

Role of Kashi Gomti Samyut Gramin Bank for Rural Development: A Study on Self Help Groups

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ABSTRACT

There are still around 200 million people in rural areas that live below the poverty line and for whom banking access is still not a reality. The financial requirement is one of the basic needs of the poorer section of the society for development. For providing financial assistance regional rural banks were established at various states and regions. For the same Kashi Gomti Samyut Gramin Bank was established and operated in U.P. KGSG Bank is working very sincerely for the help and development of poor people by the various schemes like agricultural financing, micro credit, assist and promotion of Self Help Groups etc. Self Help Groups (SHGs) through Rural banks may be considered as a vital option for meeting the financial needs of these poorer sections of the society. The SHG is an informal organization of persons from the homogeneous poor section of the society. It is controlled and managed by the members itself.

Key Words- Rural Development, Self Help Groups, Kashi Gomti Samyut Gramin Bank

1.INTRODUCTION

It is significant that 77.73% population of UP live in villages, most of them are living below poverty line. So we should make such planning and scheme which are beneficial to the weaker section of the society. If the poor people of the villages are not brought into main stream of development, the total development of India is not possible and finance to these people is considered an important issue for the Government of India. There are still around 200 million people in rural areas that live below the poverty line and for whom banking access is still not a reality. The financial requirement is one of the basic needs of the poorer section of the society for development. Self Help Groups (SHGs) through Rural banks may be considered as a vital option for meeting

the financial needs of those poorer sections of the society.

The SHG is an informal organization of persons from the homogeneous poor section of the society. It is controlled and managed by the members itself. It is an association of 10 to 20 local individual members who are financially weak and from the same socio-economic backgrounds. These groups start with saving and not with credit; the group then uses its savings to give loans to members to meet their emergency and other needs. The members decide on savings per members, maximum size of loans, guarantee mechanisms in loan sanction. The SHG is the platform or forum to the members to come together for emergency, disaster, social reasons, economic support to each other, have ease of conversation,

social interaction and economic interactions. The Self-Help Group (SHG) is a viable organized setup to disburse micro credit to rural women for the purpose of making them enterprising for enabling them into various entrepreneurial activities.

SHG is the vital tool for reducing poverty. The NABARD is the main initiator of the SHG movement since 1986-87. Now a day's both central and state governments, nationalized commercial banks, regional rural banks, cooperative banks, NGOs, non-banking financial corporation (NBFC) etc. have joined in the SHG movement as promoters.

2.OVERVIEW

The KGSG Bank was established on 12 Sept 2005 to provide financial assistance and to look into the overall growth of small and marginal farmers of rural people. In spite of their long-term working, it is found that there are a lot of regional imbalances, and the agricultural production of the small and marginal farmers has not increased according to the expectations.

Many experiments have been made for the development of Kashi Gomti Samyut Gramin Bank, such as establishment of area offices, expanding the branches to remote rural areas, liberalization of the terms of credit, introduction of special scheme of finance and granting of subsidies to special class of borrowers under different schematic finance. But it is marked that the KGSG Bank in Varanasi has not shown their improvements as compared to growth of this sector at the national level. In various aspects the agricultural growth in Varanasi is lagging behind when compared to the all India level.

Investment of both short and long-term credit is more important. The NABARD and the RBI at the apex level have no direct link with the

rural people of the state. Similarly, the commercial banks have more branches in urban area having no direct link with rural borrowers. These banks are providing credit where there is high profitability. But it is only the KGSG Bank which have direct relation with rural workers so far as their credit requirements are concerned. Role of KGSG Bank is vital in the total credit structure of small and marginal farmers of eastern UP today.

3. RURAL CREDIT FACILITIES

Rural credit is the most important input in all agricultural development programmes. Farmers need finance for making considerable improvement in land and several other inputs like fertilizers, seeds, pesticides etc. They borrow money from money lenders, commission agents, land lords, relatives in which malpractices are common. The credit issued by cooperative societies, land development banks, commercial banks, regional rural banks is safe and objective oriented.

Co-operative societies

This is the cheapest and best source of rural credit. The rate of interest is low. Since 1951, they are working in the rural sectors as Primary Co-operative Credit Societies which are 88,000 in number. They are covering 80% of villages and it provides credit around 33% of total credit needs for agriculture. Short and medium term loans are provided by these banks.

Land development banks

The need for long term loans can be satisfied by these banks. Around 1200 banks are there throughout the country and issue loans mortgaging the land.

Regional rural banks (RRB)

These were set up in 1975 specifically to give direct loans to small and marginal farmers and agricultural laborers. There are around 200 RRBs in our country and over 90% of the loans are given to the weaker sections in rural areas.

National Bank for Agricultural and Rural Development (NABARD)

This has emerged as an apex refinancing institution for agricultural and rural credit since 1982. It provides all types of production and investment to agriculture and also provides loans to small-scale industries and cottage industries.

Commercial banks

They extend their financial support to agriculture both directly and indirectly. Direct finance for agricultural operations, indirect finance for fertilizers, & other inputs, processing, marketing, ware housing etc. With State Bank of India and rural banks, they extend their financial resources to farmers. Apart from all these societies, State banks, Central banks, Indian government provides loans at low rate of interest.

4. OBJECTIVES AND SCOPE OF STUDY

The present work is a modest attempt to study the growth and progress of KGSG Bank in Varanasi. The main objective of the study is to examine the role of KGSG Bank in the growth and development of rural areas in Varanasi. However, the study focuses on analysis, in detail of the operational and financial position of KGSG Bank in Varanasi.

The research questions have been expressed into specific objectives of the descriptive study.

1. To examine the role played by KGSG bank on short and long term finance in Varanasi district.
2. To find out the working of Self-Help Groups for the development in Varanasi district.
3. To Study the impact of finance in the growth and development of down trodden people of Varanasi.

5..METHODOLOGY

Secondary sources of data are used. Data published by various institutions such as Government of India, World Bank, Consultative Group to Assist the Poor (CGAP), Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD, State Level Bankers Committee (SLBC), etc are used for the purpose of the present paper.

Hypothesis

1. Financing by Kashi Gomti Samyut Gramin Banks help in the Growth and Development of Self Help Groups
2. Kashi Gomti Samyut Gramin Banks has a significance role in filling the Gaps and deficiencies prevailing in the rural credit system in Varanasi

H1: Financing by Kashi Gomti Samyut Gramin Banks Help in the Growth and Development of Self Help Groups

This hypothesis has been tested with the help of total analysis. The trend and direction of changes in the total operations of Kashi Gomti Samyut Gramin Bank during the study period have been analyzed phase wise. The annual average growth rate of linked and formed SHGs

during the study period has been mentioned in the following tables:

Table No. 1.01

Year	No. of SHGs	Inc./Dec	Inc./Dec %	Amount (in Lakh)	Inc./Dec	Inc./Dec %	Average Assistance
2007-08	2314			2318.15			100179
2008-09	759	-1555	-67	716.54	-1601.6	-69	94406
2009-10	5503	4744	625	891	174.46	24	16191
2010-11	667	-4836	-88	1070	179	20	160420
2011-12	579	-88	-13	1201	131	12	207427
2012-13	418	-161	-28	959.83	-241.17	-20	229624
2013-14	617	199	48	1012.25	52.42	5	164060
2014-15	825	208	34	1134.45	122.2	12	137509
2015-16	1053	228	28	526.5	-607.95	-54	50000
2016-17	265	-788	-75	146	-380.5	-72	55094
Total	13000			9975.72			1214910.5

(Source: Annual Report Nabard)

The Annual Average Growth Rate of Self Help Groups				
The Variables	Earlier Period (2007-08 to 2010-11)	Middle Period (2011-12 to 2013-14)	Later Period (2014-15 to 2016-17)	Total Period (2007 to 2017)
No. of SHGs	157	2	-4	51
Loan Disbursed	-8	-1	-38	-16
Average Assistance	92799	200370	80868	121491
(Ref. Table 1.01)				

Earlier Period

During the earlier period the annual average growth rate of loan disbursement was (-) 8 percent which was not satisfactory. It was made due to unawareness and proper information of government policies. During the same period growth rate of number of SHGs is quite good means, in these period the SHGs are working well and growth rate of number of SHGs is quite good as much as goodness of growth rate of loan disbursement. However the average assistance per SHG was Rs. 92799 lakhs during this period.

Middle Period

In the middle period the average growth rate of loan disbursement has increased to (-) 1 percent from (-) 8 percent recorded in the earlier period. The growth was mainly due to Proper working of SHGs for the loan.

Due to non-recovery of loan from the SHGs, the growth rate of number of SHGs is 2 percent which was not satisfactory. Means in this period the recovery is not good and the growth rate of number of SHGs is decreased to 2 percent from 157 percent.

However the average assistance per SHG has increased from Rs. 92,799 lakhs in earlier period to Rs. 2, 00,370 lakhs during this period.

Later Period

During the later period the annual average growth rate of loan disbursement was (-) 38 percent which was less than the middle period. It has declined to (-) 38 percent from (-) 1, in fact it is lowest rate of growth during analyzed period.

The annual average growth rate of SHGs was (-) 4 percent in this period. In the later period

there was more fall in the number of SHGs. The main reason of declining growth rate was the poor recycling of loan due to the non-recovery of dues from the SHGs.

However, the average assistance per SHG has also decreased to Rs. 80,868 lakhs from Rs. 2,00,370 lakhs in the later period.

Total Period

During the period the amount average growth rate was (-) 16 percent. It was found that in the earlier period and in the middle period the growth rate has remained more than the average growth rate of the total period. In the later period the growth rate was less than the average total annual growth rate period. However in the middle period the average assistance was more than the earlier and later period.

H: Kashi Gomti Samyut Gramin Banks has a significant role in filling the Gaps and deficiencies prevailing in the rural credit system in Varanasi

For testing this hypothesis, The primary collected data through field survey is used and mentioned in the following tables:

Reason for Joining

People join SHGs for the various purposes. Normally rural people join the SHGs for availing the loan facility. Some time they join for saving and other purposes also but loan is the mostly used purpose. In the banking system, banks charge very high rate of interest and it cannot be affordable by any poor family and some security is also necessary for loan. Therefore, they avoid loan facility from bank. During the field study of SHGs groups, Convenience sampling techniques is used to collect responses from 247 respondents and 173 respondents who join the SHG for loan out of total 247

respondents that is 70% and 74 respondents join the SHG for multiple purposes out of 247 respondents that is 30% means for loan purpose joining is mostly used.

Table No 1.02				
Reason for Joining				
Block	For Loan	For Saving	For Other	For Multiple Reason
Araziline	20	0	0	11
Baragao	20	0	0	10
Cholapur	19	0	0	11
Chiraigao	20	0	0	10
Harhua	25	0	0	10
Kashi Vidyapith	25	0	0	6
Pindra	26	0	0	4
Sevapuri	18	0	0	12
Total	173	0	0	74
Percentage (%)	70	0	0	30

Purpose of Loan

In the SHGs loaning system, the loaning function is divided into two categories first is emergency need and another is special need. During the field study of SHG groups there are 200 respondents out of total 247 respondents who use loan for emergency need and the loan are mostly used in the business or any other activities, means through SHG normally all types of loans are provided to SHG members and other people also and it is 81%. There are 47 respondents out of total 247 respondents who use the SHG for loan for special needs.

Table No. 1.03		
The Purpose for which the Loan has been sanctioned		
Block	Emergency Need	Special Need
Araziline	24	6
Baragao	24	6
Cholapur	22	8
Chiraigao	28	2
Harhua	28	7
Kashi Vidyapith	24	7
Pindra	25	5
Sevapuri	25	5
Total	200	46
Percentage (%)	81.3	18.7

Loan Availed by member through SHGs

Commercial banks are not providing loan facilities to lower class rural people due to the terms and conditions like security deposit and interest rate. SHGs are providing financial help at the lower interest rate and without security through the support of NABARD bank. During the field surveys 63.97 % respondent get financial help of Rs. 5,000 to Rs. 10,000 that is highest and 1.22 % respondent get financial help of Rs. 15,000 to Rs. 20,000 that is lowest, 1.62% respondent got financial help according to their need. In some cases, they get financial help of less than Rs. 5,000 i.e 15.79 % respondent. 17% respondent had availed Rs. 10,000 to Rs. 15,000 as financial support and above to Rs. 20,000 did not get by any respondent due to scarcity of fund. Because there are lots of members and other rural people who want financial help.

6. CONCLUSION AND FINDINGS

After the analysis of working of Kashi Gomti Samyut Gramin Banks, it has been observed that number of SHGs and Loan amount has fluctuated according to awareness, but ultimately increased and loan amount disbursed by SHGs has increased in middle period. More awareness and proper guidelines are required for loan disbursement and recovery. During the field study 70% respondent had joined SHGs for loan and financial help, 81.30% respondent had got financial support for every emergency purpose and 63.97% respondent had got loan of Rs.5000- Rs.10.000, 17% respondent get Rs. 10,000- Rs. 15,000, 15.79% respondent had got less than Rs. 5,000, 1.22% respondent Rs. 15,000 - Rs. 20,000 and 1.62% respondent got loan according to need. Hence, Kashi Gomti Samyut Gramin Banks has a significant role in filling the gaps and deficiencies prevailing in the rural credit system in Varanasi.

For better utilization of available resources, we should make proper planning so that the facilities and growth opportunities provided by KGSG Bank to small and marginal farmers, artisans etc. should be properly channelized, so that real purpose of the working of the RRBs for rural development can be served.

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Table No. 1.04						
Amount of Loan Availed by member through SHGs						
Block	Less than Rs. 5000	Rs. 5000 to Rs. 10000	Rs. 10000 to Rs. 15000	Rs. 15000 to Rs. 20000	Above to Rs. 20000	Need
Araziline	6	21	3	0	0	0
Baragao	6	19	5	0	0	0
Cholapur	3	16	9	2	0	0
Chiraigao	8	18	4	0	0	0
Harhua	6	21	8	0	0	0
Kashi Vidyapith	4	20	3	0	0	4
Pindra	4	19	7	0	0	0
Sevapuri	2	24	3	1	0	0
Total	39	158	42	3	0	4
Percentage (%)	15.79	63.97	17	1.22	0	1.62