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## INCLUSIVE BANKING INITIATIVES OF MIZORAM RURAL BANK

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**Abstract:** *The Mizoram Rural Bank is the largest bank in terms of number of branches in the state. It covers the entire State of Mizoram having eight districts and 26 R.D Blocks with a network of 75 branches comprising of 16 in urban, 13 in semi-urban and 46 in rural areas as on March 31, 2014. The MRB played an active role in granting loans under various government sponsored schemes in order to increase credit flows to rural areas. Therefore, it is necessary to study the inclusive banking initiatives taken by Mizoram Rural Bank. The present study is an attempt to analyse the performance of MRB under various schemes launched during March, 2007 to 2014. The study is based on secondary data collected from annual reports of MRB. Analysis of simple growth percentage over the preceding years is followed in the present study. The study concludes that the level of operational efficiency under GCC scheme, SCC scheme, SHGs scheme is not found satisfactory while KCC scheme is running quite satisfactory.*

**Keywords:** *Mizoram Rural Banks, Kisan Credit Card Scheme (KCC), General Credit Card Scheme (GCC), Swarojgar Credit Card Scheme (SCC Scheme), Swarnajayanti Gram Swarojgar Yojana (SGSY), Self Help Group (SHGs).*

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## **INTRODUCTION**

Inclusive banking is the delivery of banking services at affordable costs to sections of disadvantaged and low-income segments of Society. These groups are highly prevailing in the rural areas due to geographical constraints, low income, and high cost of operations and lack of savings. The unbanked or under banked population is prevented from accessing financial services because of limited physical bank infrastructure. Therefore, the present study will highlight the role played by Mizoram Rural Bank, who is getting the largest branch network in a state, for the hilly areas of Mizo people. The study also extracted the findings under the performance of the bank and effective suggestion will also be made.

## **OBJECTIVES OF THE STUDY:**

The main objective of the present study is to critically appraise the working of MRB on the basis of inclusive banking and its contribution for the improvement of poor people.

## **RESEARCH METHODOLOGY**

Secondary data was collected from different published and unpublished sources like various annual reports (2007 to 2014) and other publications of MRB, hard copy and website publications of RBI and various publications of NABARD for getting necessary information from MRB.

Discussions were also held with the managers of different branches.

## **ANALYSIS**

Mizoram Rural Bank (MRB) had actively participated in granting loans on various government sponsored schemes, like the other commercial banks which can increase credit flows to rural areas. MRB started financing under Integrated Rural Development programme (IRDP) since 1987, Self-employment for Ex-servicemen (SEMFEX) in 1998 and others from 2007. These schemes are the significant instruments to remove the problems of poverty and unemployment in rural areas which are as follows:

### **1. Kisan Credit Card Scheme (KCC):**

In consultation with Government of India, Reserve Bank of India (RBI) and NABARD, KCC scheme was introduced in 1998-99 to enable the farmers to purchase agricultural inputs and draw cash for their production needs in all the states and union territories. The KCC is a pioneering credit delivery innovation for providing adequate and timely credit to the



farmers under single window, with flexible and simplified procedure, adopting whole farm approach, including the short-term, medium term and long term credit needs of the borrowers for agriculture and allied activities and a reasonable component for consumption needs. In short, it is a credit card to provide affordable credit to the farmers in India. The Kisan Credit Card Scheme (KCC) is one of the key products developed to improve the farmers' accessibility to bank credit, simplify credit delivery mechanism and provide more flexibility in use of credit (NABARD, 2010).

In a broad sense, KCC was a step forward facilitating the access to short-term credit for the farmers from the financial institutions to meet their crop production requirements which include purchase of agriculture inputs like seeds, fertilizers, pesticides, etc. A credit card and a pass book incorporating the name, address, particulars of land holdings, borrowing limit, validity period, a passport size photograph of holder, etc., are issued to beneficiaries covered under this scheme. It may serve both as an identity card and facilitates recording of transactions on an on-going basis. Borrower is required to produce the card cum passbook whenever she/he operates the account. KCC allows farmers to have cash credit facilities without going through the credit screening processes repeatedly. These are usually offered by the banks that lend for agricultural purposes (Bank of India, 2010).

The farmer to be covered under this scheme is evaluated by the bank on financial performance basis by looking at his past record with the bank, and on personal grounds by considering his reputation in the village or town. Operational land holdings may also be the bases for fixing the credit limit under the card (Hooda, 2011).

### ***Objectives***

As a pioneering credit delivery innovation, KCC scheme aims at providing need based and timely credit support to the farmers for their cultivation needs as well as non-farm activities including purchase of inputs in a flexible and cost effective manner. It is used to bring about flexibility and operational freedom in credit utilisation.

Salient features of the Kisan Credit Card (KCC) Scheme:

- i) A Kisan Credit Card and a pass book or card-cum-pass book are provided to eligible farmers
- ii) Revolving cash credit facility involving any number of drawals and repayments within the limit.



- iii) Limit to be fixed on the basis of operational land holding, cropping pattern and scale of finance.
- iv) Entire production credit needs for full year plus ancillary activities related to crop production to be considered while fixing limit.
- v) Seasonal sub-limits may be fixed at the discretion of banks.
- vi) Card valid for 3 to 5 years subject to annual review. As incentive for good performance, credit limits could be enhanced to take care of increase in costs, change in cropping pattern, etc.
- vii) Each drawal to be repaid within a maximum period of 12 months
- viii) Conversion/reschedulement of loans also permissible in case of damage to crops due to natural calamities.
- ix) Security, margin, rate of interest, etc. are as per RBI norms.
- x) Operations may be through issuing branch (and also Primary Agricultural Credit Society (PACS) in the case of Cooperative Banks) through other designated branches at the discretion of bank.
- xi) Withdrawals through slips/cheques accompanied by card and passbook.
- xii) Crop loans disbursed under KCC Scheme for notified crops are covered under RashtriyaKrishiBimaYojna (National Crop Insurance Scheme), a crop insurance scheme introduced at the behest of Government of India to protect the interest of the farmer against loss of crop yield caused by natural calamities, pest attacks etc.
- xiii) Personal Accident Insurance of ` 50,000 for death and permanent disability and ` 25,000/- for partial disability available to Kishan Credit Card holder at an annual premium of ` 15/- per annum(NABARD, 2004).

### ***Advantages of KCC***

#### **1. Advantages to farmers:**

- (i) Access to adequate and timely credit to farmers.
- (ii) Full year's credit requirement of the borrower taken care of.
- (iii) Minimum paper work and simplification of documentation for drawal of funds from the bank.
- (iv) Sanction of the facility for 3 years subject to annual review and satisfactory operations and provision for enhancement.



- (v) Flexibility of drawals from a branch other than the issuing branch at the discretion of the bank.
  - (vi) Assured availability of credit at any time enabling reduced interest burden for the farmer.
  - (vii) Flexibility to draw cash at any time and buy inputs as per the need of the farmer and also to repay as and when surplus fund is available.
2. Benefits of the scheme to the banks:
- (i) Reduction in work load for branch staff by avoidance of repeat appraisal and processing of loan papers under Kisan Credit Card Scheme.
  - (ii) Minimum paper work and simplification of documentation for drawal of funds from the bank.
  - (iii) Improvement in recycling of funds and better recovery of loans.
  - (iv) Reduction in cost of transactions to the banks.
  - (v) Better relationship between the Banker – the Client.

In accordance with the Government of India's policy on credit delivery and providing adequate and timely credit support to the farmers for their cultivation needs, the Mizoram Rural Bank has started implementing the new Kisan Credit Card (KCC) Scheme in 2007 so as to enable the farmers to meet their production credit requirements in a cost effective and flexible manner. The MRB has taken steps to sensitize the farmers and promote awareness about the Kisan Credit Card Scheme among the farmers. The KCC issued are mainly for production and consumption purposes to help farmers tide over their problems during the crop season has risen. The scheme has been recognized as a trust area for implementation of the Banks' credit deployment. The performance of KCC in MRB can be seen from the Table 4.1 and Figure 4.1.

**Table: 1**

**Trend of Kisan Credit Card Scheme (in thousand)**

| At the end of the Year | No. of A/C | Disbursement                     |                                    | Outstanding                         |                                    |
|------------------------|------------|----------------------------------|------------------------------------|-------------------------------------|------------------------------------|
|                        |            | Disbursed Amount during the year | Growth (%) over the preceding year | Outstanding Amount (as on March 31) | Growth (%) over the preceding year |
| March, 2007            | 2005       | 89125                            | Nil                                | 227448                              | Nil                                |
| March, 2008            | 2167       | 124215                           | 39.37                              | 289212                              | 27.15                              |
| March, 2009            | 2941       | 158510                           | 27.69                              | 297070                              | 2.77                               |

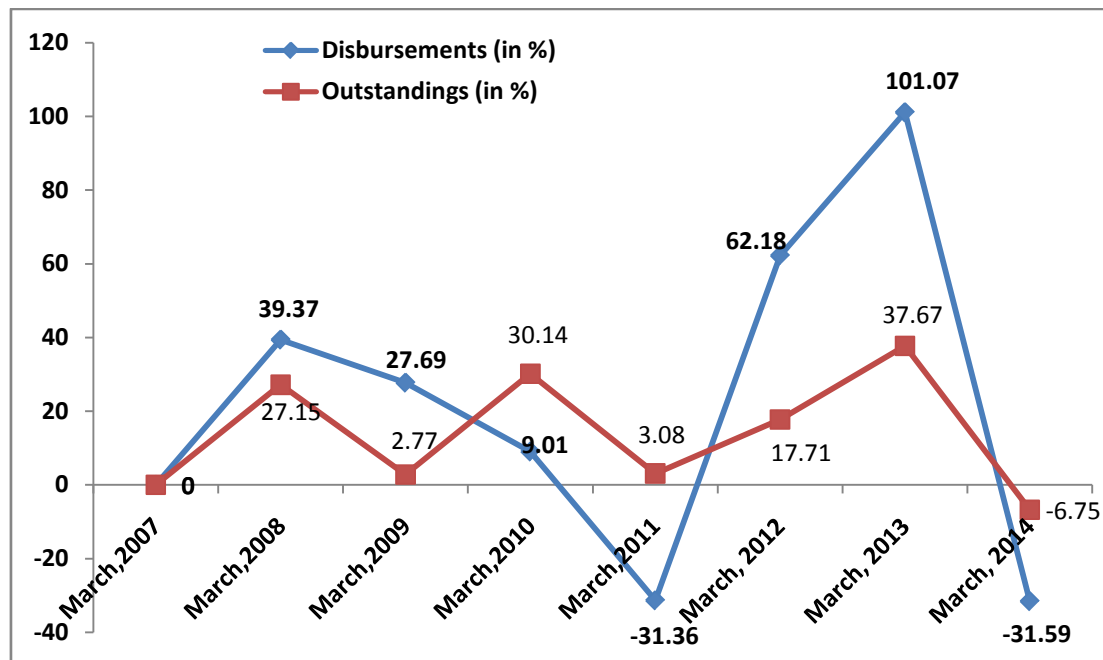


|             |      |        |        |        |       |
|-------------|------|--------|--------|--------|-------|
| March,2010  | 3859 | 172795 | 9.01   | 386609 | 30.14 |
| March,2011  | 2439 | 118612 | -31.36 | 398507 | 3.08  |
| March, 2012 | 4039 | 192340 | 62.18  | 469094 | 17.71 |
| March, 2013 | 6740 | 386756 | 101.07 | 645794 | 37.67 |
| March, 2014 | 4976 | 264550 | -31.59 | 602176 | -6.75 |

Source: Annual Reports of MRB from 2006-2007 to 2013-14.

**Exhibit1**

**Growth Rate of amount disbursed and outstanding under KCC Scheme**



Source: Compiled from various Annual Reports of MRB.

Literally, disbursement means to take money out of a purse. Figuratively, to pay out money; to expend money; and sometimes it signifies to advance money(Free Dictionary,2013). Therefore, disbursement means the credit which is given out to the borrowers under the KCC scheme.Ifthe disbursement amount has increased every year, this would mean that the bank has utilized such schemes in order to help the poor farmers.According toOxford English dictionary the word outstanding means owed as a debt;"outstanding bills";"the amount still owed"; "undischarged debts"i.e, the debts of the borrower. If the loan amount is not recovered till due date, the loans will becomeoutstanding.Decreasingoutstandingamount in percentage shows that the recovery performance has improved over the year.Therearetotal2005 account holders at the end of March, 2007 with the total amount of disbursement `89,125 thousand which increased to 6,740 accounts with the total amount of`3,86,756 thousand in March, 2013.The growth rate of total disbursement which was



39.37% in 2008 reduced to 9.01% in 2010, and in 2011, the growth rate stood below the zero line, i.e. negative 31.36 percent. It crossed 100 percent mark in the year 2013, but in the following year, the growth rate recorded at negative 31.59 per cent as on 31<sup>st</sup> March, 2014. Whereas the growth rate of outstanding amount has decreased from 27.15% as on 31<sup>st</sup> March, 2008 to 3.08 percent in 2011 and jumped again at 37.67 % in 2013. This again reduced to negative 6.75 per cent at the end of March 2014. This shows that the growth rate of MRB in credit disbursement has been improved during the period of 2007-14, but negative growth was also observed within the two years (2011 & 2014). Further, the bank needs to control growth of outstanding which may, in turn, create higher Non-Performing Assets (NPA) (See Table 1 & Exhibit 2)

## **2. General Credit Card Scheme (GCC):**

As per circular RPCD.CO.No.RRB.BC.59/03.05.33(F)/2005-06 dated December 27, 2005, RBI advised all Scheduled Commercial Banks (SCBs) and Regional Rural Banks (RRBs) to introduce a General Credit Card (GCC) Scheme for their constituents in rural and semi-urban areas, with a view to provide facilities similar to a credit card in rural areas with limited point-of-sale (POS) and limited automated Teller Machine (ATM) facilities, based on the assessment of income and cash flow of the household similar to that prevailing under normal credit card. GCC operates like the Kisan Credit Card and there are no linkages to purpose or end-use of funds or security under this scheme. Interest rate on the facility may be charged, as considered appropriate and reasonable. The limit may be periodically reviewed and revised/cancelled depending on track record of the account holder. With a view to targeting women as beneficiaries of bank credit, they may be given a preferential treatment under the GCC Scheme.

Banks may utilize the services of local post offices, schools, primary health centers, local government functionaries, farmers' association/club, well-established community-based agencies and civil society organisations for sourcing of borrowers for issuing GCC.

According to RBI Guidelines on General Credit Card, some features are given below:

- (i) The Scheme: The Scheme shall cover general credit needs of bank constituents in rural and semi-urban areas and shall be referred to as the 'General Credit Card (GCC) Scheme'.



- (ii) Objectives: The objective of the scheme is to provide hassle-free credit to banks' customers based on the assessment of cash flow without insistence on security, purpose or end-use of the credit. This is in the nature of overdraft or cash-credit with no end-use stipulations.
- (iii) Participating banks: The Scheme may be implemented by all Scheduled Commercial Banks and RRBs at any of their branches.
- (iv) Nature of financial accommodation-Cash withdrawal: The credit facility extended under the Scheme will be in the nature of revolving credit. The GCC-holder will be entitled to draw cash from the specified branch of bank up to the limit sanctioned and in fact, this may be the only feasible mechanism in many cases.
- (v) Quantum of limit: Banks would have flexibility in fixing the limit based on the assessment of income and cash flow of the entire household. However, the total credit facility under GCC for an individual should not exceed `25,000/-
- (vi) Interest rate: Interest rate on the facility may be charged, as considered appropriate and reasonable.
- (vii) Flexibility in use of credit: The borrowers would be eligible to avail the credit facilities provided under GCC, as per their requirement, without any insistence on security and the purpose or end-use of the credit.
- (viii) Priority sector lending status: Fifty per cent of credit outstanding under GCC up to `25,000/- will be eligible for being treated as indirect agricultural financing. The eligibility criteria will be subject to review.
- (ix) Form of GCC: It is not necessary that GCC should be linked to purchase and GCC may not necessarily be in the form of a card. GCC can be issued in the form of a Pass Book, if the holder of GCC desires to operate cash withdrawals from bank-branch.
- (x) Flexibility: Banks may consider appropriate modification provided the essential features of the scheme are maintained and prior approval of the Reserve Bank obtained (Goyal, 2012).

Under GCC scheme, MRB disbursed loans amounted to ` 329.24 lakh by the end of March, 2007 through 1,426 accounts, but this has decreased to `313.06 lakh at the end of March, 2014 with only 719 accounts. During March, 2010, the amount of loan disbursed under this





scheme reduced by almost 48 % as compared to the preceding year. From 2011, the growth rate (in per cent) of GCC over the preceding years started increasing, which continued till date. The bank has outstanding amount which fluctuated between `195 lakh and ` 545.25 lakh during the period of study (see Table 2&Exhibit 2).

**Table:2**

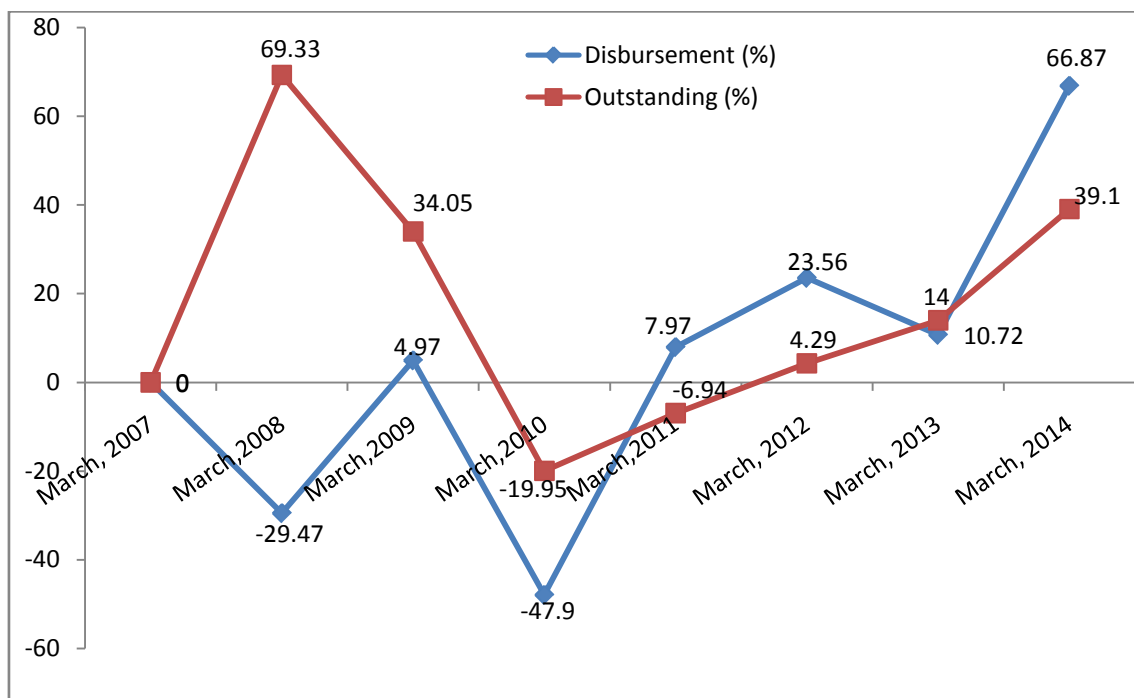
**Trend of Disbursement and Outstanding amount under General Cash Credit (GCC) during 2007-14 (in thousand)**

| At the end of the Year | No. of A/C | Disbursement                     |  | Outstanding                        |  |
|------------------------|------------|----------------------------------|--|------------------------------------|--|
|                        |            | Disbursed Amount during the year | Percentage of growth over the preceding year | Outstanding Amount(as on March 31) | Percentage of growth over the preceding year |
| March,2007             | 1426       | 32,924                           | Nil  | 19,490                             | Nil  |
| March,2008             | 967        | 23,232                           | -29.47                                       | 33,003                             | 69.33  |
| March,2009             | 985        | 24,386                           | 4.97   | 44,242                             | 34.05  |
| March,2010             | 501        | 12,705                           | -47.90                                       | 35,431                             | -19.95                                       |
| March,2011             | 554        | 13,718                           | 7.97   | 32,972                             | -6.94  |
| March, 2012            | 813        | 16,944                           | 23.56  | 34,383                             | 4.29   |
| March, 2013            | 841        | 18,760                           | 10.72  | 39,198                             | 14   |
| March, 2014            | 719        | 31,306                           | 66.87  | 54,525                             | 39.10  |

Source: Annual Reports of MRB from 2006-2007 to 2013-2014

**Exhibit 2**

**Growth Rate of amount Disbursed & Outstanding under GCC scheme**



Source: Annual Reports of MRB



### **3. Swarojgar Credit Card Scheme (SCC Scheme):**

It was introduced in September 2003 consequent upon the announcement made by Hon'ble Prime Minister in his Independent Day Speech on 15 August 2003. The Swarojgar Credit Card (SCC) scheme was introduced in 2003 to provide easy and timely credit to artisans, handloom weavers and other such self-employed persons, especially in the rural areas. The scheme is implemented through Scheduled Commercial Banks, Regional Rural Banks (RRBs) and cooperative banks. National Bank for Agriculture and Rural Development (NABARD) is the nodal agency for monitoring this central scheme. Banks can issue SCCs to target borrowers of SCC scheme for disbursing credit under any scheme whether it is covered under subsidy or not.

The main objectives of the scheme, as identified by RBI, are given below:

- (i) SCC Scheme aims at providing adequate and timely credit i.e. working capital or block capital or both to small artisans, handloom weavers, service sector personnel, fishermen, self-employed persons, rickshaw owners, other micro-entrepreneurs, SHGs, etc., from the banking system in a flexible, hassle free and cost effective manner.
- (ii) Borrowers in urban areas can also be covered under SCC Scheme. Small business covered under priority sector is also eligible under SCC Scheme.
- (iii) Any scheme/project that is income generating/ employment generating may be covered under the scheme. The facility may also include a reasonable component for consumption needs.
- (iv) Farm sector activities like fisheries, dairy, etc., can also be covered under the scheme. Generally such of the self-employment activities which have regular turn-over/income stream on short-interval basis can be covered under SCC scheme.

Some features are given below:

- (i) SCC to SHGs: Self Help Groups (SHGs) can also be issued SCC and members will be liable jointly and severally for repayment. As the Groups mature, some members may graduate to entrepreneurs and start their own micro- enterprises with or without the support of the SHGs. In such cases, SCC may be issued to members in individual capacity.



- (ii) Nature of financial accommodation: The credit facility extended under the Scheme is in the nature of a composite loan including term loan / cash credit or both.
- (iii) Quantum of limit: Banks may extend upto ` 25,000/ per borrower as composite loan. This amount is indicative. Banks may consider higher limits on the merits of the case. A component for consumption credit could be built in keeping in view the value of the family labour in the productive activity. The total limit would have a relationship with the projected net earnings and the repayment capacity of the borrower.
- (iv) Renewal of SCC limits: Limits will be renewed annually based on the amount credited to the cash credit account /repayments.
- (v) Interest on credit balance: Interest as applicable to SB A/c may be paid to the borrowers on the credit balance under the account.
- (vi) Validity: SCC is normally valid for 5 years subject to satisfactory operation of the account and renewed on a yearly basis through simple review process.
- (vii) Issue of cards: The beneficiaries under the scheme will be issued with a laminated credit card and a pass book. This will serve as an identity card and facilitate recording of the transactions on an on-going basis. Banks may modify the format keeping in view the relevant data/ information required. A passport size photograph of the holder will be affixed on the card in the space provided for. The card holder would be required to produce the card and the pass book for operations in the account. As far as possible cluster approach may be followed in implementing the scheme. In case smart cards are issued, fees towards issue of card/processing may not exceed ` 50/- per card.
- (viii) Operation of the scheme: The banks may at their discretion permit operations through the designated branches, taking into account the convenience of the clientele. Opening of SB A/c should not be a precondition for issue of SCC.
- (ix) Insurance: Beneficiaries under the scheme would automatically be covered under the group insurance scheme and the premium would be shared by the bank and the borrower equally. Each bank may negotiate the terms of insurance with a company of its choice on a national or regional basis. Further, as advised by General Insurers' (Public Sector) Association of India (GIPSA), it would be advisable for the banks to



take up the matter of Personal Accident Insurance linked with SCC scheme individually with the Insurance Companies. Since many banks have tie-ups for 'bancassurance' agreement with General Insurance Companies they may decide to include SCC scheme also under their tie-ups.

- (x) Security/Margin/Rate of interest /Prudential norms: Security, Margin, Rate of interest and Prudential norms is applicable as per RBI/NABARD norms. The interest rate would not exceed that for comparable farm loans. However banks may follow RBI instructions in this regard. Interest linked incentives may be given for timely repayment. Women borrowers may be given preference. Joint liability groups could be encouraged as a collateral substitute.
- (xi) NABARD refinance: NABARD refinance will be provided for advances under SCC Scheme to eligible banks against their lending to the borrowers in rural areas as per norms under the Enterprise Loan Scheme.
- (xii) Monitoring: NABARD has been nominated by Govt. of India as the nodal agency for monitoring the scheme. Banks are required to report monthly progress to concerned Regional Offices of NABARD to facilitate monitoring.
- (xiii) Publicity on SCC Scheme: NABARD has published brochures on SCC scheme in English, Hindi and various regional languages. Regional Offices of NABARD conduct familiarization programmes for bankers on the scheme (NABARD, 2003).

In Mizoram, the MRB implemented this scheme in order to develop the rural economy. In March 2007, the total amount of ` 7,196 thousands were disbursed through 429 accounts of SCC and of ` 3,249 thousand remained outstanding at the end of 31st March, 2007. Only 29 accounts were opened in the following year and `378 thousand were disbursed, this registered a negative growth of approximately 95 per cent. 61 new accounts were opened in the year 2011-12 to disburse ` 2,828 thousand to the rural beneficiaries registering a negative growth of over 85% as compared to the previous year, but the bank stood with the outstanding amount of `2,534 thousand. Further, the amount of ` 3,067 thousand was disbursed through 14 accounts only, registering negative growth of 4.54 per cent as on 31st March, 2014 and the amount of ` 2,368 thousand remained outstanding, recording negative growth of 48.50 per cent. The performance of disbursement through SCC by MRB has been fluctuating during the study period (see table 3). This may have happened due to bad



recovery under the scheme from the beneficiaries. The result has not been satisfactory in this regard, therefore, the bank need to find out the effective system to make this scheme successful (See table3 &Exhibit 3).

**Table: 3**

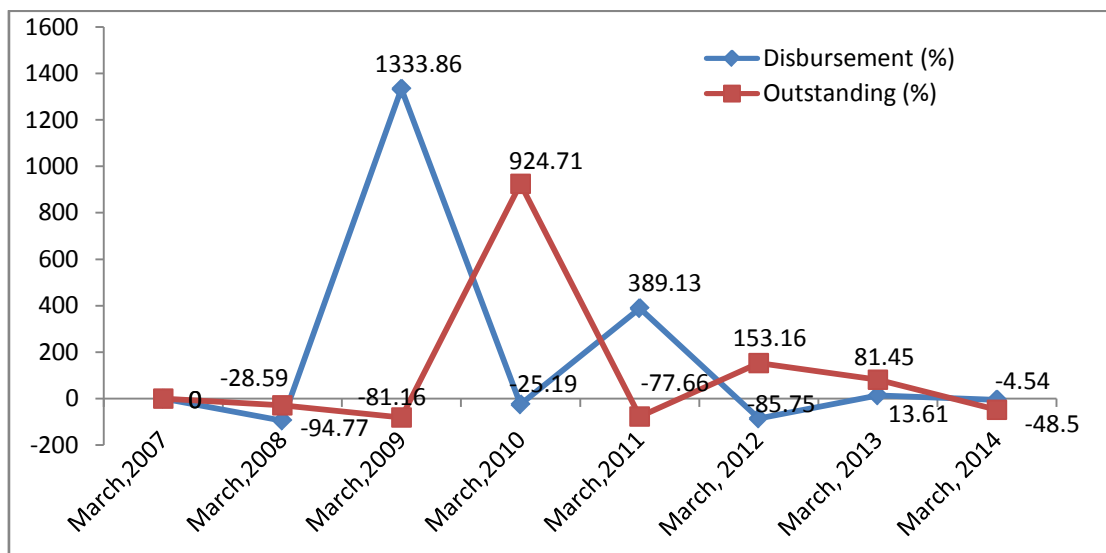
**Trend of Disbursement and Outstanding amount under Swarozgar Credit Card (SCC)(`in thousand)**

| At the end of the Year | No. of A/C | Disbursement                     |                          | Outstanding                  |                         |
|------------------------|------------|----------------------------------|--------------------------|------------------------------|-------------------------|
|                        |            | Disbursed Amount during the year | % of disbursement growth | Outstanding Amount(31,march) | % of outstanding growth |
| March,2007             | 429        | 7,196                            | Nil                      | 3,249                        | Nil                     |
| March,2008             | 29         | 378                              | -94.77                   | 2,320                        | -28.59                  |
| March,2009             | 217        | 5,420                            | 1333.86                  | 437                          | -81.16                  |
| March,2010             | 124        | 4,058                            | -25.19                   | 4,478                        | 924.71                  |
| March,2011             | 162        | 19,849                           | 389.13                   | 1,001                        | -77.66                  |
| March, 2012            | 61         | 2,828                            | -85.75                   | 2,534                        | 153.16                  |
| March, 2013            | 10         | 3,213                            | 13.61                    | 4,598                        | 81.45                   |
| March, 2014            | 14         | 3,067                            | -4.54                    | 2,368                        | -48.50                  |

Source: Annual Reports of MRB from 2006-07 to 2013-14

**Exhibit: 3**

**Growth (in %) of amount Disbursed & Outstanding under SCC Scheme**



Source: Compiled from various Annual Reports of MRB

#### 4. SwarnajayantiGramSwarojgarYojana(SGSY):

Swarnajayanti Gram SwarozgarYojana (SGSY) is an initiative launched by the Government of India to provide employment to poor people living in rural areas of the country. The scheme



was launched on April 1, 1999. This is a modified scheme, replacing Integrated Rural Development Programme (IRDP) and other sub-schemes. It came into existence during the Golden Jubilee year of Indian Independence, i.e. 1997, and the scheme derives its name to mark the occasion. As per the RBI Guidelines, SGSY is holistic scheme covering all aspects of self-employment such as organization of the poor into Self Help Groups, training, credit, technology, infrastructure and marketing. The target group of SGSY consists of small and marginal farmers, agricultural labourers, rural artisans and others whose annual family income is less than the BPL income level. IRDP focused on credit provision to individual beneficiaries while SGSY focuses on skill development of groups and clusters to improve the use of credit and asset acquisition. The scheme is funded by the financial institutions, Panchayat Raj Institutions, District Rural Development Agencies (DRDAs), Non-Government Organisation (NGOs) and Technical institutions in the district.

The SGSY aims at providing self-employment to villagers through the establishment of Self-help groups and establishing a large number of micro enterprises in the rural areas. The objective of SGSY is to bring assisted family above the poverty line within three years by providing them income generating assets through a mix of bank credit and Government subsidy. Therefore, the rural poor such as those with land, landless labour, educated unemployed, rural artisans and disabled are covered under the scheme.

The salient features of this scheme are:

- (i) It is a redesigned antipoverty programme, for generation of employment
- (ii) There would be shift from individual beneficiary approach to a cluster/group approach. To facilitate this process, Self-Help Groups (SHGs) are formed.
- (iii) The programme has greater participation of Gram Panchayats.
- (iv) For group of Swarozgaris (SHGs), the subsidy would be at 50 % of the cost the scheme subject to a ceiling of ₹1.25 lakhs. There will be no monetary limit on subsidy for irrigation Projects.
- (v) Orientation programme is mandatory for swarozgaris to possess the requirement skills.
- (vi) Swarozgaris will be eligible for loans under SGSY when they possess Minimum Skill Requirement and it will be disbursed only when they have satisfactorily completed the skill training.



(vii) Group Life Insurance for Swarozgaris is also ensured under the scheme.

(viii) Scheme provides for creation of risk fund for the consumption credit requirement of the Swarozgaris (Vijaya Bank, 2013).

Like many other commercial banks, MRB also implemented this scheme to the needy people during the study period. The bank had 253 accounts at the end of March, 2007 which decreased to only 29 accounts as on 31 March, 2014. The total amount of ₹ 10,377 thousand was disbursed during 2007, which increased to ₹ 26,819 thousand in March 2010, registering a growth of 128.19 percent over the preceding years. At the end of March 2014, ₹ 3,515 thousand only was disbursed through 29 accounts. Despite the fact that the disbursement amount increased, some of the amount always remained outstanding till date which makes the bank performance under the scheme look fluctuating. The total outstanding amount stood at ₹ 26,106 thousand in March 2007, which increased to ₹ 29,254 thousand in 2010 but then it decreased to ₹ 20,272 thousand in March, 2014. From the results, it is observed that the bank's operational efficiency has much better than before. This shows that the more they disbursed the amount; the more outstanding amount will be made. The bank adjusted the amount disbursed to prevent the bank from the defaulters. (See table 4 & Exhibit 4)

**Table: 4**

**Trend of Disbursement and Outstanding amounts under  
Swarnajayanti Gram Swarozgar Yojana (₹ in thousand)**

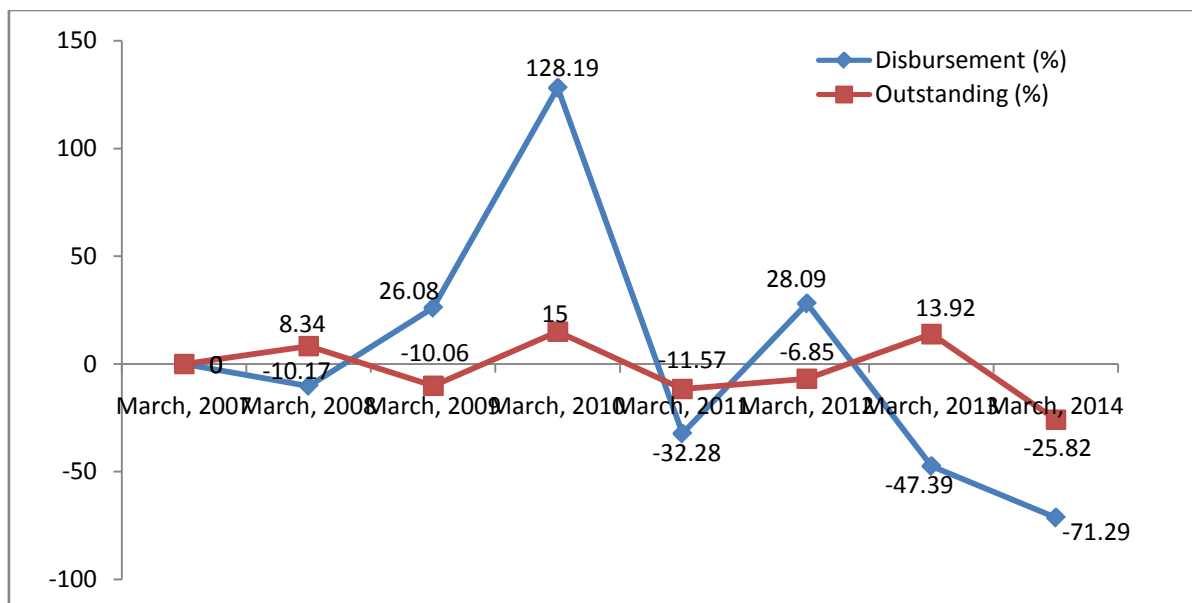
| At the end of the Year | No. of A/C | Disbursements                    |                          | Outstanding                    |                         |
|------------------------|------------|----------------------------------|--------------------------|--------------------------------|-------------------------|
|                        |            | Amount Disbursed during the year | % of disbursement growth | Outstanding Amount (31, March) | % of outstanding growth |
| March, 2007            | 253        | 10,377                           | Nil                      | 26,106                         | Nil                     |
| March, 2008            | 194        | 9,325                            | -10.17                   | 28,284                         | 8.34                    |
| March, 2009            | 120        | 11,755                           | 26.08                    | 25,438                         | -10.06                  |
| March, 2010            | 304        | 26,819                           | 128.19                   | 29,254                         | 15.00                   |
| March, 2011            | 246        | 18,173                           | -32.28                   | 25,876                         | -11.57                  |
| March, 2012            | 301        | 23,274                           | 28.09                    | 24,115                         | -6.85                   |
| March, 2013            | 124        | 12,245                           | -47.39                   | 27,327                         | 13.92                   |
| March, 2014            | 29         | 3,515                            | -71.29                   | 20,272                         | -25.82                  |

Source: Annual Reports of MRB from 2006-07 to 2013-14



Exhibit 4

**Growth Rate (%) of amount Disbursed & Outstanding under SGSY Scheme in Mizoram**



Source: Annual Reports of MRB

### 5. Self Help Group (SHGs):

‘Self-help’ is one of the most sacred and sacrosanct ideas through ages. In fact, the term is as old as our civilization and was given a concrete meaning during Verdic period in India when ‘Human-Dignity”, especially that of women was consciously recognized. The term Self-Help involves all ethical, moral justifications within it to reflect human values of an individual or group endeavor to develop and empower own self with dignity and confidence. This value-based concept of social and human resource development is thus revived by the planners and policy makers in recent year to develop rural India. When we speak of rural women, self-help is the most appropriate scientific technique to empower women (Tripathy,2010). When the US president Barack Obama visited India on her 66<sup>th</sup> Republic day (i.e., 26<sup>th</sup> January, 2015), he says, “Nations are more successful when women are successful”(Obama, 2015).

A SHG is a small and informal association of poor woman having similar socio-economic background and who have come together to realize some common goals based on the principle of self-help and collective responsibility (Pathi, 2010). In other words, the SHG is a small economically homogenous and affinity groups of rural poor not exceeding twenty members, voluntarily coming together to save small amounts regularly to mutually agree to contribute to a common fund, to have collective decision making, to resolve conflicts





through collective leadership and mutual discussion and provide collateral free loans at terms decided by market driven rates ( Revati,2007).

Self-Help Group may be registered or unregistered. It typically comprises a group of micro entrepreneurs having homogenous social and economic backgrounds; all voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the basis of mutual help. They pool their resources to become financially stable, taking loans from the money collected by that group and by making everybody in that group self-employed. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. Self-help groups are seen as instruments for a variety of goals including empowering women, developing leadership abilities among poor people, increasing school enrolments, and improving nutrition and the use of birth control. Financial intermediation is generally seen more as an entry point to these other goals, rather than as a primary objective. An economically poor individual gains strength as part of a group. Besides, financing through SHGs reduces transaction costs for both lenders and borrowers.

**Features of SHGs:** Some features are highlighted below

- (i) It is simple, yet effective method for the poor to help each other.
- (ii) It is a voluntary group of rural poor who face similar situations and problems.
- (iii) The group conducts regular meeting once in a week as per the requirement.
- (iv) The meeting decides borrowers by consensus.
- (v) Small amounts of loan carrying low rates of interest are provided to members.
- (vi) It encourages small savings among the members.
- (vii) It provides a forum for the members to solve their problems collectively.
- (viii) Number of members is usually between fifteen and twenty.
- (ix) They elect among themselves a leader and sub-leader to manage group and its activities (Patnaik and Palak, 2010).

The micro-finance services provided through SHG - bank linkage has so far been the most successful initiative in financial inclusion. The RBI and NABARD have played a positive role in creating and enabling environment for the growth of SHGs-Bank Linkage programme. The RBI first started with its circular exhorting banks to actively participate in the programme, later it facilitated the opening of savings accounts by unregistered groups and finally come



out with its policy circular of April 2, 1996 which while transforming lending to SHGs as a main stream credit programme of banks, contained comprehensive guidelines to banks for SHGs lending. So far as spatial outreach of the SHG-bank Linkage is concerned the programme covered 583 districts in 31 states/UT (Patra, 2010). Therefore, an analysis of RRB's involvement in the SHG movement will be an important indicator of the kind of mandate which RRBs could be given for further widening and deepening of financial inclusion.

During the year 2007, MRB disbursed the loan amounted to `51,381 thousand through 608 accounts which increased to `60,007 thousand with 347 number of accounts by the end of March, 2014. During the year 2011, the amount disbursed was at its highest with `87,558 thousand registering a growth of over 95% as compared to the preceding year. Meanwhile, the outstanding amount also increased from `51,754 thousand at the end of March, 2007 to `1,24,209 thousand in March 2014. This reveals that the recovery performance under the scheme was very poor and as a result, the bank had reduced the disbursement amount every year. From the result, it can be concluded that the operational efficiency level under the scheme was weaker than the performances of other schemes. This in turn, increased the NPA which is the most severe problems faced by the banks in the modern world. (See Table 5 & Exhibit 5)

**Table 5**

**Trends of amount Disbursed & Outstanding under SHGs Scheme in Mizoram**

(` .in thousand)

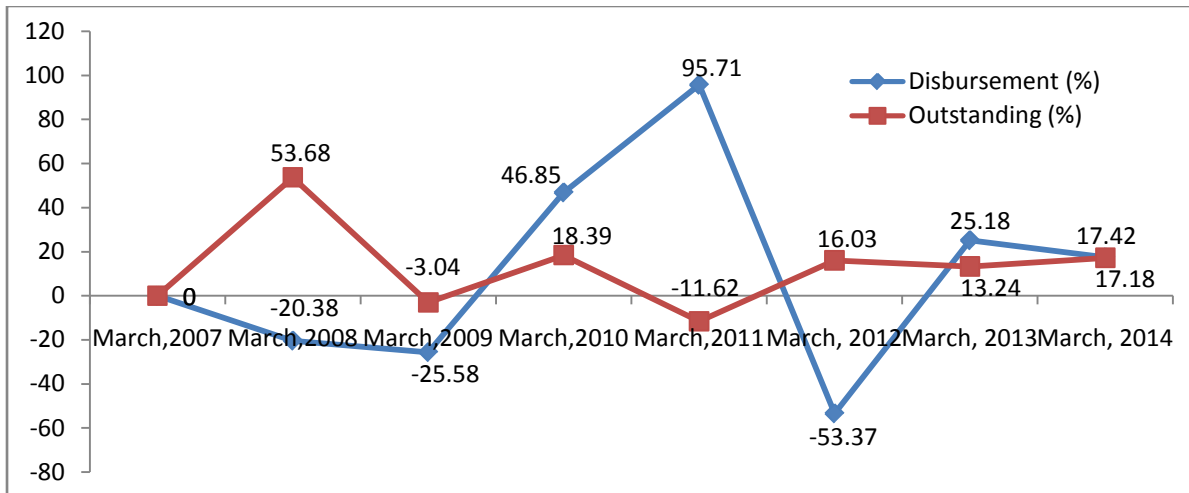
| At the end of the Year | No. of A/C | Disbursements                    |                          | Outstanding                    |                         |
|------------------------|------------|----------------------------------|--------------------------|--------------------------------|-------------------------|
|                        |            | Amount Disbursed during the year | % of disbursement growth | Outstanding Amount (31, march) | % of outstanding growth |
| March, 2007            | 608        | 51,381                           | Nil                      | 51,754                         | Nil                     |
| March, 2008            | 322        | 40,941                           | -20.38                   | 79,535                         | 53.68                   |
| March, 2009            | 311        | 30,465                           | -25.58                   | 77,115                         | -3.04                   |
| March, 2010            | 448        | 44,738                           | 46.85                    | 91,273                         | 18.39                   |
| March, 2011            | 131        | 87,558                           | 95.71                    | 80,663                         | -11.62                  |
| March, 2012            | 241        | 40,824                           | -53.37                   | 93,597                         | 16.03                   |
| March, 2013            | 281        | 51,104                           | 25.18                    | 1,05,994                       | 13.24                   |
| March, 2014            | 347        | 60,007                           | 17.42                    | 1,24,209                       | 17.18                   |

Source: Annual Reports of MRB from 2006-2007 to 2013-2014.



Exhibit 5

Growth Rates of amount disbursed & Outstanding under SHGs Scheme



Source: Annual Reports of MRB from 2006-2007 to 2013-2014.

Findings:

The followings are the major findings from the study:

- The study found that MRB has been implementing many government sponsored schemes in order to tackle the problems of poverty and unemployment in rural areas by financing under Integrated Rural Development Programme(IRDP) since 1987, Self-employment for Ex-servicemen (SEMFEX) in 1998 and others from 2007. Under these schemes, Kisan Credit Card Scheme (KCC), General Credit Card Scheme(GCC), Swarojgar Credit Card Scheme (SCC Scheme), Swarnajayanti Gram Swarojgar Yojana(SGSY) and Self Help Group (SHGs) are popular schemes available from MRB. However, increasing outstanding amount has been found under these various schemes.
- Mizoram Rural Bank introduced KCC scheme in 2007 to enable farmers to purchase agricultural inputs and draw cash for their production needs in all districts of the states. During the period 2006-07 to 2013-14, the total amount of disbursement ` 89,125 thousand through 2005 accounts in March, 2007 was increased to ` 2,64,550 thousand with 4,976 accounts in March, 2014, registering an average growth of 25.19 percent under KCC scheme. However, the growth rate of outstanding amount over the preceding year has reduced from 27.15 percent in March, 2008 to only negative 6.75 per cent in March, 2014, which shows that the



performance of MRB in credit disbursement has been improved and the bank also needs to check the growth of outstanding that increases non-performing assets.

- The performance of MRB is not found satisfactory under GCC scheme. General Credit Card (GCC) Scheme was introduced for their constituents in rural and semi-urban areas and it is being operated like Kisan Credit Card scheme and there is no linkage to purpose or end-use of funds or security under this scheme. But it has been found that MRB disbursed loans amount of `329.24 lakh during the year 2006-07 through 1,426 accounts which has decreased to `313.06 lakh in 2013-14 with 719 accounts, registering a decreased rate of almost 5 per cent during the period. On the other hand, the outstanding amount has increased upto `545.25 lakh at the end of March, 2014 from `194.90 lakh at the end of March, 2007, registering an average growth rate of 19 per cent during last five years.
- The Swarojgar Credit Card (SCC) scheme was introduced in 2003 to provide easy and timely credit to artisans, handloom weavers and other such self-employed persons, especially in the rural areas but MRB could implement this scheme in 2007 only. Under this scheme, a total amount of `7,196 thousand had been disbursed through 429 accounts during 2006-07 which reduced to `3,067 thousand through only 14 new accounts during 2013-14. At the same time, the amount of `3,249 thousand remained outstanding at the end of 31<sup>st</sup> March, 2007 that reduced to `2,368 thousand at the end of March 2014 with an average growth rate of 132 per cent during the study period. The result has not been satisfactory in this regard due to bad recovery from the beneficiaries. Therefore, the bank needs to find out the effective system to make this scheme successful.
- MRB also implemented Swarnajayanti Gram Swarojgar Yojana (SGSY) for the needy people. The study indicated that the bank had disbursed `10,377 thousand through 253 accounts by the end of March, 2007 which decreased to `3,515 with only 29 accounts as on 31 March, 2014, registering a negative growth of over 86 per cent during the period. However, the total outstanding amount stood at `26,106 thousand in March 2007, which improved to `20,272 thousand in March, 2014. The result observed that the bank's operational efficiency has increased and it is found



that the bank adjusted the amount disbursed to prevent the bank from the defaulters.

- SHG is a small and informal association of poor woman having similar socio-economic background and who have come together to realize some common goals based on the principle of self-help and collective responsibility. Under this scheme, MRB disbursed the loan amounted to `51,381 thousand through 608 accounts during March, 2007, which increased to ` 60,007 thousand with 347 accounts by the end of March, 2014 registering a growth of 16.78 percent during the period. Meanwhile, the outstanding amount increased from ` 51,754 thousand in March, 2007 to `1,24,209 thousand in March 2014. This reveals that the recovery under the scheme has been very poor and as a result, it can be concluded that the operational efficiency level under the scheme has been weaker than other schemes that automatically increased the NPA which is the most severe problems faced by the Bank in the modern world.

**Suggestions:**

- Mizoram Rural Bank (MRB) actively participated in granting loans on various government sponsored schemes like Kisan Credit Card Scheme (KCC), General Credit Card Scheme (GCC), Swarojgar Credit Card Scheme (SCC Scheme) Swarnajayanti Gram Swarojgar Yojana (SGSY) and Self Help Group (SHGs) to increase credit flows to rural areas. However, increasing outstanding amount has been found due to the weak operational efficiency level under these various schemes. The bank needs to check the growth of outstandings that increases non-performing assets which is the most severe problems faced by every bank in the modern world. The bank also needs to find out the effective system to make these schemes successful. 'Research Cell' is urgently required at the level of Head Office for effective planning, research and development. The authorities would take its emphasis for the development of the weaker sections of the society and encourage in the utilization of various schemes and the formation of more self-help group.
- The study concluded that the people living in rural areas are still lagging behind in financial literacy as well as receiving information and awareness from the bank. 39 per cent of the total customers were not aware of the rate of interest of the loan they had taken. Many customers do not have clear concept about the interest



charged by the bank, its calculation and even its importance. Some of the schemes like KCC, GCC were popularly known by the customers, but 92 per cent of borrowers were not aware of the crop loan introduced by MRB. There is an imbalance of power as regards information and resources between customers and financial service providers. It is suggested that the authorities should take initiatives for efficiency of financial education and to introduce it to school level. Financial education should be efficient and aimed not only at enhancing financial awareness but also supporting the development of more responsible financial habits and behaviours. Schools are best able to reach the widest national audience and because they can help develop sound habits and nurture future financially capable and responsible adults (Boucher, 2010).

## **CONCLUSION**

The performance of MRB is not found satisfactory under GCC scheme, SCC scheme, SHGs scheme while KCC scheme is running quite satisfactory.

This reveals that the recovery under these schemes have been very poor and as a result, the operational efficiency level under the above three schemes were weaker than KCC scheme. This increases the NPA which is the most severe problems faced by the Bank in the modern world.

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