M. ARSHAD KHAN
Guest Faculty in Center for Management Studies
Jamia Millia Islamia, New Delhi-25

ABU HUZAIFA
Research Scholar in J.N.U New Delhi

Prof. M. Altaf Khan
Senior Professor in Deptt of Commerce and Business
Studies JMI, New Delhi-25

A Comparative Study on the Performance SGSY and RMK

Introduction

In the current scenario, the word "micro credit" is being used as a synonymous for poverty alleviation. The problem is whether it is working properly or not. In my opinion Self- Help Groups (SHGs) credit has not improved the condition of poor people but it really has a significant impact on the people those who are already well off. In other words they help those poor women who are living at the upper layer of poverty line. The incapacity or disinterest of the formal banking sectors to serve the needs of the low income people has become quite apparent. Institutional credit has not penetrated to the lower rungs and hierarchy. This was true in the case of cooperatives where small farmers are facing restriction in becoming members. Microfinance, the development buzz word of 1990s, has been publicized as magic potion to cure poverty. Microfinance includes the financial services i.e. saving, credit, insurance, leasing, money transfer, equity transaction etc which provides customers to meet normal financial needs.

The Rashtriya Mahila Kosh was the first and only apex level government organization established in 1993 under the Ministry of Women and Child Development, Govt of India. It expands micro finance services through client friendly without collateral and hassle free loaning for livelihood activities, housing, micro-enterprises, family needs etc for poor women. With the completing 14th years of operation now the Rashtriya Mahila Kosh is playing a dominant role in improving the condition of poor women. This paper will examine the regional concentration of SHGs working under the umbrella of the Rashtriya Mahila Kosh and the Swaranjayanti Gram Swarojgar Yojana (SGSY). Correlation coefficient will be used to see the degree of association between the no of SHGs and the no of rural branches.

Swarnajayanti Gram Swarojgar Yojana (SGSY) launched as an integrated programme for self-employment of the rural poor with effect from April 1, 1999 is an initiative launched by the Government of India to provide employment to

ABSTRACT

The paper Regional Concentration attempts to study two SHGs based schemes called the Rastriya Mahila Kosh and the Swarnjayanti Gram Swarozgar Yojana. The findings of this paper is that the amount disbursed under the SGSY has gone mainly in poverty centred states such as Bihar, Jharkhand, Chattisgarh etc. While the amount disbursed in the case of RMK has gone to the southern states like Andhra Pradesh, Tamil Nadu, Kerala etc. On the other hand SGSY is mainly concentrated on under developed states while RMK performed well in relatively well developed states.

poor people living in rural areas of the country. The scheme was launched on April 1, 1999.The SGSY aims at providing self-employment to villagers through the establishment of Self-help groups. Activity clusters are established based on the aptitude and skill of the people which are nurtured to their maximum potential. Funds are provided by NGOs, banks and financial institutions. Since its inception, over 2.25 million Self-help groups have been established with an investment of Rs. 14,403 crores, profiting over 6.697 million people.

The scheme recommended the establishment of **activity clusters** or clusters of villagers grouped together based on their skills and abilities. Each of these activity clusters worked on a specific activity chosen based on the aptitude and skill of the people, availability of resources and market potentiality.

The year 1976 can be seen as the origin of micro credit when Mohammad Yunus set up the Grameen Bank as an experiment. Yunus is known as the father of micro credit just as Swami Nathan as the father of green revolution in India. Both interventions have brought about a great deal change in the lives of millions of people. Micro credit is more sensitive (compare to green revolution) to issues of poverty and gender inequality. In the year 1997, when micro credit summit had taken place and in the year 2005, the UN Year of micro credit was the important landmark in the development path of micro credit revolution. Both schemes can become the major player in poverty alleviation.

"Self realization and self initiative are the two most important weapons to wash poverty from the world" – **Chanakya**[4]

World's Greatest Ancient Economic and Political Scholar

REVIEW OF LITERATURE

Studies on the social and economic aspect of micro finance are plenty. The finding range is from extreme positive to skeptical conclusion. However, most of the studies have acclaimed the potential of the programme for reducing vulnerability and poverty of the women.

Kabeer, N (2005): Kabeer empirically examine the impact of microfinance with respect to poverty reduction and empowerment of poor women. Using various microfinance based study, the paper comes on conclusion although the microfinance services can play effective role in economic productivity and social well-being of poor women but they cannot be a substitute for broader policies to promote pro-poor economic growth, equitable development and democratic participation in collective forums of decision making. Microfinance has had a great impact on the poor those who are closer to poverty line than those further away. There is no doubt they have stimulated the level of productivity and social wellbeing of poor women, but they don't automatically empower women anymore than education, political quotas, health facility, access to wage work, or any other intervention.

Das, R.R (2005): This is a great effort of the comparative study of both public and private in disbursing credit the poor people. The paper found that high level of non-performing assets is the major hindrance in the lacklustre performance of both public and private banks. PSBs account for more than 96% of weaker section credit. Correlation between percent of NPAs in the previous year (2002, 03, 04) and weaker section microcredit exposure (01, 02, 03) among public sector is negative. This correlation amount is declining. On the other hand, the proportions of poor people and SGSY credit across the states have been found to be highly correlated. Although SGSY credit has been disbursed on the basis of poverty in each state, the SHGs credit disbursed more in southern region which is more affluent. The paper concludes that SHG credit per poor is highly correlated with percent of poor families financed through SHGs.

Mahajan, V (2005): The paper replaces microcredit with livelihood finance which can be more effective in poverty alleviation. He has defined livelihood finance as an comprehensive approach to promote livelihood for the poor which includes financial services (like saving, credit, insurance, infrastructure development), agriculture development and business development services. The paper concludes that the microcredit cannot be a necessary condition for promoting economic growth. To serve the purpose of economic growth, there is a need of livelihood finance with much larger level of resource allocation both from public resources as well as from the capital market. The microcredit cannot improve the condition of poor women until and unless some additional steps like the land treatment to work, the trees to grow hill slope, and the road to be built though establishing functional local institutions such as watershed committee and panchayats.

Nair, S.T(2005) The paper mainly deals with the alternate option of microcredit that can be fulfilling the necessary and sufficient condition for development. The paper argues that the growth of non-farm sector which is seen as both the effect and driver of microfinance revolution does not depend only on the availability of credit but there are significant externalities attached to the investment in the farm sector that can improve the level and composition of local economic activities and income and consumption of rural households. Hence, underinvestment in agriculture leads to rural underdevelopment. Using state level data, the paper has found significant correlation between share of all scheduled commercial banks in credit, priority sectors advances, and SHG advances. The paper argues that up scaling the provision of microfinance on the strength of its performance, measured primarily in terms of the repayment rates and financial sustainability indicators of a handful of microfinance institutions and without a serious reconsideration of certain vital development issues may prove in the long-run to be an imprudent development strategy. Any such effort at thus needs to be viewed with caution as it could actually lead to increased failures and credit indiscipline in the field. In the meanwhile, globally there is a visible trend of the commercialization of microfinance, with NGOs transforming themselves into regulated financial institutions or non-banking financial companies and commercial banks entering into the business of microfinance. It appears the spatial spread of microcredit sector in India is a major explanatory factor for its performance.

Kelkar, G and Dev Nathan, and Rownak Jahan(2004): The paper discusses the various important issue of the development which can improve the condition of poor women such as commercial activities(like rearing, poultry, goats and cost, homestead vegetables and fruits gardening, pond fish culture, , etc.). role of training, mediated access to ownership of assets, household decision-making, increased self esteem and enhanced dignity, mobility, extension and interaction with officials. These empowerment issues can be achieved through proper utilization of microcredit. The question is: Has the gap between women and men in various spheres of social action and existence decreased? If this reduction is taken place one could conclude the change in gender relation and pre-existing form of patriarchal society. The paper for simplicity has taken gender relation

in terms of purdah institution. The purdah is the complex institution that entails much more than restriction on women's physical mobility and dress. But in theory purdah both controls women and provides them with shelter and security. In Bangladesh, the unintended consequences of the microcredit system with NGOs as partners have been far-reaching. The very structure of social production that focused on 'man as the breadwinner' has changed to accommodate a substantial and permanent role for women as income-earners. The microcredit institutions have glorified the purdah_nashin women with the valuing independent income. Such changes have in turn, led to substantial alterations in the norms and concepts by which women define their terms of engagement with the world.

Nair, Tara.S (2000): This paper broadly reviews the major trends in rural financial intermediation in India by public sector commercial banks in the post-nationalization period. It then examines their role in the newly emerging institutional forms with a thrust on micro finance services. A healthy rural financial sector must be developed to meet the needs of agriculture, infrastructure, and the rural poor such as agricultural labourers, artisans and self-employed persons. The new paradigm of development like self reliance, self sufficiency and self help is the product of microfinance revolution. The paper concludes the deceleration in credit expansion since 1980s.

Syanta Bera(2008) in his article "Programme Design and Impact Assessments: Success of Micro Finance in Prospects" explains the desirable success of micro finance programmes in terms of high repayment rates, vis-à-vis state-led subsidized credit programmes of the past, that has mostly been attributed to the group lending element with the much-celebrated "joint liability" feature. But in practice, such programmes use a host of other dynamic and static incentives features, engage in meticulous designing of financial products and use different models of service delivery, going beyond "group lending with joint liability". This paper attempts to take stock of these developments: the ongoing innovations in designing flexible and tailor-made financial products, the ingenuous use of a variety of incentive mechanisms, and the evolution and acceptance of microfinance from a focused credit intervention approach towards a broader paradigm of livelihood finance.

This paper basically presents a comparable study between micro finance institution(MFIs) and state led development programs such as IRDP in which it has been found that IRDP repayment rate fall below 60% in 1989 and came down to just 31% by 2001. In contrast MFIs have registered more than 80% repayment rate.

METHODOLOGY AND OBJECTIVES

The first part of the study covers introduction of the RMK and SGSY. **The present paper attempts to explore whether the regional pattern of SHGs formation biased towards those region where the formal banking system is not working properly.** The coming section present methodology and data sources applied in this study. This is followed by a brief review of literature in second part. The paper includes the review of the articles based on the micro finance. Objectives and hypothesis also Discourse in part III. And at last part comparative study of RMK and SGSY through using the cross sectional data.

The paper use state-wise cross sectional data of SHGs of RMK and SGSY for the year 2006. On the other hand the SHGs of "*Swarnjayanti Gram Swarozgar Yojana*" (SGSY) has also been taken separately. The paper has taken only 24 Indian states because of non-availability of data. The statistical techniques like correlation method

and the regression analysis including various graphs have been used. The paper deals with four variables.,i.e no of SHG, no of rural bank branches normalized at per 10,000 rural population, no of SHGs per 10000 population and no of total bank branches per 10000 population which have been deal in both cases the RMK and SGSY separately. Correlation has been found out between the former two and later exclusively. In the regression analysis the no of SHGs per 10000 rural populations has taken dependent variable and the no of rural branches per 10000 populations as in independent variable. The data of the RMK SHGs and SGSY SHGs is taken from the Ministry of women and Child Development and the Ministry of Rural Development, respectively. The bank branch related data has been taken from RBI repot 2006. Number of rural and urban population comes from Census 2001.

Objective of the Study:

- To examine the regional concentration of SHGs.

- To see the impact of formal banking system on the formation of the Self Help Groups (SHGs).

Ho: The SHGs are not concentrated in those regions where there are high numbers of banks.

Ha: The SHGs are concentrated in those regions where there are high numbers of banks.

6:Comparative Study of RMK and SGSY

Share of Each State in Loan Receiving
(Cumulative Figure up to 31-03-2006)
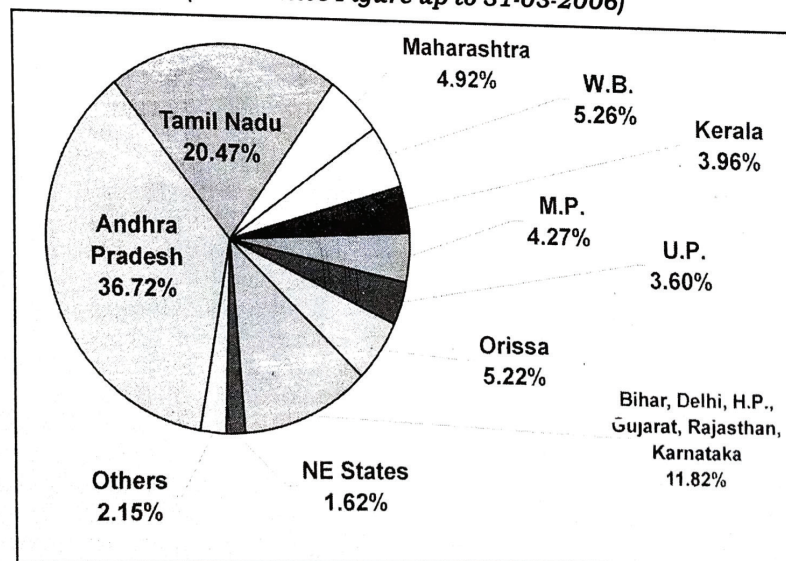
RMK Report 2007

With the help of another pie chart it is obvious that Andhra Pradesh has received 36.76% of total state-wise sanctions as on 31-01-2006. Tamil Nadu and West Bengal have been sanctioned with 20.4% and 5.26% of the total loan, respectively. Pie chart explains more than 60% loans have been released to the South Indian States such as Andhra Pradesh, Tamil Nadu, Kerala, Karnataka etc. It was because of good performance of these states in micro credit. As only 1.62% loan has gone towards North Eastern states.

The bar diagram shows the state-wise distribution of loans by the SGSY. It is quite clear that the amount disbursement has gone in those regions where poverty is concentrated. Bihar and Jharkhand have received about 40% of total loan. The other dominating states are Uttar Pradesh(11.47), Rajasthan(10.40), Chattisgarh

(6.06) etc. The North-Eastern States have received about 0.73 % of total loans. Thus there are skewed distribution of loans in both schemes. On the one hand the loans disbursed under the SGSY is unbiased towards the poor states while the RMK is biased in the case of poor states.

This skewed distribution of micro credit is mirrored in the extent and availability of microfinance across regions. India's lesser developed and low-income Eastern, Central, and North-Eastern regions account for 54% of the population, but only 20% of outstanding credit and 29% of deposits. Slower economic growth in these states has also resulted in little demand for credit among subsistence poor people. This has been matched by an absence (for historical reasons) of good quality NGOs willing to initiate microfinance programs in these states.

SGSY amount disbusement 2006 (in %)
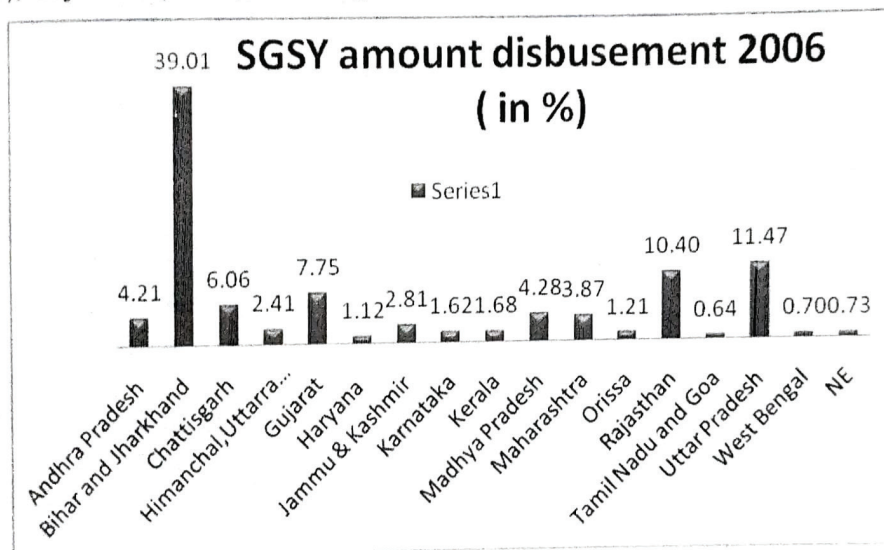
The table 1 explains the correlation between the number of SHGs and no of rural branches normalized at per 10,000 populations. It is obvious from the table that correlation coefficient between the no of SHGs and the no of rural bank branches is significant at the 0.05 level in both cases (RMK 0.43 and SGSY 0.46). On the other hand, the correlation between number of SHGs and total no of bank branches (that include urban

and metropolitan also) is high significant at 0.01 level in both cases(RMK 0.958,SGSY 0.956). In other words SHGs are concentrated in those regions where the formal banking system is working well. The no of SHGs is strongly associated with the no of rural bank branches. Thus it can be said that SHGs work on the land fertilized by the formal banking system.

Table 1

	No of SHGs per 10000 rural population	
No of rural Bank Branches per 10,000 population	**RMK**	**SGSY**
	0.437*	0.468**

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Using regression analysis:

The table 2 explains the result in the case of the RMK. As the R square is **0.43** that means no of rural branches explains only **43%** variation in the formation of SHGs. There are also some other major factors that are influencing the formation of SHGs. But on the other hand, t value is significant. The slope coefficient is showing significant. The Durbin-Watson statistics is 1.46 which shows negative autocorrelation in the error terms. It is obvious from the slope term

(β = **2.10**) that one rural branch will be needed to form 2 SHGs. simply we can say that three rural bank branches can increase more than 6 SHGs.

$$Y = \beta_1 + \beta_2 X + u$$

Where Y (Dependent Variable): = no of SHG per 10000 rural pop,

X (Predictors: (Constant), = no of rural Branch per 10000 rural population

Result in the case of Rashtriya Mahila Kosh:

Table 2

Model 1	Beta value	Std. Error	t	**R square**	**DW**
Constant terms β_1	**.176**	**1.249**	**.141**		
No of rural branches per 10000 rural population (X) β_2	**2.10**	**.935**	**2.248**	**.432**	**1.46**

(See appendix for the data)

The table 3 shows the result in the case of SGSY. In this case also the no of rural bank branches significantly explain the formation of SHGs. There is only 21% variation(R square 0.218) that explain the formation of SHGs. The slope coefficient of beta (51.74) explains that one rural branch will be needed to increase 51 SHGs in the case of SGSY. Thus, one additional rural bank branch can increase 51 Self Help Groups in the case of SGSY and 1,23 SHGs in RMK.

Table 3: Result in the case of SGSY

Model 1	Beta value	Std. Error	t	R square	, DW
Constant terms	7.097	29.041	.244		
No of rural branches per 10000 rural population (X)	51.744	21.372	2.421	.218	1.096

Dependent Variable: no of SHG per 10000 rural pop(Y)

Appendix1: Rshtriya Mahila Kosh (RMK) time period 1993-94 to 2005-06 Regression data

Name of States	No. of RMK SHGs	No of rural bank branches 2004	No of SHGs per 10000 rural population	no of rural branch per 10000 rural pop(X) .	Rural population 2001
1. Andhra Pradesh	19591	2433	25.68	3.190	7627062
2. Assam	128	799	0.06	0.344	23216288
3. Bihar	1543	2496	0.21	0.336	74316709
4. Chhatisgarh	37	704	0.02	0.423	16648056
5. Delhi	379	59	4.01	0.625	944727
6. Gujarat	595	15747	0.19	4.961	31740767
7. Haryana	257	701	0.17	0.466	15029260
8. Himachal Pradesh	1160	657	2.12	1.198	5482319
9. Jammu & Kashmir	88	580	0.12	0.760	7627062
10. Jharkhand	107	981	0.05	0.468	20952088
11. Karnataka	1267	2192	0.36	0.628	34889033
12. Kerala	3257	351	1.38	0.149	23574449
13. Madhya Pradesh	702	1919	0.16	0.432	44380878
14. Maharashtra	2857	2299	0.51	0.412	55777647
15. Manipur	640	41	3.73	0.239	1717928
16. Mizoram	7	61	0.16	1.363	447567
17. Nagaland	79	37	0.48	0.225	1647249
18. Orissa	2330	1610	0.74	0.515	31287422
19. Pondicherry	30	20	0.92	0.614	325726
20. Rajasthan	1690	1875	0.39	0.433	43292813
21. Tamil Nadu	12568	1779	3.6	0.509	34921681
22. Uttar Pradesh	2299	4875	0.17	0.369	1.32E+08
23. Uttaranchal	142	527	0.23	0.835	6310275
24. West Bengal	3214	2273	0.56	0.394	57748946

Appendix 2: Swanjyanti Swarozgar Yojna 1993-2006

Name of States	No. of SHGs sgsy	no of SHG per 10000 rural pop(Y)	no of SHG per 10000 popl	no of rural branch per 10000 rural pop(X)	no of total branch per 10000 total population
1. Andhra Pradesh	458071	600.5864	451.58177	3.189957	5.1332354
2. Assam	123898	53.36684	46.481165	0.344155	0.4554402
3. Bihar	96530	12.989	11.630329	0.33586	0.4272366
4. Chhatisgarh	49883	29.96326	23.9433	0.422872	0.4972688
6. Gujarat	88679	27.93852	17.500932	4.961128	0.7201355
7. Haryana	10091	6.714236	4.772385	0.466423	0.7311572
8. Himachal Pradesh	5356	9.769588	8.8122542	1.198398	1.2866286
9. Jammu & Kashmir	6921	9.074267	6.8229541	0.76045	0.8162702
10. Jharkhand	26173	12.49183	9.7131916	0.468211	0.5403434
11. Karnataka	39053	11.19349	7.3893254	0.628278	0.9021664
12. Kerala	56141	23.81434	17.631463	0.14889	1.0492638
13. Madhya Pradesh	245552	55.32833	40.68932	0.432393	0.5710212
14. Maharashtra	124478	22.31683	12.848861	0.412172	0.6519498
15. Manipur	705	4.103781	3.0733739	0.23866	0.3356735
16. Mizoram	1326	29.62685	14.922803	1.362924	0.877812
17. Nagaland	1854	11.25513	9.3164144	0.224617	0.3517524
18. Orissa	149589	47.81123	40.644038	0.514584	0.6048147
19. Pondicherry	1194	36.65658	12.254386	0.614013	0.841591
20. Rajasthan	26157	6.04188	4.6289686	0.433097	0.5864741
21. Tamil Nadu	238516	68.30026	38.22024	0.509426	0.7584246
22. Uttar Pradesh	322924	24.52742	19.430087	0.370277	0.489597
23. Uttaranchal	19110	30.28394	22.51056	0.835146	0.994187
24. West Bengal	149852	25.94887	18.690335	0.3936	0.5515353

Appendix 3: 2006 SGSY

State	Percent	amount disbursed SGSY (in crore)
Andhra Pradesh	4.21	3313.05
Bihar and Jharkhand	39.01	30688.749
Chattisgarh	6.06	4768.302
Himanchal, Uttarranchal and Punjab	2.41	1895.563
Gujarat	7.75	6099.25
Haryana	1.12	881.033
Jammu & Kashmir	2.81	2213.55
Karnataka	1.62	1278.232
Kerala	1.68	1324.69
Madhya Pradesh	4.28	3370.6
Maharashtra	3.87	3048.31
Orissa	1.21	954.684
Rajasthan	10.40	8181.147
Tamil Nadu and Goa	0.64	501.751
Uttar Pradesh	11.47	9023.74
West Bengal	0.70	550.24
NE	0.73	577.46
Total	100.00	78670.351

Source: **Ministry of Rural Development Reports.**

CONCLUSION

The paper concludes that the formation of SHGs working under the umbrella of Rashtriya Mahila Kosh is significantly affected by both the no of rural bank branches and no of total bank branches. In simple words the regional concentration of SHGs are strongly affected by the formal banking system. Thus, Self Help Groups are regionally biased to those regions in which banking activities are less. So, it can be said that the SHGs worked on the fertilized ground of the formal banking system.

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