executed by the Rural Development Board of the Government of Bangladesh). The findings of the research concluded that there is some positive impact of microfinance in poverty reduction.

In another study the main investigator of the World Bank research project, Pitt and Khandker (1998), found that increased incomes resulting from micro credit investments contributed to net increases in the household consumption of borrowers (for women borrowers consumption rose by 18 cents for every dollar borrowed over a one-year loan cycle), and micro credit had positive impacts on the school attendance of borrowers' children.

Government of different countries, World Bank and various donors increases their financial assistance for micro finance programs; it is now treated as tool for eradicating poverty in developing economies. (World Bank1990; Binswanger and Landell-mills 1995) Jennefer Sebstad and Gregory Chen (1996) summarized the important findings of thirty two research and evaluation reports on the impacts of micro enterprise credit services. They found three positive impacts:

- Impacts on enterprises: twenty – six of these thirty-two studies provided data on business enterprise impacts, and indicated that in general the impacts were positive. The average increase in enterprise earnings attributed to the loans ranged from 25 to 40 percent.
- Impact on the household: Six studies examined household income and found that credit had a positive impact on household incomes, but the impacts of microcredit on consumption, on health, on the nutrition level of family members, and on children's attendance at schools were not conclusive.
- Impacts on empowerment of women: several of the programme reports found that micro lending to women had positive impacts on their empowerment in Asian countries. However, reports from African programmes found very little or no impacts of microcredit on the empowerment of women.

And it is evident from impact studies that microfinance has certain positive impact and facilitates in poverty alleviation. But external and internal issues and challenges are impediment in growth of microfinance, as stated by (Nasir, 2013) that lack of effective loan disbursement mechanism, absence of product diversification and relationship of clients with more numbers of lenders are major snag in expansion of microfinance. Whereas as stated by (Muawya, 2014) that lack of appropriate regulation and sustainability are the key issues which thwart the progress of microfinance. While (Jaffari, 2011) advocated the intensification of microfinance for raising the rate of economic growth by addressing the issues like suitable training to MFI employees, financial literacy to clients so that they can use the credit for the purpose it is issued, training to clients and incorporating the local norms.

There is short of literature which highlights the issues and challenges of microfinance in MP, so it is not viable to compare the results with parallel studies.

### **IV. RESEARCH METHODOLOGY**

The key objective of this research study is to critically evaluate the present state of microfinance in MP and emphasize on potential significance to promote microfinance for poverty eradication. This study is conducted by investigation of ongoing microfinance programme which are facing challenges of low growth on the basis of variables like Savings, Issue of Loans, Non performing assets (NPA), Training of employees engaged in microfinance business and clients both. For comparison of microfinance programme of MP with other states, we selected priority states notified by NABARD especially to get insight in magnitude of the problem. And data is collated from various reports like Reports of Nabard, RBI, SADHAN, SLBC, World Bank, journals, insights of microfinance experts, books, websites et cetera to examine to such degree that result of research could address root cause of the problem and identify the issues which retarded the growth of microfinance a developmental tool.

## V. FINDING & DISCUSSION: A CRITICAL EVALUATION OF MICROFINANCE IN MP

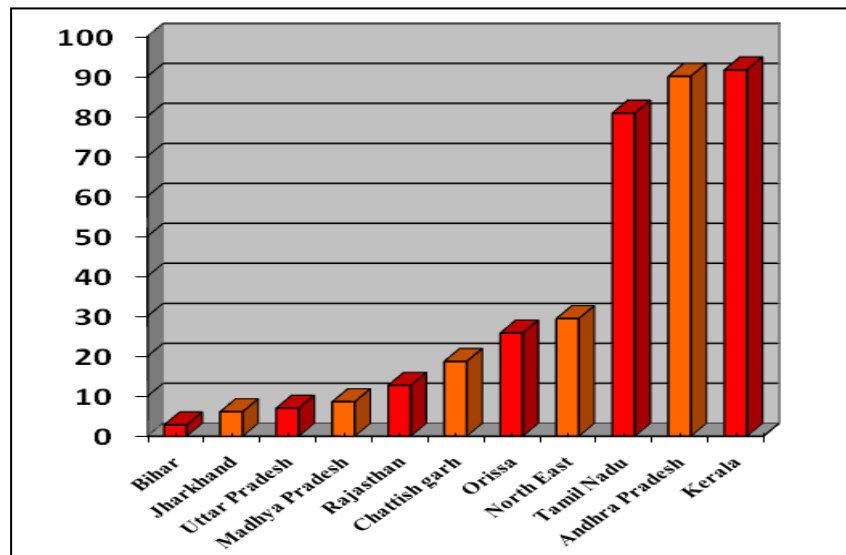
Diverse programmes are required in Madhya Pradesh to eradicate poverty as a whole but one effective approach is, finance for self employment and other financial services to the poor people, which help them to work their way out of poverty. MP is among the 13 priority states notified by NABARD for microfinance. As it is evident from above statistics that there are a very large number of low income families, particularly in rural areas who are not getting banking facilities. This constrains the poor from investment in long term with higher risk and more profitability. In absence of these opportunities poor are investing in physical assets. In India, 50 percent of savings are in terms of physical assets (Srinivasan and Wallack, 2004) and in MP this percentage is quite higher.

In MP microfinance is in promising stage. All the stakeholders of Microfinance in MP like State government, financial institutions and voluntary organisation are very much interested to contribute in growth of sector. Various programmes are launched like SMITA, E-Shakti, Tejaswani etc. for acceleration of microfinance availability to poor customers.

Microfinance programme initiated by government and private sector with the objective of extending the outreach of microfinance services to the poor but despite of remarkable growth, there has been a skewed development. Few states specifically southern states are outperforming than rest of the states in India.

### *Growth of SHG- Bank Linkage Programme in Madhya Pradesh:*

Mainstream financial institutions are providing micro credit facility by SHG-Bank linkage model. The SHG-Bank linkage model in an indigenous model invented in India and it become very successful in empowerment of poor people through credit support, related services and other innovative initiatives. Maximum rural and semi urban branches of Commercial banks, Regional Rural Banks and Cooperative banks provide microfinance facility with SHG-B linkage model. The SHG-Bank linkage programme launched by NABARD in country in 1991-92 has an important strategy in promoting financial inclusion and inclusive growth. But high variability in all states in progress of SHG-Bank linkage programme is observed in India.



**Figure I: Percentage of rural poor organized into group in Madhya Pradesh**

The SHG bank linkage programme flourishes when maximum poor population organized in groups. The financial services to poor population through group lending model are the innovative solution because in such model of lending collateral is not required and monitoring cost is also reduced due to peer monitoring. For organizing in groups it is required to sensitize the poor about SHG bank linkage programme. But rate of formation group in different states is also disproportionate, which indicate the certain issues. The highlight the percentage of rural population organized in groups in different states. The percentage of rural poor organized into groups in Madhya Pradesh is just 8.6 percent which is quiet low in comparison of the poor population which is 31.6 percent below poverty line ( Source: Census, 2011) and those who are above poverty line they are almost equally vulnerable. So it is required to increase awareness programme about importance and usefulness of SHG bank linkage programme.

The number of SHGs credit linked in Madhya Pradesh has increased from 74 SHGs with bank loan of Rs. 14.34 lakh in 1997-98 to 5,16, 709 SHGs, involving bank loan Rs.8767789 in 2016-17 (Source: Nabard). The above stated numbers of SHGs were credit linked by 49 CBs, 03 RRB, 01 MPSTCB, 38 DCCB, 4522 PACS, 98 MFIs/MFOs spread over 48 districts in the state.

Despite the fact that the growth of SHG bank linkage programme is impressive since 1997-98 to 2016-17 but still main stream financial institutions (formal financial institutions) are able to meet the credit need of fraction of poor population

The percentage of credit needs met through formal financial institution in MP is least in comparison of other states and the major thrust is required to intensify the SHG bank linkage programme. Nabard MPRO, Bhopal had evolved strategy to credit link 384709 SHGs till 2017. A major development is that major commercial banks, viz., SBI, State Bank of Indore, PNB, UBI, UCO Bank, CBI etc., have taken a corporate decision to credit link SHGs on a priority basis during 2016-17. Since then emphasis is on enabling NGOs, Banks, and the Government Departments concerned to enhance micro credit through the SHG- Bank linkage programme and to coordinate the efforts of various agencies involved in the task. There are current highlights on microfinance in Madhya Pradesh are as follows:

- The Annual Credit Plan for Madhya Pradesh has been fixed at Rs.109104.45 crore for 2016-17 and the achievement is 80.36% to be exact is Rs.87677.89 crore
- None of the agencies could achieve on the whole target under priority sector. In case of RRB the advance issued to priority sector is in 2015-16- Rs. 671556 and in 2016-17 Rs. 644910 and growth rate is negative that is -3.97%.
- Priority sector lending target assigned in 2016-17 to CB is Rs.7459332 and target achieved is 82.22% i.e. Rs. 6132699, target assigned to Cooperative bank is Rs.2277244 and target achieved is 87.79% i.e. Rs. 1999301 and target assigned to RRB is Rs.1173873 and target achieved is 54.16% i.e. Rs. 635789. Out of total lending, 16.11% is to total priority sector lending whereas the growth rate of lending to priority sector was 6.91% and 9.89% respectively in 2015-16 and 2016-17.
- Potential of SHG in MP in 2016-17: Total number of SHG is 516709 (6717217 SHG members), number of SHG is cumulatively saving linked up to 31<sup>st</sup> Dec. 2017, is 268000 (3484000 SHG members), number of SHG that can be formed & saving linked 248709 (3,233,217 SHG members), number of SHG is credit linked up to 31<sup>st</sup> Dec.2017 is 1, 32,000 (1,716,000 SHG members), number of SHG to be credit linked 384709 (5,001,217 SHG members).

#### **Comparative analysis of SHG-Bank Linkage Programme (SBLP):**

SBLP brought considerable change in the life of many poor families by consistent efforts of Governments and its machinery. The present growth of Microfinance in Madhya Pradesh is quiet modest if we compare it with other states and the country as a whole.

#### **I. Savings of SHG deposited with bank:**

Savings are vital for these groups as it make their future secure and enhance capacity to face day to day challenges.

**Table II: Savings of SHG with Banks: Comparative statement of various states (In Lakh)**

Name of state	CB		RRB		Cooperative Banks		Total	
	No. of SHG	Saving Amount	No. of SHG	Saving Amount	No. of SHG	Saving Amount	No. of SHG	Saving Amount
Madhya Pradesh	128435	19743.95	100365	6870.98	9696	695.15	238496	27310.38
West Bengal	302024	43027.40	270596	70048.63	372436	82194.73	945056	195270.16

Source: Nabard, 2016-17

It is clear from above table that savings of SHG with banks in case of MP, saving amount is 11% of total number of SHGs and this performance is quite modest in comparison of West Bengal where it is 20.66% which is almost double in comparison of MP and this is point of concern. The detail analysis of savings of SHG shows that still it is required to create more awareness about thrift and its importance in facing uncertainties. The Central MP Gramin Bank is the best performing RRB. In case of CB of private sector, the best performing bank is ICICI Bank and in case of Cooperative Bank the Jilla Sahakari Kendriya Bank Maryadit, Khargone is the best performing bank. And in case of CB of public sector, the best performing bank is Central Bank of India. All these banks foster their group with proper capacity building and the SHG promoted by them is performing well in terms of savings.

**II. Bank loan Issued:**

The credit facility in microfinance is essential component and its volume shows the scale of operation.

**Table III: Bank loan disbursed: Comparative statement of various states (In Lakh)**

Name of state	CB		RRB		Cooperative Banks		Total	
	No. of SHG	Loan Amount disbursed	No. of SHG	Loan Amount disbursed	No. of SHG	Loan Amount disbursed	No. of SHG	Loan Amount disbursed
Madhya Pradesh	19898	18868.03	13688	10724.59	168	30.75	33754	29623.37
West Bengal	87205	77482.7	54211	75307.11	109170	80790.74	250586	233580.55

Source: Nabard, 2016-17

MP is far behind in case of loan disbursement then other priority states declared by Nabard like West Bengal. As data depicts in West Bengal, loan amount disbursement is more in comparison of MP. If we see the detail analysis in terms of loan disbursement to priority sector, the overall target of loan disbursement was very high and not a single agency achieved the target in MP. The Narmada Jhabua Gramin Bank is the best performing RRB. In case of CB of private sector, the best performing bank is Yes Bank and in case of Cooperative Bank the Jilla Sahakari Kendriya Bank Maryadit, Chhindwara is the best performing bank. And in case of CB of public sector, the best performing bank is Central Bank of India. But the prime concern is that since last three years the CBs are unable to achieve the target of priority sector lending. Due to that there is low client penetration in many districts like Rewa, Satna and Jhabua etc.

**III. Bank loan outstanding against SHG****Table IV: Bank loan outstanding against SHG: Comparative statement of various states (In Lakh)**

Name of state	CB		RRB		Cooperative Banks		Total	
	No. of SHG	Loan outstanding	No. of SHG	Loan outstanding	No. of SHG	Loan outstanding	No. of SHG	Loan outstanding
Madhya Pradesh	47753	34190.63	43516	16412.86	461	274.49	91730	50877.98
West Bengal	221105	136884.26	215048	244833	233316	102455.66	669469	484172.92

Source: Nabard, 2016-17

Outstanding Bank loan against SHG depicts the recovery process of banks and if we see the detail analysis in terms of loan outstanding of SHG. Although loan sanction to 19898 SHG by CB but outstanding is 47753 which highlight the slow recovery process and gradually it turns into NPA. Beside that capital of lending agency remains block in such loans and enhances overall cost and badly impact the working efficiency. The Narmada Jhabua Gramin Bank has high rate of loan outstanding. In case of CB of private sector, the ICICI Bank has high rate of loan outstanding and in case of Cooperative Bank the Jilla Sahakari Kendriya Bank Maryadit, Jhabua has high rate of loan outstanding. And in case of CB of public sector, the Central Bank of India has high rate of loan outstanding in MP.

**IV. Non-Performing Assets of Banks****Table V: Non-Performing Assets of Banks against SHG: Comparative statement of various states (In Lakh)**

Name of state	CB Public Sector		CB Private Sector		RRB		Cooperative Banks		Total	
	Amount of Gross NPA against SHG	NPA as % to Loan OS	Amount of Gross NPA against SHG	NPA as % to Loan OS	Amount of Gross NPA against SHG	NPA as % to Loan OS	Amount of Gross NPA against SHG	NPA as % to Loan OS	Amount of Gross NPA against SHG	NPA as % to Loan OS
Madhya Pradesh	6442.13	24.81	419.56	5.10	3858.86	23.51	238.48	86.88	10959.03	21.54
Andhra Pradesh	38331.12	2.90	1044	99.90	10029.04	2.59	615.61	2.99	50020.27	2.87
West Bengal	9447.67	7.03	0	0	8378.75	3.42	5271.63	5.15	23098.05	4.77

Source: Nabard, 2016-17

Non-Performing Assets (NPA) of Banks as per norms should be below 03 percent for every banking activity. MP is among the states having high rate of NPA, which is main obstruction in penetration of microfinance in state. As data depicts rate of NPA is far more than tolerable limit and is the point of concern for all types of funding institutions because it erode the assets. The Central Madhya Pradesh Gramin Bank has the highest NPA against SHG. The recovery is also decline year on year basis in RRB. In case of CB of private sector, the highest NPA against SHG is with DCB Bank Ltd. and in case of Cooperative Bank the Jilla Sahakari Kendriya Bank Maryadit, Jhabua has the highest NPA against SHG. And in case of CB of public sector the highest NPA against SHG is with DENA Bank. Innovative methods should be implemented by all funding institutions to improve recovery like Ghanti Dal was implemented in Project Tejaswini.

#### **V. Support for Training and Capacity building:**

Success of microfinance programmes is dependent on various parameters and the most significant is training and capacity building. The most essential condition is that training module must be based on microfinance philosophy. Diverse programme are run by Nabard for training and capacity building for all states notified in priority states but performance of MP is very modest. Although during 2016-17 the training is provided by bankers, trainers, NGO, Government officials, SHG Leaders to SHGs but their number is very less in comparison of enormous number of SHGs. Next there is not a single exposure and field visit by BLBC (Block level Bankers Committee) to SHGs and no training for elected members of PRIs. In case of training and capacity building of JLG of MP, only CB and RRB conducted 50 programmes for 415 participants and on the contrary in Bihar which is also a priority state notified by Nabard, conducted 6704 programmes for 21402 participants. Training and capacity building of women SHG fund (WSHG) of MP, only 02 programmes were conducted during 2016-17 for 300 participants whereas in Odisha conducted 199 programmes for 7060 participants. Proper training will enhance the group formation process and probability of sustainability of SHG.

#### **VI. Financial Support to SHG promoting Institutions and others:**

In MP Farmer clubs, IRVs (Individual rural Volunteers), SHG federations, PACs, and revolving fund assistance had not received any grant during 2016-17 for promotion of SHG. In UP 755 NGO received grant while 129 NGO received grant in MP during 2016-17. For promotion of WSHG in Odisha 19 districts are covered whereas in MP 09 districts are covered. In UP total 08 RRB- SHPI received grant while 03 RRB- SHPI received grant in MP during 2016-17. In UP 02 NGO-MFI received grant while 01 NGO- MFI received grant in MP during 2016-17. And grant sanctioned for promotion of JLG, in Bihar 1, 82,591 JLG are credit linked and in MP only 6184 JLG are credit linked, and long term refinance sanctioned to only one NBFC-MFI that is Satin credit care network in MP. As data depicts it is urgently required to expedite the microfinance programme in MP.

#### ***New initiative for expansion of SHG- bank linkage programme:***

Various initiatives are taken by different players of Microfinance for e.g. State bank of India has already appointed facilitators for SHGs formation, capacity building and linking them with bank. They have taken services of retired officials of the banks to do monitoring work of these facilitators. SBI with support of post offices is planning to introduce programme which will provide financial services in rural areas. Steps are taken to appoint RRB, other banks, Government, NGO and Individuals to act as Self Help Promoting Institutions. For digitization E-Shakti programme is launched in Indore district. Nabard signed Memorandum of understanding with MP Mahila Vitt Vikas Nigam for promotion of SBLP.

**EShakti** or Digitization of SHGs: This programme is launched in 2015 as pilot project in few districts like Indore in MP, so that all the information of SHG is digitized and lenders should have all information at one click.

**Project Tejaswini:** Launched in 2007 in six districts of MP with funding support of IFAD and it will close in 2018-19. The core objective of project is to enhance livelihood, micro enterprises and marketing linkages. It nurtured total 16,498 SHG with total members are 206850 and it improve their living standard by creating 60 SHG federations which provide support to 200-250 SHG.

#### ***Growth of Microfinance by Alternative Financial Institutions in Madhya Pradesh:***

Alternative Financial Institutions which are playing very essential role in expanding microfinance in MP had registered good growth. These institutions are NBFC, Society, Multi state cooperative society, Sec. 8 companies, trust, Cooperative bank, Small finance banks, and others. In MP main hurdle in emergence of new institution is financing and grant



regulation of Apex development banks. There is a rule that MFIs which are at least three years old, only they will get financial support from SIDBI. And Nabard also grant funds to NGO that are three year old. In MP where micro finance is in emerging stage, many NGO need funding support for microfinance activities but due to such regulation they are unable to get financial support. As stated by Nabard and Sidbi, the spread of MFI of all legal frameworks in MP is 34 and they have approx. 907 branches and client outreach in 2017 is 20.53 lakh while client outreach in 2014 was 16.33 lakh which is showing growing trend and every year approx. 4 lakh clients are added but key issues in MP are clients exit and in some districts like Sagar, Raisen and Rajgarh there is exit of MFI also because clients stop borrowings from MFIs. Only few districts have client base more than one lakh in MP like Indore and Jabalpur has a client base of above one lakh. In addition to that there average loan outstanding is approx. 4.7 crores per branch and loan ticket size is Rs.13, 538 which is not as per the need of clients. Furthermore MP is unable to attain the loan portfolio of Rs.2000 crore although there is availability of huge poor population. On the contrary generally clients remain in financial discipline and there are very few cases of lack of adherence of financial discipline. Barely 1.03% clients have duplication of accounts or borrowed from two lenders in MP. And Just 2.77% clients have a second loan within 15 days of earlier loan.

There is huge scope of penetration of microfinance in MP, as data of Crisil Inclusix indicated that only Indore has a score of 50 and female literacy rate is above 60% and Jabalpur has a score of more than 40 but less than 50 and female literacy rate is above 60%. Furthermore Sagar has a score of more than 30 but less than 40 and female literacy rate is above 60%. Similarly maximum districts of MP has female literacy rate is above 60% but score is in the range of 20. Active unique clients as percentage of economically active show the tapping of clients by MFI and potential to expand their business. In Indore merely 11% of economically active population, are clients of MFI moreover districts like Bhind, Rewa, Jhabua, Shivpuri etc. this percentage is only 2%.

**Table VI: State-wise performance of MFIs (Alternative Financial Institutions)**

States	2009		2010		Growth rate (in percent)	
	Clients	Loans	Clients	Loans	Clients	Loans
Assam	163005	7740	369016	21819	126	182
Bihar	400223	24447	747352	49335	87	102
Madhya Pradesh	551235	32631	1005870	59381	82	82

Source: "Microfinance India-State of the Sector Report 2010"

It is evident from above statistics that Madhya Pradesh registered modest growth in microfinance clients and loans and need additional efforts for acceleration in growth of micro finance.

Despite the rapid development of the microfinance industry, many poor people still lack reliable access to financial services. There is a great disparity in microfinance activities across different parts of the country. For example Andhra Pradesh has 40% of the MFIs where as in MP this number is very small in proportion of number of poor people. In southern states number of MFIs are 69 whereas in MP MFIs are only 34. The overall growth rate of the MFIs in MP remained modest. In spite of having huge potentialities, they could not progress satisfactorily as these MFIs are facing various problems.

#### ***National Rural Livelihood Mission (NRLM), MPSRLM, NRLP:***

NRLM commenced in MP in July 2012, with prime objective of poverty alleviation by encouraging useful and profitable self employment and wage employment opportunities for sustainable income generation. NRLM would provide financial support and technical assistance to the States where it could be used for development of livelihood of poor population. NRLM encompasses four main activities, firstly organizing the poor household in groups and forming of SHGs and their federations, secondly providing access of financial services, technical services and marketing services. The Third activity is to facilitate capacity building and training of poor population. And lastly to enhance the social and economic support services to the poor. (Source: Ministry of Rural Development). In MP National Rural Livelihood Project (NRLP) started with intensive approach in 25 districts which have high poverty ratio and NRLM in rest of districts. And MPSRLM (Madhya Pradesh State Rural Livelihood Mission) started in districts need special initiative for poverty eradication.

## VI. CONCLUSION

The major findings of this research put forward that there are various internal and external concerns to be dealt with, for promotion of microfinance in MP. The first and foremost step to be embedded in microfinance programme of CB, RRB, Cooperative banks is that target assigned for priority sector lending should be given serious attention and required constant follow up then only it can be achieved successfully and remain sustainable. This is feasible with suitable training to employees and clients and training module should design with embedded microfinance philosophy. There should be facilitation of branches which achieve the targets and this will enhance the penetration in chronic poor districts and decrease the client exit. Innovative recovery methods are to be adopted for arresting mounting NPA and high delinquency rate. Call of action is that given the size and potential importance of microfinance programme in poverty eradication and promotion of micro enterprises the researcher should explore the innovative ways of its growth. For policy framers, this imperative role is to facilitate microfinance programme by integration of external & internal environmental factors state wise in policies.

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