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The Performance of Microfinance in Assam: An Analytical Study

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ABSTRACT:
Microfinance has emerged as a significant tool for financial inclusion, aiming to provide financial services to the economically backward, low income and marginalized section of the society. It is a system under which small amount of loan is provided to the needy poor to enhance their saving habits and improve their living standards, which helps to reduce poverty. In Assam, a state in Northeast India is characterize by its diverse socio- economic landscape and significant rural population, where 32.0 percent population lives in below poverty line which is about 10 points higher than the national level of 21.92 percent in 2011-12 (SHB Assam 2022). The banking infrastructures in the state is also poor than the national level and a large portion of the population remains outside from the banking facilities. So, Microfinance can play a vital role in empowering communities, especially small entrepreneurs, women and the section excluded from the banking system, which helps to alleviate poverty from the state. In this paper an attempt has been made to analyze the performance of microfinance in Assam. This paper is based on secondary data derived from various journals, reports published by NABARD, Statistical Handbook, economic survey etc.

KEYWORDS: Microfinance, Poverty Alleviation, Banking, NABARD.

INTRODUCTION:
Microfinance has emerged as a very powerful tool which provides the financial services to the poor. It provides financial services, including loans, savings and insurance, available to poor entrepreneurs and small business owners, traditionally excluded from formal banking systems. In Assam, a part of India's underdeveloped Northeast region characterize by its diverse socio-economic landscape and significant rural population, microfinance plays a vital role in empowering communities, especially small entrepreneurs and women. Over the past two decades, microfinance institutions (MFI's), self-help groups (SHG's) and cooperative societies have extended their reach across the state, contributing to poverty alleviation, employment generation and grassroots economic development. However, the performance of microfinance in Assam has witnessed both progress and challenges, including issues related to over- indebtedness, credit repayment, lack of financial literacy and sociopolitical factors. This study aims to assess overall performance of microfinance with special reference to Assam by analyzing its impact on beneficiaries; institutional effectiveness and sustainability, while also identify the key constraints and opportunities in the sectors.

OBJECTIVES OF THE STUDY:

1. To analyze the outreach and growth of microfinance in Assam.
2. To assess the performance of microfinance in Assam.

RESEARCH METHODOLOGY:

The nature of the research, for the study has used exploratory research to understand the real scenarios of microfinance activities at the grass root level. The study has used only secondary data. The various sources used to collect secondary data include research papers, journals, articles, Government reports, statistical hand book, various census reports, microfinance report and various websites. No research has been done on this topic in the past. Scholars who have been involve in self help groups or micro finance organizations in this region have not attempted any study in this topic.

LITERATURE REVIEW:

Sinha, F. (2005) argues that microfinance in India is not merely a financial activity but a holistic development tool promoting savings habits, entrepreneurial activities, and social empowerment.
Das, D.K. and Baruah, S. (2013) highlight that although microfinance has made inroads into rural Assam, its outreach and impact are comparatively less pronounced than in other Indian states due to geographical and socio-economic constraints.

Borah, H. (2015) analyzed the sustainability of MFIs in Assam and concluded that while microfinance activities have led to increased financial inclusion, issues like high operational costs, loan defaults, and lack of financial literacy among borrowers impede overall performance.
Similarly, Goswami, B. and Saikia,P. (2016) emphasized the need for better regulatory frameworks and capacity-building measures to enhance the efficiency and performance of MFIs in the state.

Das, M. and Goswami, M. (2017), through their empirical study, found that the success of microfinance in Assam is significantly linked to factors such as the education level of borrowers, effective group dynamics in SHGs, and timely support from banks and NGOs. They also noted that women beneficiaries reported higher levels of economic empowerment post microfinance interventions, aligning with broader national and global trends.

Bhattacharjee, D. (2020) pointed out the evolving landscape of digital microfinance and its potential to overcome traditional barriers in Assam. However, digital literacy remains a critical bottleneck, especially in remote and tribal areas.

MICROFINANCE IN ASSAM: AN OVERVIEW

Microfinance refers to a range of financial services, including micro credit, savings and insurance, provided to the low income individuals and small businesses that traditionally lack access to conventional banking services. In India, microfinance has played a crucial role in promoting financial inclusion and socio economic development, particularly in rural and underdeveloped regions like Assam. Assam, located in the northeastern part of India, has a predominantly agrarian economy, where agriculture and its allied activities are playing an important role in the socio-economic development of the State. The agriculture sector continues to support more than 70 percent population of the State, either directly or indirectly, providing employment and support to more than 50 percent of the total workforce (economic survey Assam, 2022-23). The traditional banking system often fails to meet the financial needs of the rural poor in Assam due to high operational costs and perceived risks. Consequently, microfinance institutions (MFI's), self-help groups (SHGs) and cooperative banks stepped in to fill this gap.

In Assam micro finance is operating under two broad models i.e., SHG-Bank Linkage Programme and MFI Bank Linkage Model. But the micro finance programme in the State has not progressed in the same manner as it has progressed in other parts of the country upto 1999-2000, because of the lack of awareness and exposure among the various stakeholders. But from the year 2000-01 onwards the state has been visible progress in micro finance programme especially under SHG-Bank Linkage Programme.

SHG-BANK LINKAGE PROGRAMME IN ASSAM:

In Assam the focus of SHG-Bank Linkage programme is seen to be picking up its importance lately. But this programme has achieved success rapidly. Mainly NABARD is taking initiatives to cover Self-help Groups to link with banks. Swarnajayati Gram Swarojgar Yojna (SGSY) is also the mother programme of all poverty alleviation programmes. The main objectives of this programme is uplift economic condition of rural people living below the poverty line by supplementing sustainable economic activities with bank credit and Government subsidy.

1. PROGRESS OF SAVINGS OF SHGs WITH BANKS IN ASSAM:

From the year 2016-17 to 2023-24, the number of saving linked Self-help Groups with banks in Assam is shown in the following table- 1.1.

Table 1.1 Savings of Self-help Groups with Banks in Assam

Year	Total Saving linked Self-help Groups	
	Number	Saving Amount(Rs. in lakh)
2016-17	347505	10446.64
2017-18	375986	19466.96
2018-19	410481	25581.26
2019-20	449188	31084.69
2020-21	494870	53912.66
2021-22	541389	71883.29
2022-23	601955	86779.75
2023-24	693447	133174.72

Source: Status of microfinance in India (2016-17 to 2023-24)

The above table- 1.1 shows cumulative growth of Savings of Self-help Groups in Assam and their saving amounts in banks. In the year 2016-17 the number of total saving linked SHGs was 347505 with the bank saving amount Rs.10446.64 lakh. The number of bank linked SHGs increases to 494870 and 693447 in the year 2020-21 and 2023-24 with the saving amount Rs. 53912.66 and Rs. 133174.72 lakh respectively.

2. BANK LOAN DISBURSED TO SHGs IN ASSAM:

In Assam, where rural and semi-urban populations from the backbone of the economy, the disbursement of bank loan to SHGs has not only empowered communities but also contributed to poverty alleviation and local economic growth. In the following table shows the number of bank loan disbursed to Self-help Groups in Assam and their loan disbursed amount during the years 2016-17 to 2023-24.

Table: 1.2 Bank Loan Disbursed to SHGs

Year	**Number of SHGs**	**Loan Disbursed Amount** (Rs. in lakh)
2016-17	26361	24901.44
2017-18	31029	30934.94
2018-19	19895	23242.96
2019-20	28805	43744.89
2020-21	53743	82210.31
2021-22	72631	151845.80
2022-23	97333	267090.70
2023-24	142175	429383.49

Source: Status of Microfinance in India (2016-17 to 2023-24)

3. BANK LOAN OUTSTANDING AGAINST SELF-HELP GROUPS IN ASSAM:

In the following table shows number of credit linked Self-help Groups in Assam with their outstanding loan amount during the years 2016-17 to 2023-34.

Table: 1.3 Bank Loan Outstanding against SHGs

Year	**Number of SHGs**	**Loan O/S Amount** (Rs. in lakh)
2016-17	101457	63379.51
2017-18	100455	67772.01
2018-19	90218	68028.05
2019-20	101324	79861.49
2020-21	126431	110861.18
2021-22	166671	189363.80
2022-23	214242	317205.45
2023-24	266455	559828.11

Source: Status of Microfinance in India (2016-17 to 2023-24)

In the above table- 1.3 shows that the bank loan outstanding against self-help groups has shown a significant upward trend. In the year 2016-17 the number of total credit linked self-help groups were 101457 which were increases to 266455 in the year 2023-24. The bank loan outstanding amount of the SHGs were also increases from Rs.63379.51 lakh in the year 2016-17 to Rs.559828.11 lakh in the year 2023-24.

PERFORMANCE OF MICRO FINANCE SCHEME:

The North Eastern Development Finance Corporation Ltd's (NEDFi's) Micro Finance Scheme has proved to be an effective instrument for financial inclusion where credit is routed to SHGs/JLGs and individuals through established Non-Government Organizations (NGOs) or Micro Finance Institutions (MFIs) to meet the needs of smaller entrepreneurs of the region for taking up productive activities in the field of agriculture, micro industries and service sectors including transportation, etc. NEDFi has completed its 24 years of intervention towards Micro Finance Service in the financial year 2022-23. As on March 2023, NEDFi has extended financial assistant of Rs. 618.57 crore in Assam. More than 95% of the beneficiaries under the NEDFi Mricro Finance Scheme are women which enable tham to improved their economic status and move up above the poverty line. Further, as on 31st March 2023, direct funding to 1976 numbers of projects was made involving an amount of Rs.23.77 crore under NEDFi Micro Landing Scheme (Economic survey, Assam 2023-24). In the following table shows that the status of amount sanctioned and amount disbursed by NEDFi under micro finance in Assam.

Table: 1.4. Status of amount sanctioned and amount disbursed under Microfinance in Assam (as on March, 2023):

(Amount Rupees in Crore)

Item	2018-19	2019-20	2020-21	2021-22	2022-23
Amount Sanctioned	67.7	64.25	08.15	31.17	32.00
Amount Disbursed	61.2	46.25	33.65	15.17	30.50

Source: Economic survey, Assam 2023-24.

The table – 3.7 shows that, In Assam in the year 2018-19 the amount sanctioned by NEDFi under microfinance 67.7 crore which is decreased to 32.0 crore in the year 2022-23. In the same way the amount disbursed under microfinance in the year 2018-19 was 61.2 crore which is also decreased to 30.5 crore in the year 2022-23.

CONCLUSION:

The Micro Finance Scheme is an effective instrument for financial inclusion which was launched to meet the financial demands of small entrepreneurs as well as regarded as an effective programme for poverty reduction as well empowerment of the poor. The micro-finance programme of NABARD, which began in 1992 with formation of 500 Self Help Groups (SHGs), has emerged as the largest micro-finance programme in the world (economic survey, Assam, 2022-23). The Self-Help Group – Bank linkage programme, the main micro-finance model and institutional finance mechanism to provide financial credit support to the micro-entrepreneurs (including farmers) in the country as a whole, has been proved to be the most cost effective credit delivery system in the study area. The programme has also helped in providing banking services to the uncovered rural poor.

From the elucidation of the study, it can be clearly outlined that from 1990s Micro Finance movement has got a successful path as a financial supportive group and as a platform for the poor and women to empower themselves psychologically, socially and economically. In this regard SHG- Bank linkage programme is emerged as a path for the poor in getting micro-credit from micro finance institutions. Several steps were taken by the National Bank for Agriculture and Rural Development, various government programmes initiated by the government and some leading Non Government Organizations for the upliftment of the poor, especially by disbursed the loan amount of SHGs. Though the focus of SHG-Bank Linkage programme is seen lately in Assam yet the programme has achieved success quickly. Mainly NABARD is taking initiatives to cover Self-help Groups to link with banks.

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