



## STATUS OF MICROFINANCE AND SELF HELP GROUPS (SHGs) IN TRIPURA

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### **Abstract**

*Micro Finance is the activity of provision of financial services to clients who are excluded from the traditional financial system of account of their lower economic status. These financial services most commonly take the form of loans and savings. It has the potential to benefit poor people, both indirectly through increased growth, and directly as they gain access to needed services. It reduces poverty through increasing income level. It also improves poor people lives to contributing to improve health care, children's education and nutrition and women's empowerment. In Tripura, microfinance rules aim to eradicate the tension from micro-credit by providing more flexible schemes that meet the individual needs of the clients through changes to the traditional model and introducing new products. The paper overviewed the present scenario of Microfinance and SHGs in Tripura. The paper focused on research in Tripura concerning issues and problems of microfinance in the context of the social and economic climate. The paper examined the new realities and challenges for the future of microfinance as it moves from the margins of the financial system to the mainstream in the context of social and economic processes. The empowerment of women through microfinance has also analyzed in this study. Finally, some suggestions offer for further prospect of microfinance in Tripura.*

**Keywords:** *Economic Climate, Eradicate, Flexible Schemes, Mainstream, Realities and Challenges.*

### **Introduction**

Microfinance is the provision of financial services (whether loans, deposit accounts, insurance or otherwise) to poor and low-income individuals and households. Microfinance was really made famous by the Grameen Bank of Bangladesh, and their model remains central to microfinance today. In the Grameen system, money is advanced to small groups (usually of five women), with each member of the group agreeing to be financially responsible for the others. Alternatively, failure to meet the shared liability would stop the whole group from accessing further loans. If the loan repaid properly, member of the group are allowed to borrow more. Group members are required to monitor each other at regular meetings, and thus social pressure to meet financial commitments is created – filling the role of collateral in traditional financial services and avoiding the twin problems of moral hazard (an unwillingness to pay) and adverse selection (bad payers who drive up the cost of credit for everyone else) (Rajagopalam, 2008).

A SHG is a group of about 20 people from an economically homogeneous class, who came together for addressing their common problems. SHGs are affinity groups of rural poor voluntarily formed to save and mutually agree to contribute to a common fund to enable the lending of small interest-bearing loans to their members. The process helps them imbibe the essentials of financial intermediation including the prioritization of needs setting terms and conditions and accounts keeping. In this way, SHGs in rural area have empowered illiterate and poor people by linking them to the mainstream banking system and involving members in different activities (Tripura State Focus, 2006-2007).

### **Literature Review**

The literature on status of microfinance Self Help Groups (SHGs) is not numerous and it is scattered. In this context, a specific number of studies have been carried out to procure knowledge on Status of Microfinance and Self Help Groups in Tripura. Raven (2006) in his paper “The Changing Face of Microfinance in India” has developed the concept, issues of microfinance & SHGs. Datta and Raman (2000) in their paper highlighted that SHG's are characterized by heterogeneity in terms of social and economic indicators. In this context, Ahmad (1999) has shown that SHGs is a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes.

Dasgupta (2000) in his paper on “informal journey through Self Help Groups” observed that micro-financing through informal group approach has effected quite a few benefits viz.: (i) savings mobilized by the poor; (ii) access to the required amount of appropriate credit by the poor; (iii) matching the demand and supply of credit structure and opening new market for FI's; (iv) reduction in transaction cost for both lenders and borrowers; (v) tremendous improvement in recovery; (vi) heralding a new realization of subsidy less and corruption less credit, and (vii) remarkable empowerment of poor women. He stressed that SHG's should be considered as one of the best means to counter social and financial citizenship not as an end in itself.



Bassi(2015) in his paper “Self Help Groups- An Effective Approach towards Women Empowerment” discuss the role played by microfinance in women’s empowerment .He analysed the impact of micro finance and ‘Self Help Groups’ with respect to poverty reduction and empowerment of poor women. Kachari and Sahoo (2008) explain that self-help groups promote awareness among the women members and provide sufficient opportunities to combat with poverty.

Rao (2002) has shown that a review of the genesis and development of SHG's in India reveals that the existing formal financial institutions have failed to provide finances to landless, marginalized and disadvantaged groups. In this view, Bhatia and Bhatia (2000) through few case studies highlighted that recovery of SHG's is higher than other credit extended to borrowers.

Sunil, R.(2004) in his paper “Microfinance to the rural poor : a case study of the SHG-Bank linkage programme in a backward district in India” highlighted for the effective credit linking of the rural poor to the formal financial institutions through the mediating platforms called Self Help Groups (SHGs).

In Tripura, most of the studies conducted so far are macro level studies and they deal with the microfinance in general. Unfortunately, microfinance and self help groups in Tripura with reference to status of microfinance has not been able to draw the attention of researcher to any noticeable extend. Hence, there is the necessity of a comprehensive study incorporating discussion on status of microfinance and Self Help Groups (SHGs) in Tripura. The proposed study is an attempt to provide a complete up-to-date picture of the microfinance in Tripura.

### Research Methodology

It is well known fact that most important step in research process is to define the problem chooses for investigation .That was the reason that at most care was taken while defining various parameters of the problem.

The research paper is based on primary and secondary data. The primary data were collected from SHGs directly. In order to reach the desired goal of the study, 100 SHGs group were taken for Assessment of SHGs Performance & determination of Critical Rating Index for SHGs in Tripura. For that purpose, convenient sampling method has chosen. Basically, the data were collected from SHGs Group leader /representatives of Tripura. The primary data collected through personal interviews and telephone interviews only.In the course of analyzing the problems, a number of text and references books, various reports, Government Publications and other published and unpublished documents relating to the study have been considered. The secondary data has collected from NABARD (Agartala Branch), NEDFI’s, Statistical Abstract of Tripura-2007 etc.

Some standard method is used for Assessment of SHGs Performance & determination of Critical Rating Index for SHGs in Tripura. These formats are attached in appendices (Table-8 &9). The formats are collected from NABARD, Agartala centre. According to this format, the performance is based on accomplished score of SHGs group .The assessment of SHGs Performance is as follows:

Table-1: Assessment of SHGs Performance (score based)

Sl. No	Point Range	Performance	Eligibility for loan
1	Less than 100	Poor	Not Eligible
2	101 - 150	Good	Eligible with Caution
3	More than 150 points	Very Good	Highly Eligible

Source: Design by author, from NABARD.org.in

The Critical Rating Index based performance for SHGs is also based on individual groups score. Assessment of Critical Rating Index for SHGs is as follows:

Table 2: Assessment of Critical Rating Index for SHGs (score based)

Sl. No.	Point range.	Problems	Performance
1	Less than 50	Very critical	Poor
2	51- 60	Critical	Average
3	Greater than 80	Not critical	Good

Source: Design by author, from NABARD.org.in



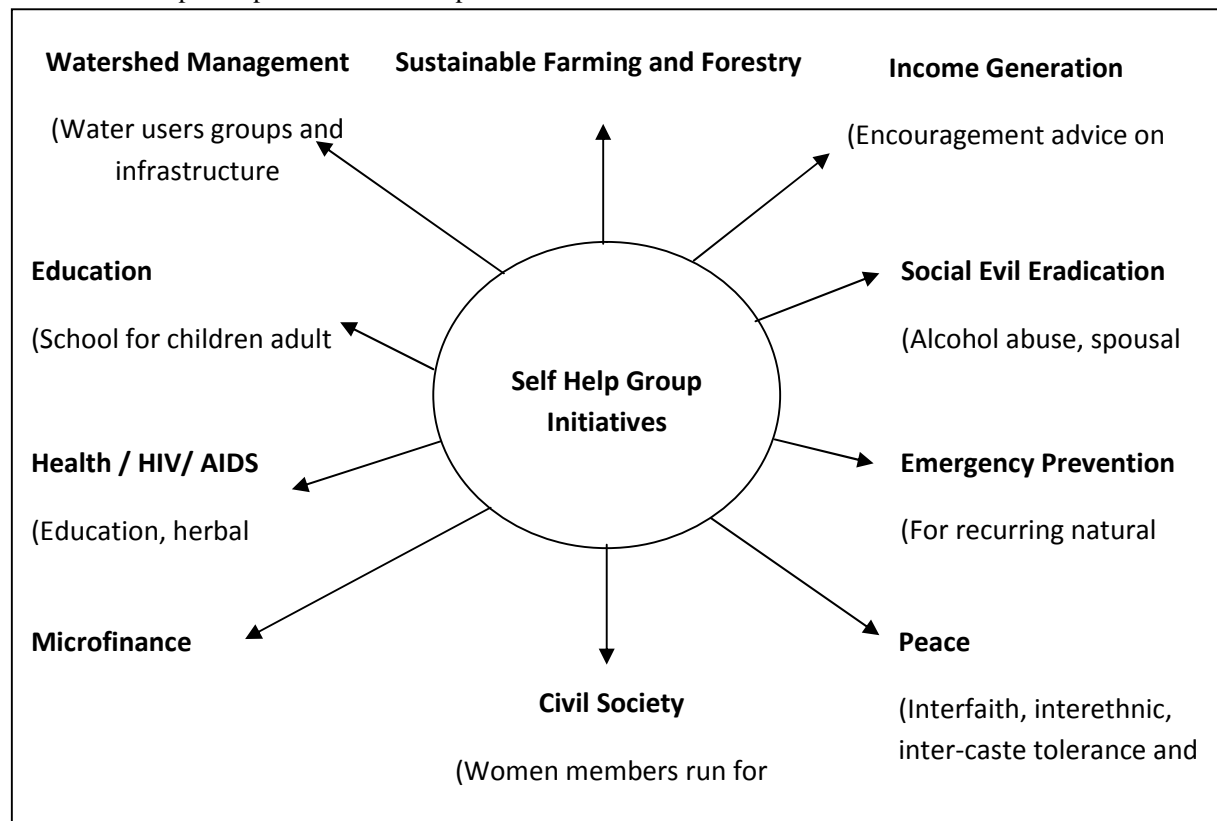
In this study, Data analysis has completed by the process of editing and coding. The analyzed data has presented in tabular form in percentage as well as absolute figures as and where necessary.

### Findings & Discussions

The failure of the banking institutions in delivering credit to the poor, particularly the rural poor in Tripura, has resulted in the emergence of a new, innovative and viable institutional structure. This structure, commonly called microfinance, seeks to reach and address all types of financial needs of the poor, who hitherto were not able to access credit from banking institutions due to non-possession of collateral and high cost of transaction (NABARD, 2006-07).

The popularity and acceptance of microfinance in Tripura also a development tool in the fight against poverty is due to pioneering work of Muhammad Yunus who established the Grameen model of group banking in the early 1980s. Following this, other variant models have sprung up –like Self Help Groups (SHGs) adopted in India, also has great momentum in Tripura. The different methodologies of financial intermediation for the poor- microfinance in Tripura- into five groups: (a) Grameen model, (b) SHGs, (c) Community banking, (d) Credit union and co-operatives and (e) Individual credit. Various initiatives by self help groups in Tripura are as follows:

Table3: Self Help Groups initiatives in Tripura



Source: Design by author, Information from NABARD.org.in

Various Initiatives have been taken under microfinance and Self Help Groups (SHGs) throughout the state over the last few years. These initiatives may be categorized under three headings according to their involvement as primary agency. They are such as: Government initiatives, NABARD initiatives, NGOs initiatives. Since the year 1992, NABARD had taken initiatives in financing the SHGs as a mainstream activity of the banks under their priority sector lending throughout the country. The banking system comprising public and private sector Commercial Banks, Regional Rural Banks (RRBs) and cooperative banks have joined hands with several organizations in the formal and non-formal sectors to mainstream this informal delivery mechanism for providing services to a large number of poor (Tripura State Focus 2006-07). There are three models adopted by the NABARD through which SHGs are linked with formal banking system. In Model-1, banks form and finance the



SHGs and in Model-2, SHGs are formed by the NGOs but directly financed by the banks. In Model-3, NGOs work as financial intermediaries (NABARD, Status of Micro finance in India 2009-10). The Performance of three Models in India and Tripura (2010) are as follows:

Table 4: Performance of three Models in India and Tripura

Sl.No.	Location	M : 1 (formed and financed by Bank)	M : 2 (Formed by NGOs and Financed by Bank)	M : 3 (NGOs work as financial intermediates)
1	India	20%	72%	8%
2	Tripura	78.8%	21.2%	0%

Source: Status of Micro finance in India 2009-10, NABARD Agartala Branch.

Both governmental and non-governmental sectors have been instrumental in the promotion of SHGs. The institutions promoting such groups are called Self Help Promotion Institutions (SHPIs). These institutions play a vital role in organizing the groups ensuring their proper functioned and, therefore, restraining them from internal collapse. With a view to make thrift and credit activities meaningful for the economic empowerment, the groups are gradually encouraged to deploy their funds as investment for the income generating activities in Tripura. In this regard, the following table-5 details the evolution of roles of NGOs/ SHPIs through various stages of the development of SHG, and the focus of activities for each stage.

Table-5: Stages of SHG development and role of NGOs/ SHPIs n Tripura

Stage of Development	Time Period	Role of NGO / SHPIs:	Focus of Activities
Pre-formation	1-2 months	Initiator / Promoter	Identifying the poor through participatory rural appraisal methods in small hamlets / villages/ towns.
Formation	2-6 months	Facilitator	Motivation to form groups, select group leaders, develop rules and norms conduct meeting, pooling of savings issues and collection of small loans groups cohesion, adjustment systems and accounts.
Stabilization Phase	7-12 months	Advisory / Managerial	Leadership stabilization, training of leaders, members, regularize and increase savings, handling of group level transactions, informal interactions with other groups / clusters, addressing community interest. Begin the process of issuing and repaying loans, handling helping defaulters to repay, sourcing loans for groups through formal credit system, etc.
Phase – II	12-18 months	Advisory / Managerial	In addition to the above activities, initiation of income generating programs, linkages with banks, support for new groups, demonstrative effect on others to form groups.
Growth and Expansion	18 months and above	Advisory / Managerial Consultative / Institution building	Strengthen linkages with banks, creation of assets for the groups and members, spreading concept building and promotion of new groups, attempt at cluster development and federation of SHGs.

Source: Design by author, information from NABARD.org.in

It is found that the progress and sustainability of the SHGs is slow in Tripura. Since its inception upto March 2004, more than thirteen thousands groups have been formed throughout the state which is almost double of the cumulative target. But if we look at other components of a quality group, the results are not at all encouraging. It is found that only 26.45 per cent SHGs were eligible for first gradation tests and only 16.74 per cent passed the first gradation and received revolving fund from the District Rural Development Agency (2010). Only 8.85 per cent opened CC account i.e. received fund from the banks (2010). In this regard, Assessment of SHGs performance in Tripura is as follows:



Table-6: Assessment of SHGs performance in Tripura

Sl. No	Total group taken.	Point Range	Points Gain (No. of SHGs)	Eligibility for loan
1	100	Less than 100	31	Not Eligible
2		101- 150	30	Eligible with Caution
3		More than 150 points	39	Highly Eligible

Source: Field Survey from SHGs

SHG scoring more than 150 points are highly eligible for loan. SHG scoring less than 150 points, but more than 100 points can be selected for loan with caution. On the otherhand, SHG scoring less than 100 points should not be considered for loan. On the basis of these criteria, out of 100 SHGs, 39 groups are highly eligible for loan, 30 groups are eligible for loan with caution and 31 groups should not be considered for loan. Again, the assessment of Critical Rating Index for SHGs in Tripura is as follows:

Table-7: Assessment of Critical Rating Index for SHGs

Sl. No.	Point Range.	Points Gain (No. of SHGs)	Remarks
1	Less than 50	21	Very Critical
2	51- 80	27	Critical
3	Greater than 80	52	Not Critical

Source: Field Survey from SHGs

SHG scoring more than 80 points are not critical in all aspects. SHG scoring less than 80 points, but more than 50 points are bearing critical rating index. On the otherhand, SHG scoring less than 50 points are bearing very critical rating index. On the basis of this, 21 groups are bearing very Critical Rating Index, 27 groups are bearing Critical Rating Index, and 52 groups are not critical at all.

The overall empowerment of women is crucially dependent on their economic empowerment. Women through Self Help Groups (SHGs) can work on a range of issues such as health, nutrition, agriculture, forestry, etc. besides income generation activities through microfinance. Therefore, the Women Empowerment consists in the organization of women into effective Self Help Groups (Bassi, 2013). In Tripura, empowering women through Self Help Groups prepares a cadre/network of master trainers for the sustainability of SHGs. A minimum of 1000 Tribal Women's Thrift and Credit Groups has formed in the State by the year 2002 for economic empowerment of women. The progress of formation of Women Thrift & Credit Groups for economic empowerment of Tribal Women is still moving ahead.

### Conclusion

Microfinance is gathering momentum to become a major force in Tripura. The self-help Group (SHG) model with bank lending to groups of (often) poor women without collateral has become an accepted part of rural finance. With traditionally loss-making rural banks shifting their portfolio away from the rural poor in the post-reform period, SHG-based microfinance, nurtured and aided by NGOs, have become an important alternative to traditional lending in terms of reaching the poor without incurring a fortune in operating and monitoring costs. The government and NABARD have emphasized the SHG approach and working along with NGOs in its initiatives. In spite of the various initiatives, microfinance in Tripura is still presently too small to create a massive impact in poverty alleviation, but if pursued with skill and opportunity development of the poor, it holds the promise to alter the socioeconomic face of the poor in the whole state.

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#### APPENDICES

**Table-8: Method of Assessment of SHGs Performance (NABARD)**

Sl. No.	Category		Items	Value (Marks / Points)
1.	Group Size		Members less than 10 Members between 10 and 15 Members more than 15 and up to 20.	5 8 10
2.	Composition	I	Target group only Having 1 to 5 non-target group Having more than 5 non-target group.	10 5 0
		II	Homogeneous group (Economic status) Mixed group.	10 8
3.	Age of the Group		One year and above. Six months and above but less than one year Less than six months.	10 8 2
4.	Monthly Meetings	I	Four meetings 2 to 3 meetings One meeting.	10 8 2
		II	a. Regular b. Irregular.	10 5
5.	Attendance		More than 90% 70% to less than 90% Less than 70%.	10 5 3



6.	Participation		High Medium Low.	10 8 3	
7.	Savings	I	Frequency -Monthly 4 times 3 times 2 times One time.	10 8 5 3	
		II	Regular Irregular.	10 8	
		III	Mixed rate Optional rate	5 10	
		IV	Interest on group loans Depending upon the purpose 24% to 36% More than 36% Nil %.	10 8 5 0	
		V	Utilization of savings by grant of loans Above 80% Above 50% up to 80% Less than 60% No group loan.	10 5 3 0	
		VI	Savings more than Rs.5,000/- Rs.3,500/- to Rs.5,000/- Rs.2,000 to Rs.3,500/- Less than Rs.2,000/-.	10 5 3 0	
(One to the two test months may be selected and above points analyzed)					
8.	Group Loan Recovery		Dues recovered 90% and above Above 70% but less than 90% Less than 70% No recovery due to not granting loans more than six months.	10 8 5 0	
			(Maintenance, upkeep custody and general maintenance of accounts etc.) Good Satisfactory Poor.	10 8 3	
		10. Group Rules and Knowledge of Group Functions			
				If known to all members If known to most of the members If known to none of the members.	10 5 0
11.	Education Level		If 20% or more members having functional literacy If less than 20% All illiterates.	10 3 0	
		12. Awareness about Government Sponsored Program and Banking Procedures among the Members.			
				If all are aware If Par of the group only is aware None is aware.	10 5 0
13.	Maintenance of Records and Registers (Following is the list of self help group records. Each record, if maintained, will get points mentioned against each. Maximum 10 points).				



14.		Attendance Register	1
		Minutes Book	1
		Loan Ledger	2
		Savings Ledger	2
		Cash Book	1
		General Ledger	2
		Bank Passbook (group).	1
		<b>Total</b>	<b>200</b>

Source: NABARD.org.in.

**Table 9: Method of Assessment of Critical Rating Index for SHGs**

1.	Feeling of Belongingness / Homogeneity / Solidarity (As observed during interactions with the group)	<b>4</b>
a)	Very Strong	4
b)	Moderate	2
c)	Not very much.	1
2.	Governance Issues (additive value)	<b>6</b>
a)	Awareness about objectives of Self Help Group Program	2
b)	Awareness about rules and regulations of group functioning	1
c)	Leader responsibility sharing by group members	2
d)	Awareness about member wise savings and loan position.	1
3.	Conduct of Meeting	<b>8</b>
a)	Meetings are held regularly on fixed date, time and place	8
b)	Meetings are held regularly once a month, but at the convenience of all members	6
c)	Meetings are not held regularly, but they are conducted on fixed date, time and place	4
d)	Meetings are irregular.	2
4.	Attendance of Members in Meetings	<b>8</b>
a)	Above 90% in all group meetings	8
b)	70% - 90% In all group meetings	6
c)	50% - 70% in all group meetings	4
d)	Less than 50% in all group meetings.	0
5.	Financial Transactions in the Group (During the last six months)	<b>8</b>
a)	All fund collections from members, financial decisions and disbursement of loans to members are made in the meetings only	8
b)	All fund collections from members, financial decisions are made in the meetings, but loans are disbursed outside	6
c)	Fund collections from members are made outside meetings, but loan decisions are taken during the meeting	5
d)	Both fund collections from members and financial decisions are taken outside the meetings	0
6.	Member Awareness about all Financial Transactions	<b>8</b>
a)	All members are aware about all financial transactions	8
b)	Above 75% of the members are aware about all financial transactions	6
c)	Only few members are aware about all financial transactions	4
d)	None are aware about all financial transactions	0
7.	Regularity of Savings (During the last six months)	<b>8</b>
a)	100% on time payments of savings by members	8
b)	90% on time payments of savings by few members	6
c)	Equal distribution of loans among all members	4
d)	Loans extended repeatedly to only a few members in the group.	0





8.	Pattern of Internal Lending	<b>8</b>
a)	Need based loans availed by men members	8
b)	Need based loans availed by few members	6
c)	Equal distribution of loans among all members	3
d)	Loans extended repeatedly to only a few members in the group.	0
9.	Velocity of Financial Lending Formula : $\frac{\text{Total loans disbursed from the beginning}}{\text{Corpus}}$ (Corpus = Savings + Interest earned + grant / seed money)	<b>4</b>
a)	Over 2 times	3
b)	Over 1.5 times	2
c)	Between 1-1.5 times	1
d)	Less than 1 time	
10.	Repayment Terms Prescribed	<b>4</b>
a)	Monthly Installments	4
b)	Quarterly Installments	3
c)	Lump sum Payment.	2
11.	Repayment Pattern	<b>8</b>
a)	Regular repayment of principal and interest in full on monthly basis	8
b)	Regular repayment of principal in part and interest in full on monthly basis	4
c)	Regular repayment of only interest in full on monthly basis.	2
12.	Borrower Quality (Number of defaulting members)	<b>8</b>
a)	Less than 2 members	8
b)	Between 2-5 members	4
c)	More than 5 members.	0
13.	Loan Quality	<b>8</b>
	Formula $\frac{\text{Amount overdue for more than 3 months}}{\text{Total loans outstanding}}$	
a)	Less than 2%	8
b)	Between 2-5%	4
c)	More than 5%.	0
14.	Up-to-date Maintenance of Records	<b>10</b>
a)	Adherence to the group's by laws	1
b)	Attendance at the meetings	1
c)	Financial decisions taken at the meetings	2
d)	Savings collection	2
e)	Loan disbursement	1
f)	Repayment Performance	1
g)	Member-wise savings and loan portfolio.	2
	Total Marks for Critical Factors	<b>100</b>

Source: NABARD.org.in.