Chapter I

General Introduction

1.1. Background of the Study

There is a general consensus among economists that financial development spurs economic growth and the causal relationship between financial sector development and economic growth has been well articulated and empirically supported in the studies across the world (Bencivenga and Smith, 1991; Levine, 1997; Estrada, et al., 2010; Hassan, et al., 2011). However, financial development does not essentially imply financial inclusion which is crucial for inclusive growth and poverty alleviation. Financial inclusion denotes the delivery of banking services to the vast sections of the disadvantaged and people of low income groups at affordable cost[1]. The Committee on Financial Inclusion, (2008), has defined "Financial inclusion as a process of ensuring access to financial services and timely and adequate credit where needed by vulnerable such as weaker sections and low income groups at an affordable cost". It is the provision of affordable financial services by the formal financial institutions to those who tend to be excluded. But, despite the presence of a vast network of credit delivery channels of formal financial institutions such as nationalised banks, regional rural banks, and co-operative banks, the rural poor and underprivileged sections in particular do not have the access to the minimum financial services. Financial exclusion is more obvious than that of financial inclusion, particularly in rural areas. Financially excluded groups mainly comprise of those people such as small and marginal farmers, women, unorganized sector workers including artisans, the self-employed and pensioners (Dev, 2006). The recent development has shown considerable widening and deepening in the Indian financial system of which banking is a significant component. But, the main concern is that banks have not been able to reach and bring vast majority of population, mainly located in rural areas, into the fold of basic banking services. The policy makers and development practitioners

[1] The various financial services include savings, credit, insurance and access to payments and remittance facilities (Report of the Committee on Financial Inclusion in India, 2008). These services are also the components of microfinance.

who have been trying to improve the lives of these poor and fight against poverty in India since the inception of planning in 1951. This has been reflected in the successive five-year plans, which had the objectives of ‘growth with equity’ and ‘social justice’. However, the policy makers soon realized that rapid growth did not bring about ‘trickle down’ effect, particularly so in rural areas. This realization led to the restructuring of institutions and schematic lending to facilitate better accessibility of credit for the underprivileged (Shetty, 2008). Initiatives in this regard were taken by building an institutional framework through nationalization of commercial banks and setting up of regional rural banks. The aftermath of this event was the overwhelming spread and growth of the banking sector across nation and even so far neglected rural areas witnessed this growth (Pokhriyal and Ghildiyal, 2011). The rapid development in financial system that followed thereafter the nationalization event included increased number of bank branches, decreased average population per bank offices and increment in deposits, advances, lending to the priority sectors, etc. Moreover, the significant share of the informal sector also declined with the spread of the banking system to rural areas (Goyal, 2013). But, there are concern that vast majority of rural poor and low income people still excluded from the minimum financial needs requiring to approach informal sources like moneylenders. Thus, the existing network of financial infrastructures has failed to bring the vast segment of population living in rural areas into the ambit of basic banking services. The high transaction costs associated with small credit and savings, information asymmetry about the borrowers and lack of proper collateral among the rural borrowers, etc. are mainly responsible for the exclusion of the rural poor from the formal banking services. There may be other reasons of financial exclusion of the rural poor as well. The lack of income generating activities, lack of entrepreneurship, grim employment scenario and high level of poverty scenario, etc. can be considered as important factors responsible for the financial exclusion of vast majority in rural areas. The financially excluded population are trapped in ‘debt circle’ by borrowing from the informal sources such as the moneylenders who charge an exorbitant rate of interests and penalty for non-repayment. Financial inclusion has the potential to unleash a virtuous cycle, enabling poor households to contribute to economic growth while availing benefits from it. According to Mohan, (2006), a developed financial system broadens access to funds, empowers the poor and low-income people both socially and economically and allowing them to better integrate into the economy in a better way by lifting the financial condition and standards of life (World Bank, 2006). Access to bank accounts enable better savings and safe money management in addition to facilitating protection from inflation, access transaction/transmission facilities like remittances. Savings and insurance help reduce risk and vulnerability and prevent a slide into stressful coping strategies such as sale of livestock or other assets (Arora and Leach, 2005; World Bank, 2010). Access to loans and savings ensure much greater choice in managing liquidity and cope with risks, thereby enhancing capacity to invest in emerging opportunities. The single gateway of a bank account can also be used for multiple purposes such as remittance or access to financial resources, etc. and represents a beneficial situation for all the economic units in the country. The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance (United Nation, 2006). It is estimated that nearly 2.7 billion working population do not have a formal savings, transaction or credit account and access to formal insurance with formal financial institutions around the world (CGAP, 2010). In other words, about 50 percent working population are financially excluded (measured in terms of ownership of bank account) around the world and nearly 78 percent and 91 percent population are excluded by formal financial institutions from formal savings and credit access respectively in 2011 (World Bank, 2014). Such a high level of financial exclusion of the underprivileged section of the society, especially low-income households, mainly located in rural areas, has remained a major concern as it involves various social and economic costs (Mohan, 2006). People who save by informal means rarely have the benefit of the interest rate and tax advantages and these saving channels are much less secured than formal saving facilities. Similarly, lack of access to formal credit and saving avenues lead to dependency on non-formal providers like moneylenders at usurious rate of interest. According to Chakraborty, (2006), the increasing dependence of farmers on moneylenders may force farmers sell off their valuable property such as land and even led to practices such as bonded labour that is socially undesirable. Financial inclusion enables the economy to maximise welfare by broadening the outlets of formal institutions in rural far-flung areas and reducing the spread of non-formal sources of avenue. Financial inclusion, especially savings, credit and insurance, opens up livelihood opportunities by economically empowering the poor. Such empowerment aids to social and political stability (GOI, 2008; Thorat, 2007). But, the existing financial institutions could not cater to the minimum credit needs that resulted vast majority of rural population to continue to suffer from the problems of abject poverty and unemployment. Thus, the existing network of financial infrastructure has been felt to be inadequate and ineffective in providing minimum financial needs to the poor and disadvantaged, especially in rural area. In this regard, the emergence of Self-Help Groups (SHGs) that facilitates between the ultimate borrowers and suppliers of finance, that is, microfinance institutions/banks has been playing a crucial role in bringing more financial inclusion.

India is a developing country in which about 2697.83 lakh persons, that is, about 22 percent of the population still live below the poverty line. This figure in Assam is 101.27 lakh, that is, around 32 percent of its population who still lives in below the poverty line in 2011-12 [The Planning Commission of India, (GOI, 2013) estimation of poverty for 2011-12]. The poor people are mainly concentrated in rural areas and most of them are unemployed. Many of the poor people suffering the most live in fragile contexts and remote areas where access to education, health care, safe water, electricity and other critical services remains elusive for many reasons such as socio-economic status, gender, ethnicity or geography. Even those who have been able to get out of poverty, progress is often fragile and temporary; economic shocks, food insecurity and climate change threaten to rob them of their hard-won gains (United Nation, 2015). The main problem that caused poverty and unemployment among rural people was the lack of access to banking services, that is., financial exclusion. These people are financially excluded, more particularly, lack of access to finance for generating self-employment opportunities and micro-entrepreneurship development activities to climb the economic ladder. The banks, even after having significant outreach and development due to technological breakthrough in recent years were unable to include these population into the fold of basic banking services. Hence, there is urgent need for financial inclusion, that is, permanent access for both individuals and communities to financial resources and productive assets.

The government of India has set poverty reduction as a major goal of development policy since her independence. Several rural development initiatives have been taken by the government from time to time to improve the social and economic status of the poor concerning poverty alleviation. Among the development strategies adopted up to eighties, provision of institutional credit was considered as a powerful instrument for enhancing production and alleviating poverty. The strategy devised for delivering formal credit consisted of the expansion of institutional structure of rural bank branches, directed lending to the priority sector, financial assistance and subsidised and low interest rates to the poor. In this regard, the initiatives of 'social banking' policy were followed that lending to the poor should be a part of the normal business of banks. A multi-pronged agency approach was adopted for delivering credit to the rural poor and people of low income groups. The financial institutions utilised for this purpose were the network of commercial banks, co-operative banks and regional rural banks. As a part of 'social banking' policy, fourteen major commercial banks (SCBs) in 1969 and another six commercial banks in 1980 were nationalised to diversify the advances portfolio in favour of the weaker sections of the society. The nationalization drive which aimed at extending the reach of formal banking services to rural as well as neglected sections of the society, marked a paradigm shift in banking sector, that is, from class banking to mass banking. The same rationale led to the setting up of the Regional Rural Banks (RRBs) in 1975. The banking infrastructure as a result of nationalisation drive and setting up of regional rural banks enabled the creation of an extensive financial setup for taking banking services to the backward and far-flung rural areas. The extensive network of rural bank branches was anticipated to meet the financial needs of the entire population focusing weaker sections of the society in rural areas. Banks gradually directed their focus from the elitist class to the vast multitude of India's poor. Hence, the problems of mass poverty and unemployment were expected to be solved by the extensive development of banking institutions by catering to the small financial needs of the rural people at affordable costs. However, soon it became visible that this proclaimed concern for the poor was diluted by political populism and rural banker's attitude towards underprivileged about creditworthiness. Instead, the rural banks were found serving the needs of comparatively richer borrowers instead of the deserving poor (Basu and Srivastava, 2005). Thus, the proclaimed concern of the social banking policy soon became less discernible to improve the living conditions of these poor and needy. Hence, despite the vast bank network of formal lending institutions created as a result of nationalisation drive, a large number of the poorest of the poor continued to remain outside the fold of the formal banking system. This bounded the poor people to depend on grip of the informal sector of moneylenders for small credit needs at an exorbitant rate of interest. Although over the years, the share of non-institutional sources of credit in sources of credit for cultivator households declined sharply from about 93 per cent in 1951 to about 30 per cent in 1991, with the share of money lenders having declined from 69.7 per cent to 17.5 per cent, the share of money lenders had again increased to 27 per cent, while that of non-institutional sources overall rose to 39 per cent (All India Debt and Investment Surveys, 2002)[2]. Thus, despite the spread of formal banking in rural areas as a result of the nationalisation drive, rural indebtedness to moneylenders has remained unaltered due to inherent issues. The main hindrance faced by rural banks in financing poor is the high transaction cost in reaching out to a large number of people who require small amounts of credit at frequent intervals. Moreover, information asymmetry about the borrower, enforcement problems in case of defaulter and lack of proper collateral among the rural poor make them non-bankable. This was found true for savings as well (Kropp and Suran, 2002). The poor can afford to save smaller amounts at frequent intervals rather than depositing a lump sum amount which is expensive for the formal financial institutions. The rural bankers developed an attitude that poor people are non-bankable and as they lack collaterals the commercial principles cannot be applied to them. Diligence and risk averse nature of the lending institutions has resulted in financial exclusion of the poor, with limited productive and financial assets to fall back upon. The banking institutions concentrating on high return on investment

[2] NSSO, 59th Round, 2003

leaving out low profile clients whose credit worthiness is unknown. Moreover, lack of knowledge about financial products and financial illiteracy have grappled the poor that they do not even dare to approach any financial institution. Banks remain unapproachable and credit terms are often not suitable to rural poor borrowers. The poor also find that banks as an institutional set up favouring elites and even when they tried to access it foregoing their working days, they had to face binding constraints including the procedural hassles, not very sure of getting the loan in time. This mutual inconvenience between the poor and the banks made to avoid each other. The poor being attracted to the local moneylenders who would attend their immediate needs without bothering to pledge or comply with the procedural formalities for loans at the expense of sacrificing working days. The NSSO (59th Round) Survey data reveals that 49.9 million farmer households in the country, (that is, 51.4 percent) out of a total of 89.3 million households are financially excluded from both formal and informal sources. Further, despite the vast network of bank branches, only 27 percent of the total farm households have access to formal sources of credit of which one-third also borrows from non-formal sources (Government of India, 2008).

The government of India has also introduced a number of institutional and policy measures to bring the excluded poor into the mainstream development by enhancing income and sustainable employment opportunities of the poor. A number of direct wage employment and self-employment programme were launched to improve income and support subsidised credit for productive asset creation. Some of these programmes were: Integrated Rural Development Programme (IRDP), Supply of Improved Tools for Rural Artisans (SITRA), Ganga Kalyan Yojana (GKY), Million Wells Scheme (MWS), National Rural Employment Programme (NREP), Rural Landless Employment Guarantee Programme (RLEGP), Jawahar Rozgar Yojana (JRY), Employment Assurance Scheme (EAS), Food for Work Programme, Sampoorna Gramin Rozgar Yojana (SGRY), Development of Women and Children in Rural Areas (DWCRA), Training of Rural Youth for Self- Employment (TRYSEM), Pradhan Mantri Gram Sadak Yojana (PMGSY), Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), etc. (GOI, 2009). These programmes initiated and sponsored by the government had been implemented through the wide network of rural bank branches comprising of commercial banks, cooperative banks and regional rural banks, via which formal credit on subsidised and low interest rate for enhancing production and alleviating poverty were delivered to the poor. However, these programmes could not achieve the expected results. The achievements of these programmes were limited and the financial sector developed in India by the end of 1980s was largely supply and target driven. In their study on the Indian formal banking system, Basu and Srivastava, (2005), highlighted inadequacies in rural access to formal finance. Rural Finance Access Survey (RFAS-2003) reported that rural banks serve primarily the needs of the richer rural borrowers, which indicated that 70 per cent of marginal/landless farmers did not have a bank account and 87 per cent did not have any access to credit from a formal source. Likewise, most of the anti-poverty programmes served limited purpose and failed to reach the target poor people. Fisher and Sriram, (2002), explained some of the following grounds responsible for the failure of formal banking system in providing financial credit to the rural poor:

- The high transaction cost of lending in dealing with large number of small borrowers and the low interest rates affected profitability and viability of financial institutions.
- The focus was on achieving certain quantitative targets without due attention to qualitative aspects of lending.
- The emphasis was on providing credit only rather than providing other financial services such as savings and insurance also.
- Finance for the rural and poor was considered as a social obligation and not potential business opportunities.
- As most of the programmes were based on subsidies, so these faced the problems of corruption, cynicism, political intrusions and low recovery rates.
- The focus on outreach without regard for prudent lending practices led to very high default rates with added losses. Government's resorted to loan wavers in order to attain certain political motives which led to loan defaults and erosion of repayment ethics by all categories of borrowers.

Thus, despite having a wide network of rural bank branches in the country and implementation of many credit-linked poverty alleviation programmes, a large number of the rural underprovided remain outside the purview of the formal banking system due to above mentioned apprehensions. In their study on two major anti-poverty programmes, Gaiha, et al., (2001), reported that a large section of the rural poor people were not covered into these Programmes viz. Rural Public Works and Integrated Rural Development and the impact of these programmes on rural poor was limited due to mis-targeting and inclusion of non-poor as beneficiaries. Government of India, (1985), found improper selection of beneficiaries, lack of proper co-ordination among various agencies and violation of programme guidelines as the main reasons responsible for failure of these programmes to target weaker section to a desirable extent. Therefore, the Government of India has merged all these programmes into a common programme and initiated the mother programme in April 1999 which is named as 'Swarnjayanti Gram Swarozgar Yojana' (SGSY). The SGSY is a holistic self-employment programme for upgrading the rural poor, by providing sustainable economic activities, above the poverty line. The programme aims at providing assistance to the BPL rural poor people for establishing micro-enterprises through bank credit and government assistance to acquire income generating assets. In the earlier programmes like IRDP and others, financial assistance were given directly to individuals or families which opened up ample scope for large scale corruption in their functionaries and high default rates among borrowers were taken care of by introducing group-based approach in SGSY. The SGSY is a group-based scheme where poor group members received microfinance services through groups to generate self-employment opportunities for enhancing sustainable income. Therefore, in this programme, poor people are encouraged to form small groups, called Self-Help Groups (SHGs) to take the advantages of this programme. Initially, SHGs are encouraged to save a small amount on a regular basis in a bank passbook account opened in the name of the group to show financial performance upto minimum of six months for financial credit afterwards. Under this programme, the government provides partial financial assistance to SHGs through linkage with banks for micro-enterprise development either individually or in a joint venture. It has been designed to cover all aspects of self-employment such as organization of the poor into self-help groups, training, credit, technology, infrastructure and marketing, and enabling the poor to take decisions on all issues concerning poverty alleviation (Banerjee, 2009). In fact, the SGSY programme tries to reach the unreached and unbanked poor by organizing them into self-help groups (SHGs) and providing assistance to uplift the economic status of the rural poor to pull above the poverty line. The SGSY therefore links the rural poor through creation of SHGs to the formal financial institutions where groups receive joint liability loans from formal lending institutions using peer pressure as collateral. The process of organizing the poor into SHGs and their linkage to banks is popularly known as the SHG-Bank Linkage Model which is the innovative strategy for financial inclusion and poverty alleviation in rural areas.

The SHG movement in India formally started with the initiative of the National Bank for Agriculture and Rural Development (NABARD) when 500 informal SHGs were linked with formal bank as a pilot project in 1992. This initiative of NABARD gave birth to the SHG-Bank Linkage Programme (SBLP) in India. The synthesis of formal financial system and informal SHGs, that is, SBLP has made microfinance scheme as an effective tool for financial inclusion and poverty alleviation (Reddy and Malik, 2011). The SBLP is a microfinance programme[3] that links the SHGs of 10 to 20 members (predominantly women) to a bank branch for savings and credit (Swain and Wallentin, 2014). The SHG-Bank Linkage Programme where SHGs are linked to banks in a gradual way, initially through savings and later through loan products, has been able to ensure financial inclusion to a considerable extent (Thorat, 2006). The movement enabled social and economic inclusion of women and underprivileged. In fact, SHGs established themselves as credible institutions for financial inclusion, livelihood promotion and social development and cultural changes. As a result many official agencies, NGOs, civil society organizations and corporate bodies are adapting, and/or partnering with, SHGs in pursuing of their own agendas (APMAS, 2009). Of late, the Self-Help-Groups have become the common vehicle of rural development process including microfinance programmes all over the world.

[3] In this study, microfinance programme refers to the SHG-Bank Linkage Programme (SBLP).

Microfinance has made tremendous strides in India over the years and become a household name in view of the multi-pronged benefits from microfinance services to the poor in our country. The microfinance programmes are known for their potential to generate employment and income and their capacity to reduce risk, to reduce poverty and vulnerability and enhancement of living standards of rural poor, particularly targeting women in the present era. Moreover, microfinance as an innovative development paradigm also widens the financial service delivery system by linking the large rural population with formal financial institutions through SHGs. The SHGs are formed, nurtured and linked to banks by the Self Help Promoting Institutions (SHPIs) like NGOs (Non-Governmental Organisations), banks, Project officials or government officials, etc. As a result of the rural poor (mainly women) at the grassroots organising themselves into SHGs with initiatives of NGOs and SHPIs, the SBLP movement has gathered its momentum at rapid pace. The steady progress of the project has led to the mainstreaming of the SBLP in 1996 as a normal lending activity and it has now become a movement throughout the country (Pokhriyal and Vipin, 2011).

The microfinance scheme is an effective instrument of financial inclusion which was launched to meet the small entrepreneurs as well as regarded as effective programme for reducing poverty and empowerment of the poor (Economic Survey, Assam, 2014-15). Microfinance refers to the provision of thrift, credit and other financial services and products of very small amounts to the poor for enabling them to raise their income levels and improve their living standards (The Taskforce on Policy and Regulatory Framework for Microfinance, NABARD, 1999). It has profound implications not just from a finance perspective, but also from the perspective of socio-economic development of the country. Microfinance is regarded as the most remarkable and important tool to empower rural women and poor households and the SBLP is an indigenously developed and successfully operated model of microfinance programmes in India. Now, it has been considered as the largest microfinance programme in terms of outreach in the world and many other countries are keeping replicating this model (NABARD, Annual Report 2009-10) to reach the unreached population. The SHG-Bank Linkage Programme with its spread to every nook and corner of India has been growing exponentially since its inception in 1992. It boasts of the world's largest microfinance initiatives with over 7.4 million SHGs representing 97 million rural households directly becoming part of this great movement. The movement of SBLP which started as a link between the "unbankable" rural poor and the formal banking system to cater to the microcredit needs of the poor, now boasts of a group savings of a whopping ₹330001 crores (70 percent of which goes for internal lending and the balance in the SB accounts of the groups), from a very miniscule proportion of total bank credit to a credit outstanding of ₹43000 crores (excluding nearly ₹23000 crores lent to members from groups' own savings) as on March 2014(Status of Microfinance in India, 2013-14, NABARD). With over 84 percent of these being all women groups, the poor rural women in India now controls a financial business with turnover of nearly ₹1,00,000 crore of deposits plus credit) in India. Under this SBLP model, the informal SHGs are financed by banks without any collateral, peer group pressure works as collateral needed by the lending institutions. The microfinance approach led by SBLP also helps to reduce the burden of heavy transaction costs faced by formal lending institutions in India. Further, various empirical studies also revealed that microfinance through SHG-Bank Linkage Programme has enabled the SHG members to improve their socio-economic status through the availability of various microfinance services, especially microcredit and savings. This innovative development strategy can provide sustainable mechanism to meet the unmet financial needs of uncovered and unbanked poor to pull themselves above the poverty line. The microfinance programme which was launched to meet the financial needs of small entrepreneurs has in the process evolved as an effective instrument for poverty eradication by generating sustainable income generating activities through financial inclusion in rural areas. The programme has also helped in providing insurance and other banking services to the uncovered rural women and low income households.

In this background, the present study attempts to assess the impact of microfinance through SHG-Bank linkage programme on poverty alleviation, employment and achievement of financial inclusion in Baksa and Udalguri districts of Assam.

1. 2. Rationale of the Study

Even after more than six decades of planned economic development and with expansion of vast network of bank branches in rural areas to extend financial services to the poorest of the poor and downtrodden, a vast majority of the households in rural areas still remain in poverty. The financially excluded population mainly comprise of small and marginal farmers, landless labourers, migrants, ethnic minority, unorganised sector works including artisans, the self-employed, pensioners and women. These people are excluded by the formal banking services and forced to remain dependent on informal sources of money lenders for credit at a huge interest rate. Not different is the case of people living in Baksa and Udalguri Districts of Assam which support 17.86 lakh populations who depend upon agriculture and allied activities for their livelihood. In the agenda of financial inclusion, the availability of cheap and easy credit has been accorded prime importance as the poor people requires for their livelihood opportunities access to timely and adequate credit more than any other financial service. The access to affordable credit promotes self-employment which leads to sustainable reduction in poverty. However, the vast majority of the poor could not access to formal credit due to lack of collateral needed by the formal lending institutions. Therefore, there was a need for an innovative programme for credit which must be collateral free, flexible and must fulfil the needs of underprivileged. It was also realised that vast majority of the poor people are women, so, unless this section is provided opportunities to improve their condition, the poverty alleviation efforts would fail and development become non-inclusive. As a result, the developing countries all over the world including India prioritised participation of women in the development plans to achieve the goal of poverty alleviation which is one of the basic agendas of Millennium Development Goals (MDGs)[4]. In such a situation, microfinance approach emerged all over the world as an innovative scheme of lending to the poor people, especially women. The SBLP programme of microfinance has been playing an important role in reinforcing many of the

[4] The Millennium Development Goals (MDGs) are set by the World Bank and Organisation for Economic Co-operation and Development in 2000. MDGs eight international development goals agreed by the United Nations with a view to tackling global poverty. These Goals are, Eradicate extreme poverty and hunger, Achieve universal primary education, Promote gender equality and empower women, Reduce child mortality, Improve maternal health, Combat HIV/AIDS, malaria and other diseases, Ensure environmental sustainability and Develop a Global partnership for development.

objectives of the MDGs involving savings, livelihood and economic infrastructure apart from credit. It is considered as an alternative solution to provide financial services to common sections of the society. Under this programme collateral free small loans are given to a group of poor people who make savings regularly using peer pressure as collateral which helps the successful and timely repayment of the loans. These small loans are known as microcredit and are made available at low cost and are easily accessible and flexible enough to meet poor people's needs. The loans are provided primarily for starting some income generation activities to create self-employment., but it is to be worth to mention that these loans can also be used for consumption and contingency purposes. The United Nations General Assembly emphasised to make available credit and related services for self-employment and income-generating activities to an increasing number of people living in poverty. The Assembly proclaimed 2005 as the year of Micro-credit to globally promote the benefits and potentials of microfinance as means to fight poverty. According to Secretary-General of the United Nations, Kofi Annan (2002), "Microcredit is a critical anti-poverty tool- a wise investment in human capital. When the poorest, especially women, receive credit, they become economic actors with power. Power to improve not only their own lives but, in a widening circle of impact, the lives of their families, their communities, and their nations."

While microcredit is the most essential component of microfinance, but microfinance also consist of micro savings, micro insurance and remittances and some other non-financial services such as training and motivation to start income generating activities, financial training and product marketing facilities etc. (Bansal, 2010). These services are also the components of financial inclusion. So, the microfinance inclusion or otherwise called financial inclusion is regarded as the most important tool to reduce risk, poverty and vulnerability of poor targeting women in the present era. In Baksa and Udalguri districts of Assam, the microfinance movement gained popularity with the creation of self-help groups (SHGs) under the SGSY programme. The groups under the SGSY scheme are provided with cash credit after an initial incubation period of six month through SHG-bank linkage model which promotes financial inclusion and reduces unemployment and poverty in rural areas. The SHG-Bank Linkage programme has been used as an effective instrument for financial inclusion as well as regarded as an effective programme for reducing rural poverty through creation of employment opportunities to the poor, especially women. It claims to provide, the poorest of the poor by organizing them into SHGs at the grassroots level, an access to capital and give them opportunities to climb the economic ladder. In order to find the impact of microfinance services, impact assessment studies have been done by many authors in different countries like Bangladesh, Thailand, Indonesia, Vietnam, Ghana, Nigeria, Pakistan, India and many other countries across the world. These impact studies give the effect of the microfinance programme on the participants' level of income, level of employment, ownership of productive assets, access to education, food, health, ability to participate in decision-making and access to banking services. There are various studies which conclude that microfinance programme has a significant positive impact in increasing self-employment of the poor SHG members to come out of the vicious circle of poverty and indebtedness with the help of SHGs. However, there are also some other studies which show that microfinance is not an effective tool to generate employment and eliminating poverty. The empirical studies which were conducted in India as well as abroad to find out the impact of microfinance on the group members have yielded contrasting results[5]. The conclusions of these studies are rather mixed. Thus, the literature available on microfinance services reveal no unanimity among the researchers about the beneficial impacts of microfinance programme. Moreover, some of the studies have also been questioned on methodological grounds (Morduch, 2000; Devndack, 2011).The findings of these studies may have limited relevance in India in view of the different socio-economic and cultural milieu. Area specific study relating to the impact of microfinance services is necessary because such studies highlight the implications of the programme concerning the area under investigation. Further, most of the empirical studies pertaining to microfinance in India have used secondary data and have focused primarily on the evolution and functional aspects of SHGs. The impact of the microfinance programme on the rural poor using survey data is relatively less explored. A host

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[5] Some of these studies are listed in Chapter II.

of important questions about the impact of microfinance on intended beneficiaries therefore remain unresolved. Some of these are: Who is being served through microfinance? Does the programme reach the poor people? What are the different activities for which member households borrow money, both in internal loaning and through bank linkage? Does it help to access formal financial services providers? How are loans repaid? What has been the impact of microfinance on income, employment and poverty of the member households? Whether the benefits of the microfinance leads to increase access of formal banking services providers? These are the few questions and there are many more to answer. Thus, there is a need to conduct impact assessment studies using survey data from a region where the movement of microfinance has made considerable progress to evaluate the functioning of the programme and removing the shortcomings and problems in its way. Though a number of studies are conducted in various parts of Assam, but there is dearth of studies in Baksa and Udalguri districts of Assam. There is no particular study undertaken by any researcher available so far which assessed the impact of microfinance programme (SHG-Bank Linkage Programme) on poor people in Baksa and Udalguri districts of Assam. This study is a modest attempt to assess the impact of microfinance programme on poor people.

Furthermore, the level of financial inclusion, that is, access to finance at the household level from the formal and semi-formal sources has been a strategic importance for policy makers. But the studies using primary data source has been sparingly attempted by researchers except a few notable studies like that of Rangapp, et al., 2008, 2009; Delvin, 2009; Prathap, 2011. So, the primary level assessment calls for the individual household level estimation of access to and uses of financial services. So, this study will also examine the level of financial inclusion at the primary household level using field survey data. For this purpose households' access to semi-formal (microfinance) and formal banking services has been quantified using usage dimension variables including transaction services (Usage of ATM/Cheque), credit, savings and access to insurance. Overall in this study, an attempt has been made to assess the impact of microfinance programme (SHG-Bank linkage Programme) on income, poverty alleviation, employment generation and achievement of financial inclusion of SHG member households in Baksa and Udalguri districts of Assam.

1.3. Objectives of the study

The specific objectives of this study are as follows:

i. To study the functioning of microfinance programme through SHG-Bank linkage model in Baksa and Udalguri districts of Assam.

ii. To study the impact of microfinance in generating employment opportunities through SHG-Bank linkage model in Baksa and Udalguri districts of Assam.

iii. To examine the impact of SHG-Bank linkage programme on income, income inequality and poverty alleviation among the participant households.

iv. To analyse the contribution of microfinance programme on financial inclusion through SHG-Bank linkage model in Baksa and Udalguri districts of Assam.

v. In the light of the findings, to suggest some policy prescriptions.

1.4. Research Questions

This study will basically address the following research questions:

1. Whether microfinance provided through SHG-bank linkage model helps in increasing the level of employment of the programme participants?
2. Whether microfinance provided through SHG-bank linkage model increases the level of income and reduces the level of poverty among the participant households?
3. Whether participation in microfinance programme through SHGs bank linkage model leads to financial inclusion?

1.5. A Brief Profile of Assam

1.5.1. Location and Geographical Area

Assam forms an important geographical location in the North Eastern Region of India. The state is the gateway of North-East India. It is located between the latitudes of 24^0 N to 28^0 N and longitudes of 90^0 E to 96^0 E. It covers a geographical area of 78,438 square km. which accounts for about 2.4 percent of the total geographical area of India. The state shares its boundary with two foreign countries, viz., Bhutan and Bangladesh and a number of Indian states. It is surrounded by Bhutan and Arunachal Pradesh on the north; Nagaland, Manipur and Arunachal Pradesh on the east; Meghalaya, Mizoram and Tripura on the south; and Bangladesh, Meghalaya and West Bengal on the west. The state is connected with the rest of mainland by a narrow strip of 56 km. in West Bengal known as chicken neck.

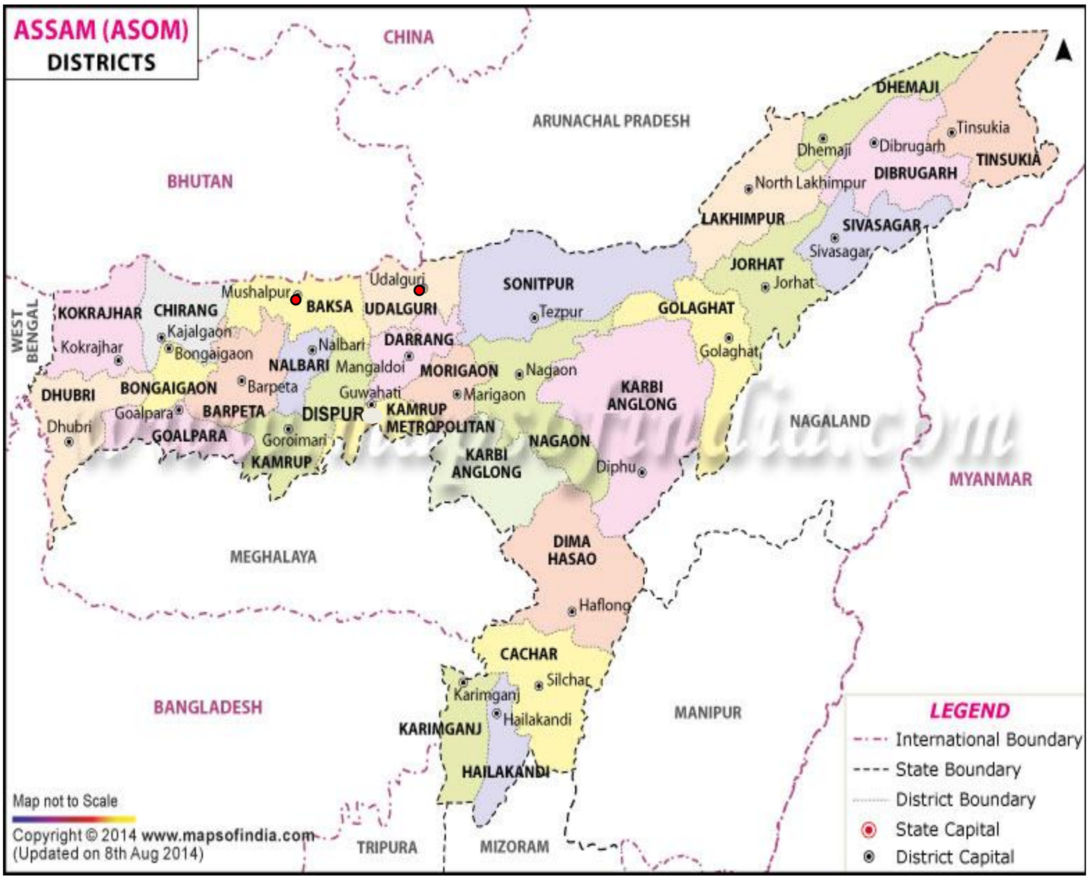

Figure-1.1: Location of the Sample Districts in the Map of Assam

1.5.2. Natural Divisions

The state of Assam is the second largest state in terms of area in the North-Eastern Region of India. The State can be divided into two distinct natural divisions, viz., Plains division and Hill division. The Plains division comprises of Brahmaputra Valley and Barak Valley. The Brahmaputra Valley is named after the mighty river Brahmaputra passing through it and covers 71.64 percent of the total geographical area of the state. Barak Valley, named after the Barak River builds up the southern plains covering 8.82 percent area of the state. The Hills Region lies in the middle of the state separating the two valleys. Most of the state's population lives in the lush and verdant valleys of its two major river systems in the Brahmaputra valley and the Barak valley. The Brahmaputra Valley consists of 22 districts out of 27 districts of the state where about 85 per cent of the population of the state live. The Barak valley with the river Barak passing through it, comprises of three districts where about 12 per cent of the state's population live. The Hills Region consisting Karbi Anglong and Dima Hasao districts covers 19.53 per cent of the total geographical area with a relatively sparse population of less than 4 per cent of the state's total population (APMAS, 2009; Government of Assam, 2015).

1.5.3. Administrative Division

For administrative and revenue purposes, the State is divided into 27 districts including Kamrup (Metro), 56 sub-divisions, 219 development blocks, 184 revenue circle and 2202 Gaon Panchayats. Out of the total administrative divisions of Assam, two districts, viz. Karbi-Anglong and N. C. Hills, 5 sub-divisions and 16 development blocks are located in hill areas. Further, four districts, viz. Kokrajhar, Baska, Chirang and Udalguri, 10 sub-divisions and 21 development blocks are covered under Bodoland Territorial Council (BTC) area. There are 26395 villages and 214 towns in Assam (Statistical Handbook, GOA, 2014).

1.5.4. Demography

As per 2011 Population Census, the state of Assam is ranked at 14th in size of population, 15th in density and sex-ratio, and 26th in literacy rate among the states of India. According to the census 2011, the total population of the state stands at 31.21 million of which 86 percent lives in the rural areas. The composition of population indicates that male and female population comprises of 15.94 million are 1527 million are females. The Scheduled Castes and Scheduled Tribes population accounted for 7.15 per cent and 12.45 per cent of total population in the state respectively. The decadal growth rate of the State's population is worked out at 17.1 percent during the decade 2001-2011 as against 17.7 percent for the country as a whole. As a result, the density of population of the state has increased to 398 persons per square km. in 2011 census from 340 persons in 2001 census which is higher than that of national average of 368 per square km. The sex ratio has increased to 958 female per 1000 male in 2011 from 935 in 2001. The literacy rate of the state is 72.19 percent in 2011 as against 73 percent of the country as a whole (Government of Assam, 2015).

1.5.5. Economy and Poverty in Assam

The economy of Assam is largely rural and agrarian in nature. Agriculture and its allied activities are playing an important role for the socio-economic development of the state. This sector is the major contributor of the state economy as well as providing livelihood to a significant proportion of the population of the state. It continues to support more than 75 percent of the total state's population providing employment of more than 50 percent of the total workforce directly or indirectly. As per 2011 census, the total workers in the state stands at 11.97 million persons, that is, 38 percent of the total population of which 72 percent (that is, 8.69 million) are categorized as main workers and 28 percent (that is, 3.28 million) were marginal workers. Out of the total workers, 26 per cent are cultivators, 8 percent are agricultural labourers and 2.0 percent are engaged in household industries and another 37.0 percent are other workers. The contribution of this sector percent to the State Domestic Product was about 25.5 in 2004-05 which is expected to decrease to 20.2 percent in 2014-15 (Government of Assam, 2015).

The State Domestic Product (SDP) is considered as the most important indicator of the progress of economic development of the State. The estimate of State Domestic Product also indicates the extent and direction of changes in the level of economic development of the state over a period of time. The economy of the state in terms of GSDP at constant (2004-05) prices for the year 2014-15 recorded a growth rate of 6.44 percent which is lower than the growth rate of 7.30 percent estimated in the previous year as per quick estimate. The estimated growth of 6.44 percent in GSDP of the state for 2014-15 comprises of estimated growth of 3.53 percent in agriculture and allied services, 7.37 percent in industry sector and 7.08 percent in service sector. As per advance estimate, the contribution of by agriculture and allied services, industry and service sector to GSDP at constant (2004-05) prices in 2014-15 are 20 percent, 23 percent and 57 percent respectively. This shows that service sector is gradually emerging as the dominant sector of the state's economy in recent years (Government of Assam, 2015).

As per the estimate of Planning Commission, the percentage of population living below the poverty line in Assam accounted for about 51.21 per cent in 1973-74 which came down to 31.98 percent in 2011-12(GOI, 2013). This percentage of population living below the poverty line in Assam is much higher than that of all India figure of 21.92 percent by about 10 percentage point during the year 2011-12. During the year 2011-12, the absolute number of population living below the poverty line in the state was 101.27 lakh persons, out of which 92.06 lakh persons (that is, 33.89 percent) live in rural areas and 9.21 lakh persons (that is, 20.49 percent) in urban areas in the state (Planning Commission, GOI, 2013; Government of Assam, 2014).

To tackle and alleviate poverty, different schemes of central government for rural as well as urban areas, such as Integrated Rural Development Programme, Jawahar Rozgar Yojana, Development of Women and Children in Rural Areas, Sampoorna Gramin Rozgar Yojana, Pradhan Mantri Gram Sadak Yojana, Training of Rural Youth for Self-Employment, Prime Minister's Rozgar Yojana, Swaranjayanti Gram Swarozgar Yojana, etc. has been in operation in the state.

1.5.5. Banking Profile and Financial Inclusion in Assam

The banking institutions are playing an important role in economic development of the state by mobilizing deposits and credits to the needy. At present, the state has 27 Commercial Banks (22 Public Sector Banks and 5 Private Sector Banks), two Regional Rural Banks and one State Cooperative Apex Banks. The banking services are provided through a network of 1861 branches of all the banking agencies. Out of the total bank branches, 48 percent are located in rural, 28 percent in semi-urban and 23 percent in urban areas. The growth of bank branches has reduced the dependence per bank offices considerably over the years. The dependence per bank offices has reduced from 62.15 sq. km. as on March 2007 to 42.14 sq. km. as on March 2014. The average population per bank branch offices in the state is 16.8 thousand compared to all India average of 10.5 thousand as on March 2014. The Credit-Deposit ratio of the state accounted at 37.3 percent of all banks indicates that Assam remained far below the all India ratio of 78 percent as on 31st March 2014. The expansion of banking facilities in the state over the years augmented not only the volume of credit but also the disbursement of credit. The per capita deposit at ₹27266 in the state has recorded 9.4 percent increase and per capita credit has increased to ₹10164 in 2014 from ₹9159 over the previous year (Government of Assam, 2015).

The Government and the Reserve Bank of India as well as NABARD are taking various initiatives from time to time for promoting financial inclusion and as a result considerable improvement in the access to the formal financial institutions have been observed. The spread of banking network with the opening of new branches has brought more and more number of people within the purview of formal financial institutions in recent years. Over the years, along with SCBs, RRBs, co-operative societies, post offices and insurance companies also have played an important role in meeting the financial needs of the people. As per direction of the RBI, all villages with population of over 2000 persons are covered by banking agencies and the villages identified as financially excluded with population in the bracket of 1000 to 2000 persons are underway to accomplish the objectives of financial inclusion. The Government of India has identified a total of 5244 villages in the state as not having access to banking services and they are allocated to SCBs and RRBs for providing banking services by 31-03-2013 (Government of Assam, 2015). However, in spite of the tremendous efforts of the Government of India and RBI (Reserve Bank of India) through opening of new branches or through establishing Business Facilitator/Business Correspondents Centre, still many villages in the State do not have access to basic banking facility.

As per census report 2011, the percentage of households availing banking services, i.e., household having at least one bank account (any type of account) provided by formal banking institution or post office in Assam increases to 44.1 per cent in 2011 from a decade old figure of just 20.5 per cent in 2001. This indicates that about 56 percent households still remains unbanked in the state. At the all India level, the percentage of households availing banking services stood at 59 per cent in 2011, implying that nearly two-fifths of the population (that is, 41 percent) in India still remains unbanked. While the bank penetration in the state was higher among urban households at 75.2 per cent, the access was limited in rural areas which was only 38.3 per cent. The corresponding figures at all India level were about 68 per cent and 54.4 per cent respectively. In Assam, the percentage of the households having access to banking services in rural areas in 2011 was 38.3 percent (that is, 2060792 rural households have access to any type of bank account with formal financial institutions) which is much lower in terms of percentage when compared to the urban area's figure which accounted for 75.2 percent (that is, 746377 urban households) urban population in the state. This indicates that despite significant growth in banking institution over the decades, the position of Assam is not satisfactory as 56 per cent of households did not have any type of bank account as compared to 41 percent in India as a whole in the year 2011 (Government of India, 2012). Moreover, the bank penetration in the rural areas of the state is lagging far behind the urban areas. Thus, the outreach of formal banking services has been very dismal in Assam as the state shares the highest number of financially excluded households barring three north-eastern states of Manipur, Nagaland and Meghalaya. In this regard, the relevance of microfinance through Self-Help Groups (SHGs) assumes great significance in the state of Assam.

1.5.7. Status of Microfinance in Assam

Microfinance services in India are provided through the two models- the SHG-Bank Linkage Model (SBLP) and Microfinance Institution (MFI) Model. But the SHG-Bank Linkage Model is the most prominent one. Both the models are also operational in the state of Assam. Both the models are mainly nurtured by Non-Governmental Organisations (NGOs). There are about 306 NGOs, two RRBs, a handful of Farmers Clubs and a few hundred volunteers are involved in promotion and linkage of SHGs (APMAS, 2009). NABARD through its Regional Office in the state headquarter, is playing active role as the main facilitator of microfinance initiatives, particularly the SBLP initiatives in the state. NABARD has provided grant assistance to NGOs and various banks for promotion and nurturing of SHGs in order to make the groups more viable under its Self Help Promoting Institutions (SHPIs) Projects. In this context, Regional Office of NABARD has sanctioned a grant assistance of ₹416.06 lakh to 119 NGOs and also sanctioned ₹85.00 lakh to another three NGOs for promotion and credit linkage of 16,409 and 850 Women SHGs respectively. NABARD has also sanctioned a grant assistance to various banks worth of ₹135.18 lakh to utilise the services of 751 Individual Rural Volunteers (IRVs) in 25 districts for promotion and credit linkage of 7510 SHGs with the banking system. So far, 4010 SHGs have been promoted through 136 IRVs and till date, 1337 SHGs have been credit linked under the scheme (Economic Survey, Assam, 2013-14).

The NABARD Regional Office has also evolved the concept of Joint Liability Group (JLG) financing in the state with a view to augment the flow of credit particularly to the small borrowers. JLG is a group of 4 to 10 members having limited or no collateral to offer, come together voluntarily to avail bank loans. In this model, social collateral acts as a substitute of the physical collateral and borrowers are individually and jointly responsible for repayment of loans. To achieve the objective of JLG financing, Regional Office of NABARD has sanctioned worth of ₹45.86 lakh and ₹40.60 lakh respectively to Assam Gramin Vikash Bank (AGVB), Langpi Dehangi Rural Bank (LDRB) and an amount of ₹1.80 lakh to UCO Bank for promotion and credit linkage of 2293, 2030 and 90 JLGs over a period of three years. NABARD is also providing financial support in association with the Government of India to various NGOs, banks, government officials across the state to enable the mature SHG members for organizing Micro Enterprise Development Programmes (MEDPs) for capacity building. Moreover, NABARD sanctioned grant assistance of ₹85.00 lakh to three NGOs exclusively for promotion and linkage of 850 Women SHGs in the state (Economic Survey, Assam, 2013-14).

Table-1.1: Progress of SHG-Bank Linkage in Assam

(H in lakh)

Year	Total Banked Linked SHGs		Deposit Linked		Credit Linked		Under SGSY (Credit Linked)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
2004-05	122304	20975.75	79592	3409.05	42712	17566.70	20388	11273.74
2005-06	269917	48239.13	175565	9846.77	94352	38392.36	48253	25024.66
2006-07	230902	58040.52	121474	5261.61	109428	52778.91	54735	36549.66
2007-08	257863	57417.70	142147	6044.72	115716	51372.98	54790	31006.57
2008-09	305132	77365.49	166740	7485.51	138392	69879.98	69144	45898.88
2009-10	374745	92724.79	210890	9123.46	163855	83601.33	84678	55161.36
2010-11	433954	118051.17	240032	11195.29	193922	106855.88	102166	74784.79
2011-12	499183	139741.00	272822	10928.00	226361	128813.00	123473	94423.50
2012-13	540566	164138.86	281018	12228.90	259548	151909.96	134107	106687.46
2013-14	589268	175686.05	319417	15092.27	269851	160593.78	139340	105503.75

Source: Economic Survey, Assam, 2014-15

However, the progress of microfinance programme in the state of Assam was not in the same manner as it was in other parts of the country upto 1999-2000. The lack of awareness and exposure among the various stakeholders were the main reasons for the poor progress of microfinance in the state. In Assam, the focus of SHG-Bank linkage programme is seen to be picking up a little late than that of the other states in India. As a result, the microfinance programme has gathered momentum under SHG-Bank Linkage Programme from the year 2000-01 onwards (Government of Assam, 2015). Table 1.1 shows the progress of SHG-Bank linkage programme during the period 2004-05 to 2013-14 in Assam. As on March, 2014, a total of 589268 SHGs have been bank linked out of which 319417 SHGs deposit linked and 269851 SHGs were credit linked. The total amount deposited by the SHGs with bank has increased to ₹15092.27 lakh in 20113-14 from ₹3409.05 lakh in 2004-05. The credit linked amount has increased to ₹160593.78 lakh in 2013-14 from ₹17566.70 lakh in 2004-05.

The progress of SHG-Bank linkage programme under SGSY in Assam is quite significant. In fact, the entry of DRDA (District Rural Development Agency) in SHG promotion under the SGSY scheme has got the programme a big boost. The microfinance programme gathered momentum in SHG movement with the implementation of SGSY scheme in the state of Assam. The microfinance through SHGs not only facilitates to financial intermediation to the unbankable without any collateral but also works for the socio-economic development in rural India. The SHG-Bank linkage model under SGSY not only provides financial assistance in terms of revolving fund to the SHGs but also caters to the need of credit requirement in a sustainable manner on the basis of grading of the groups. As on March 2014, out of the 2.69 lakh SHGs that have been covered under the ambit of bank credit in the state, more than 1.39 lakh SHGs have been covered under SGSY scheme. This figure in 2004-05 was just 0.43 lakh SHGs covered with bank credit out of which only 0.20 SHGs were given loans by banks under the SGSY programme (Table: 1.1).

1.6. A Brief Profile of Sample Districts

The present study was conducted in Baksa and Udalguri districts of Assam. Both the districts are newly formed in 2003 along with another two districts, namely, Chirang and Kokrajhar, with the creation of BTC (Bodoland Territorial Council) under the Sixth Schedule of the Constitution of India. The districts created under BTDA (Bodoland Territorial Area District) were officially inaugurated in the year 2004. The profile of the districts are discussed in the following points.

1.6.1. Location and Geographical Area of the districts

The district of Baksa lies between 27^0 to 19^0 North latitude and 90^0 to12^0 East longitudes. The district is located in North-Western part of Assam with the District headquarter at Mushalpur which is 105 Km. away from State Capital of Guwahati. The district was carved out of a part of Nalbari, Barpeta, Kamrup and small portion of Darrang district in 2003 with the creation of BTC (Bodoland Territorial Council). It is surrounded by Bhutan to the north, Udalguri district in the east, Barpeta, Nalbari and Kamrup districts in the south and Chirang district in the west. The main mode of connectivity to the district is through roadways. The total geographical area of the district is about 2457 Square Kms. The area of Baksa (or Bangsa or Bagsa) was used by Bhutanese king and subjects for trade and passage to the plains. In fact, Bagsa or Baksa was one of the most important 'Dooars' of Bhutanese Kingdom (http://baksa.gov.in/).

The district of Udalguri lies between 26°46′ and 27°77' North Latitude and 92°08′ and95°15' East Longitude. The district is situated in the central part of Assam and on the Northern side of the river Mighty Brahmaputra with the District Headquarters at Udalguri which is about 140 km. away from the state capital of Guwahati. The mode of connectivity to the district is through roads and railways. This district was carved out mainly by bifurcating Darrang district and a part of Sonitpur District in 2003 and came into existence officially in 2014 as one of the four districts of BTAD (Bodoland Territorial Area District) in Assam. It is bounded by Bhutan and Arunachal Pradesh in the north, Sonitpur district in the east, Darrang district in the south and Baksa district in the west. The total geographical area of the district is about 2012 square km.

1.6.2. Climate and Soil

The Baksa district has a sub-tropical humid climate with a hot summer and moderate winter. Agro-climatically, the district falls within the Lower Brahmaputra Valley zone. The average rainfall of the district is found to be 76 mm in the recent years. The winter temperature drops to 10°C and summer temperature goes up to 35°C. The soil of the district is mostly newer alluvium, older alluvium, loamy and lateritic soil. The variation in composition is mainly due to the varying composition of the river borne materials deposited at different times and under different conditions. In general, the soil is acidic to slightly alkaline in nature and is moderately permeable. Soils restricted to inselberg areas are more clay, lateritic and less permeable and are highly acidic. The soils in major parts of the district are suitable for all sorts of crops. The district is said to be a major flood prone district.

The Udalguri district also enjoys a sub-tropical humid climate with semi-dry hot summer and cold winter. Agro-climatically, the district falls under the North Bank Plain Zone. The average annual rainfall of the district is about 2,000 mm and the temperature varies between Max 34.50^0C and Min 13.50^0C. The humidity relatively ranges between 82 percent and 88 percent. During wet period, the district suffers from heavy flood because of heavy rainfall and in the dry period, it experiences moisture stress. The soils of the district are more or less heterogeneous in nature. The northern part of the district is composed of clay and clay-loam soils whereas the middle part is loamy and sandy. The soil of the southern part of the district is composed of deposited sand and clay. In general, soil of the district is acidic in reaction. Riverbank erosion or soil erosion especially during flood season is a serious problem which the district is facing.

1.6.3. Physiography

The Baksa district is characterized by almost plain topography with a gentle slope from north towards south. The Northern parts of the district are covered by the foot hills of the Mountain Himalaya with a mixed topography of plains and foot hills. The gentle and gradual slopes stretches from the foot hills of Bhutan and reaches out to the southern tips of Barpeta, Nalbari and Kamrup districts. The East and Western boundaries of the district respectively shares with the neighbouring districts of Udalguri and Chirang (http://baksa.gov.in/). A number of perennial streams, viz., Mara Manas, Palla, Po-Mara, Kaldia, Tihu, Mora Pagladia, Burhadia, Pagladia, Nona, Baralia and Puthimari River flow through the district from north to south.

The district of Udalguri is characterized by almost plain topography being flanked by foothills of Bhutan in the upper strip of north and high plain in the middle to lower strip towards the southern side with a graduation from north to south. The southern part of the district however, has hills and hillocks also. The southern part are situated on the plains of the Brahmaputra Valley Zone. Major tributaries of the river Brahmaputra viz. Pachoni, Dhansiri, Noa, Nonoi, Gulandi, Joyphrung, Kulsi, Dipila and Bornoi, which originate from the foothills of the Himalayan Range flow through the district mainly contribute towards the sustenance of the agrarian economy of the district.

1.6.4. Forest

The vegetation of the district is characterized mainly by lush green forest and varieties of flora and fauna. The district is rich in forest resources. The Northern parts of the district are covered by the foot hills of the Mountain Himalaya. The area under the forest in the district is 13542.55 hectors. The major part of the world famous 'Manas National Park' lies in the district is densely forested. The park is a glaring example of bio-diversified feature of the district. In the park, there are as many as 60 species of mammals, 312 birds, 42 reptiles, 7 amphibian, 54 fishes and more than 100 species of insect. The park is well known for its rare and endangered endemic wildlife such as Wild Water Buffaloes and Golden Langurs among others.

In Udalguri district, Bornadi Wild Life Sanctuary covering an area of 26.22 square km. and Rajib Gandhi National Park, Orang accounting for an area of 78.81 square km. are major forest area. As a result, the coverage of forest area is about 203.37 sq. km. in the district. A large variety of flora and fauna are observed in the forest area of the district (http://udalguri.gov.in/)

1.6.4. Economy of the Districts

The economy of both the districts are basically agrarian in nature. Agriculture and its allied sector is the prime occupation of the people living the districts. Paddy is the main crop in the study area mainly grown as summer and winter paddy. The other major crops are Mustard, Jute, Potato, Wheat, Lentil, Black gram and different vegetables like Brinjal, Cabbage, Cauliflower, Lady's finger, Radish, Tomato, Cucumber, Carrot, Guards Onion, Garlic, Chilly, Zinger, pea, Sesamum Niger, Cucurbits, Tapioca etc. Important plantation crops are Banana, Coconut, Arecanut, Guava, Mango, Lemon, Bamboo etc. However, the present status of agriculture in the district is not satisfactory. Flood accompanied with soil erosion and sand deposition causes maximum damage to standing crops of the agricultural lands. With zero industrial base, more and more agricultural land is required to be brought under irrigation on priority basis both for increasing production and productivity through intensification of agriculture. In animal husbandry sector, different indigenous and cross breeds are reared by the farmers of the districts. Dairy, goat rearing, piggery and poultry are major components of animal husbandry in the districts. In case of fisheries, different indigenous and exotic breeds like Katla, Rahu, Mrigal, Bahu, Bato, Bhangan, Puthi, Borali, Chitol, Kandhuli, etc. are grown in both the districts.

1.6.3. Administrative Divisions of the Sample Districts

Districts are generally divided into different sub-divisions for administrative purposes. The administrative divisions of the districts selected for the study is shown in the table 1.2 below.

Baksa district consists of three sub-divisions, viz., Mushalpur, Tamulpur and Salbari. Mushalpur is the head quarter of the district. These sub-divisions are further divided into 13 revenue circles: Baksa, Barama, Tamulpur, Goreswar, Baganpara, Ghograpar, Barnagar, Bajali, Jalah, Patharighat, Rangia, Sarupeta and Tihu. Moreover, there are eight development blocks, viz., Baska, Jalah, Tamulpur, Goreswar, Nagrijuli, Barama, Dhamdhama, and Gobardhana in the district. The district is also divided into 102 numbers of VCDCs (Village Council Development Committee) and the district has 690 villages and two towns only.

Udalguri district consists of two sub-division viz., Bhergaon and Udalguri. There are nine revenue circles viz., Udalguri, Majbat, Harisinga, Kalaigaon, Khoirabari, Dalgaon, Patherighat, Mangaldoi and Dhekiajuli in the district. The district is further divided into six development blocks, viz., Bhergaon, Khairabari, Kalaigaon, Mazbat, Rowta Chariali and Udalguri. The district has 114 VCDCs and there are 800 villages and three towns in the district (Statistical Handbook, GOA, 2014).

1.6.4. Comparative Demographic Profile of Baksa and Udalguri Districts

As per census 2011, total population of Baksa district was 950,075 of which 481,330 were male and were 468,745 female. In 2001 census, Baksa district had a population of 857,947 of which males were 438,345 and remaining 419,602 were females. There was change of 10.74 percent in the population as compared to population as per 2001. In 2001, Baksa District recorded an increase of 12.51 percent growth to its population compared to 1991 (GOA, 2014).

On the other hand, Udalguri district had a total population of 831,668 of which male and female were 421,617 and 410,051 respectively as per 2011census. The total population in 2001was 758,746 of which males were 388,690 and remaining 370,056 were females. There was change of 9.61 percent in the population compared to population as per 2001. In 2001, the District recorded an increase of 10.02 percent to its population compared to 1991. Table-1.2 shows the comparative demographic profile of Baksa and Udalguri districts.

Table-1.2: Comparative Profile of Population of Baksa and Udalguri districts

Description	**Baksa**		**Udalguri**	
	2001	**2011**	**2001**	**2011**
Actual Population	857,947	950,075	758,746	831,668
Male	438,345	481,330	388,690	421,617
Female	419,602	468,745	370,056	410,051
Population Growth	12.51%	10.74%	10.02%	9.61%
Area Sq. Km	2,008	2,008	1,676	1,676
Density/km2	427	387	453	413
Proportion to Assam Population	3.22%	3.04%	2.85%	2.67%
Sex Ratio (Per 1000)	957	974	952	973
Child Sex Ratio (0-6 Age)	960	966	974	973
Average Literacy	59.57	69.25	56.40	65.41
Male Literacy	70.32	77.03	65.94	72.58
Female Literacy	48.33	61.27	46.34	58.05
Total Child Population (0-6 Age)	138,854	122,872	125,082	113,274
Male Population (0-6 Age)	70,837	62,498	63,356	57,410
Female Population (0-6 Age)	68,017	60,374	61,725	55,864
Literates	5,669,679	572,837	4,674,149	469,926
Male Literates	3,205,696	322,614	2,645,384	264,326
Female Literates	2,463,983	250,223	2,028,764	205,600
Child Proportion (0-6 Age)	16.18%	12.93%	16.49%	13.62%
Boys Proportion (0-6 Age)	16.16%	12.98%	16.30%	13.62%
Girls Proportion (0-6 Age)	16.21%	12.88%	16.68%	13.62%

Source: 1. http://www.census2011.co.in/census/district/141-baksa.html
2. http://www.census2011.co.in/census/district/167-udalguri.html

The Sex Ratio as per 2011 census at 974 and 973 which have improved during 2001 to 2011 in Baksa and Udalguri districts were higher than the state's sex ratio which is 958 female per 1000 male in 2011. In regard to child Sex Ratio, there is an improvement in Baksa district but a slight decline is observed in Udalguri district. The child sex ratio in Baksa district has increased from 960 in 2001 to 966 in 2011 per thousand boy child, while in Udalguri district, it has decreased to 973 in 2011 from 974 in 2001 (Table-1.2). The rate of literacy for Baksa and Udalguri districts is 69.25 and 65.41 percent respectively. This rate for male and female literacy is 77.03 and 61.27 percent respectively in Baksa district while the corresponding figures in Udalguri district are 72.58 and 58.05 percent respectively. The literacy rates for rural and urban areas in Baksa district is 69.18 and 74.54 percent respectively and in Udalguri district it is 64.43 and 85.14 percent respectively.

Table1.3 shows the rural-urban division of population in Baksa and Udalguri Districts in Assam as per the census 2011. As per 2011 census, in Baksa district 1.29 percent of the total population lives in urban areas while 4.52 percent of the total population of Udalguri district lives in urban areas. In Baksa district, the sex ratio in urban areas was 942 and the child sex ratio was 949 as per 2011 census. The child population (0-6) age in urban areas was 1,540 which is 12.53 percent of total urban population. On the other hand, in Udalguri district, the sex ratio in urban areas was 960 and the child sex ratio was 994. The child population (0-6) age in urban areas of Udalguri district was 3,621which is 9.64 percent of total urban population.

As per census 2011 in urban areas of Baksa district, the average literacy rate is 74.54 percent and in Udalguri district it is 85.14 percent. But, the average literacy rate at 69.18 percent and 64.43 percent in rural areas of both the districts are lower than that of urban areas in the state. The census data of 2011 also reveals that 98.71 percent population of Baksa district and 95.48 percent population of Udalguri district live in villages of rural areas. In rural areas of Baksa district, the sex ratio was 974 and child sex ratio was 966 girls per 1000 boys both were higher than that of the urban areas. The sex ratio at 973 was higher in rural areas of Udalguri district but child sex ratio was lower at 972 as compared to 994 in urban areas. The male and female literacy which is an important indicator of social development stood at 76.98 and 61.18 percent respectively in Baksa district and these figures were 71.75 and 56.92 percent respectively. This shows that women are still lagging behind that of male in both the districts (Table-1.3).

Table-1.3: Rural-urban division of population in Baksa and Udalguri Districts (As per 2011 Census)

Description	Baksa		Udalguri	
	Rural	**Urban**	**Rural**	**Urban**
Population (%)	98.71 %	1.29 %	95.48 %	4.52 %
Total Population	937,833	12,242	794,094	37,574
Male Population	475,027	6,303	402,442	19,175
Female Population	462,806	5,939	391,652	18,399
Sex Ratio	974	942	973	960
Child Sex Ratio (0-6)	966	949	972	994
Child Population (0-6)	121,332	1,540	109,653	3,621
Male Child(0-6)	61,708	790	55,594	1,816
Female Child(0-6)	59,624	750	54,059	1,805
Child Percentage (0-6)	12.94 %	12.58 %	13.81 %	9.64 %
Male Child Percentage	12.99 %	12.53 %	13.81 %	9.47 %
Female Child Percentage	12.88 %	12.63 %	13.80 %	9.81 %
Literates	564,860	7,977	441,017	28,909
Male Literates	318,180	4,434	248,863	15,463
Female Literates	246,680	3,543	192,154	13,446
Average Literacy	69.18 %	74.54 %	64.43 %	85.14 %
Male Literacy	76.98 %	80.43 %	71.75 %	89.08 %
Female Literacy	61.18 %	68.28 %	56.92 %	81.03 %

Source: 1. http://www.census2011.co.in/census/district/141-baksa.html
2. http://www.census2011.co.in/census/district/167-udalguri.html

1.6.5. Comparative Financial Profile of Udalguri and Baksa Districts

The baksa and Udalguri districts have a network of twenty-nine (29) scheduled commercial bank branches each as on March 2014. However, Udalguri district has a network of 11 branches of Assam Gramin Vikash Bank as compared to 12 branches in Baksa district. The number of post offices and co-operative societies in Baksa district are 74 and 396 respectively. These figures in Udalguri district are 121 and 1005 respectively as on March 2014. There are also 72 Customer Service Points (CSPs) and two Ultra Small Branches (USBs) of AGVB in Baksa district and 19 CSPs in Udalguri districts of Assam (AGVB, 2013-14) (Table-1.4).

Table-1.4: Comparative Financial Profile of Udalguri and Baksa Districts (As on March 2014)

Particulars	Baksa	Udalguri
Scheduled commercial bank branches	29	29
Assam Gramin Vikash Bank (AGVB) branches	12	11
Co-operative bank branches	00	00
Post offices	74	121
Co-operative Societies	396	1005

Source: District Statistical Handbook; Statistical Handbook of Assam 2014.

1.6.6. Poverty and Financial Inclusion

The percentage of households living below the poverty line is relatively higher in Baksa and Udalguri districts than that of some other districts and the state's BPL percentage. In the table 1.5, the figures 38801 and 40334 BPL households indicate that more than 25.46 percent and 44.36 percent of households are living under the poverty line in Baksa and Udalguri districts as compared to 28.52 percent in the state. As per 2002 BPL Census, the percentage of BPL households were accounted at over 46 percent and 49 percent in Baksa and Udalguri districts respectively as compared to the state figure of 34.4 percent (Annual Action Plan. 2012-13 of Assam). Thus, there was a significant decline of BPL households in both the districts, but the number of households excluded from the basic financial services are still high in the concerned districts including the state as compared to all India level. A perusal of the table-1.5 reveals that the percentage of financially included households in Baksa and Udalguri districts respectively are 33.6 percent and 37 percent of the households as against the state figure of 44.1 percent. This indicates that 66.4 percent and 63 percent of households in the study area districts have no access to minimum banking services. In this context, the functioning of microfinance programme through SHG-Bank Linkage model under SGSY scheme assumes a significant role in greater financial inclusion and alleviation of poverty in the selected districts (Table 1.5).

Table-1.5: Number of BPL and Percentage of Financially excluded Households
(2011 census)

District	BPL HH	BPL Percentage	Financially Inclusion Percentage
Baksa	38801	25.46	33.6
Udalguri	40334	44.36	37.0
Assam	1202000	28.52	44.1

Source: Profile of Agri-Horti Sector of Assam 2013; Census of India 2011, H-Series

1.6.7. Microfinance in the Baksa and Udalguri districts

Although microfinance services are provided through both the methodologies, viz. Microfinance Institutions (MFIs) and SHG-Bank linkage model in Assam, MFIs have no role in Baksa and Udalguri districts. The microfinance services are made available in these two districts under the government sponsored SGSY's (Swarnajayanti Gram Swarozgar Yojana) microfinance scheme. Although the SHG- Bank linkage programme was launched in 1992, the formation of Self Help Groups was started under the programme in the year 1999. The SHGs are mostly formed by NGOs and block officials. For example, Asha Darshan, an NGO which has promoted many SHGs in the villages of Baksa district. In a group, women become more active together to address many social or community issues like alcohol, the dowry system, schools water supply, health, abuse of women/children and any other injustice. The NGO, Asha Darshan, with its group of social workers called "Mahila Santi Sena" works for peace and social justice (Roy, 2011). Moreover, Assam Centre for Rural Development (ACRD), Himalaya and Discovery Club are other NGOs operating in this area for the promotion and linkage of SHGs with the banks.

Table-1.6 shows the physical progress of achievement of Self-Help Groups in Assam in Baska and Udalguri districts since 1.4.1999 to 1.4.2014.

Table-1.6: Physical Progress of SHGs in Baska and Udalguri districts (As on March 2014)

Sl. No.	District	SHGs formed		SHGs taking up Economic Activities		Women SHG formed		Women SHGs Taken up Economic Activities
		Total Since April 1999	Current year 2014	Total Since April 1999	Current year 2014	Total Since April 1999	Current year 2014	
1	Baksa	10338	-	1239	94	7844	362	94
2	Udalguri	10498	-	4003	-	7101	799	-

Source: Economic Survey, Assam, 2013-14; Statistical Handbook of Asssam, 2014

A perusal of the table-1.6 indicates that a total of 10338 SHGs have been formed since 1999 in Baksa district of which over 75 percent are women SHGs. similarly, in Udalguri district, the number of SHGs formed accounted for10498 SHGs of which about 68 percent are women groups. Out of the total SHGs, nearly 13 percent of the SHGs have taken up any economic activity in Baksa district as compared to 38 percent of the SHGs which have taken up any economic activity in Udalguri district. The economic activities undertaken by the SHG members are mostly related to piggery, weaving, goattery, poultry and agriculture. Some of the SHG members also have taken economic activities like nursery, bamboo plantation, fishery, supari, etc. The women members generally rear piglets and also engaged in handloom and textile productions. Boro women SHG members generally make *Phalli, Langa* along with *Dakhana* in their weaving which are marketed in the local markets[6]. Assamese women SHG members who engaged in weaving make *Gamosa and Mekhela Sador*, etc. and these are marketed in the local market[7].

1.6.8. Comparative Study of the Blocks Profile

For the purpose of the study, two blocks each from the two districts are selected purposively. From Baksa district, Baska and Jalah blocks have been selected. From Udalguri district, Udalguri and Bhergaon blocks have been selected. Table-1.7

[6] Phalli, Langa, Dakhana, etc. are dresses and ornaments of the Bodo community people.
[7] Gamosa, Mekhela Sador, etc. are dresses and ornaments of the Assamese people.

presents the block-wise total number of villages, total population and number of families.

Table-1.7: Block-wise information in the selected blocks

District	Block	No. of Village	Population			No. of Households
			Male	Female	Total	
Baksa	Baska	79	47827	45896	93723	16026
	Jalah	132	63995	61410	125405	25012
Udalguri	Udalguri	238	104948	99938	204886	38744
	Bhergaon	151	73932	71322	145254	27184

Source: District Statistical Handbook; Block Offices of the Concerned Districts

The table shows that Baska block of Baksa district consists of 79 villages and the population of the block is 93723 persons. Jalah block of Baksa district consists of 132 villages with total population of 125405 persons. The population of Udalguri block in Udalguri district is 204886 residing in 238 villages under the block. In Bhergaon block of Udalguri district, there are 151 villages coving 27184 families with total population of 145254 persons.

1.6.9. SHG-Bank Linkage under Selected Blocks

The physical performance of selected blocks in implementing the microfinance programme under Swarnajayanti Gram Swarozgar Yojana (SGSY) scheme by organizing the poor people and women in SHGs shows notable progress since 1999. Table-1.8 shows the physical progress of SHGs in different blocks selected for the study. The figures in the table indicate that highest number of SHGs is formed in Udalguri block and lowest number of SHGs formed in Jalah block. SHGs are formed either by all women, all men or by mixed. However, majority of the SHG members are all women. In this area, SHGs are formed with a group of 10-20 members and in an average there 12 members in each SHG. Members save a small amount which ranges from ₹10 to ₹200 per month. Most of the SHGs have crossed Grade-I and Grade-II and engaged in income generating activities.

Table-1.8: Block-Wise Physical Progress of SHG under the Selected Blocks (As on March 2013)

Block	Number of SHGs	SHGs passed Grade I	SHGs passed Grade II
Baska	1090	399	262
Jalah	686	219	81
Udalguri	3126	1951	685
Bhergaon	1054	237	51
Total	5956	2806	1079

Source: District Rural Development Agencies, Baksa and Udalguri districts

In total 5956 SHGs have been formed till March, 2013 covering all the four blocks out of which 2806 SHGs have passed Grade-I and 1079 SHGs passed Grade-II. Therefore, it is high time to make an assessment, with the help of field survey, to find out how far the government sponsored SBLP microfinance programme is actually able to pull the BPL family above poverty line and cover the unbanked poor people in the ambit of financial inclusion. Hence, this is a modest attempt to study the impact of SBLP on the poor in Baksa and Udaguri districts of Assam. The paper stressed for an urgent need to enhance the understanding of whether the government sponsored SBLP microfinance programme operating in this area, benefitted the poor SHG members or not. This paper also envisaged to develop and identify the appropriate indicators to enhance knowledge on the subject of SBLP microfinance programme. This could then guide targeted efforts to mitigate problems that have the greatest effects on the extreme poor people of rural areas.

1.8. Basic Concepts used in this Study

a. **Microfinance:** It refers to "the provision of financial services to low income, poor and poor self-employed people". These financial services include not only savings and micro-credit but can also include other financial services such as insurance and payment (remittance) services. Small loans are meant primarily for income generation activities, but it can also be used for consumption and other emergency needs.

b. **Self-Help Groups (SHGs):** The self-help group (SHG) refers to a voluntary association of poor people. A SHG can be formed by either all women, or by all men or by mixed members. But SHGs are mainly formed by women. They have mostly come from same socio-economic background. They themselves involve in solving their common problems through self-help and mutual help. It creates small savings among the members from their own resources and the amounts are kept with any bank in a joint account. The SHGs are normally formed by 10 to 20 members.

c. **The SHG-Bank Linkage Programme (SBLP):** The SBLP refers to a programme in which excluded rural women from the formal lending institutions are linked with the formal financial institutions via. SHGs for providing access to financial services, particularly micro-credit. It is a programme launched by NABARD in 1992. The SBLP was initially introduced to link 500 SHGs with the formal financial institutions to provide microfinance to the unbanked poor in India. Under this programme, SHGs are catered with the financial needs after the active existence of the groups for about six months since the time of their linkage with banks.

d. **Financial inclusion**: It refers to the poor and low income households' access and usage of basic financial services including savings, credit and insurance available from formal institutions in a manner that is reasonably convenient and flexible in terms of access and design and reliable in the sense that savings are safe and that insurance claim are paid with certainty. It includes not only provision of credit and savings alone, but also covers the whole gamut of financial services including money transmission mechanisms, insurance and savings mode suited to the income pattern of the poor. Thus, financial inclusion refers to the households' permanent access to formal financial services- credit, savings, insurance, money transfers which are also the products and services of microfinance.

   In this perspective, the study attempts to measure financial inclusion as a composite measure of households' access to formal and semi-formal financial service providers taking into account the following usage dimension variables:

- **Transaction Services:** it refers to access to bank's financial services other than savings, credit and insurance such as usage of cheque or ATM/Debit Card.
- **Savings:** it refers to deposit access to banking and other formal institutions such as post office. The usage of a savings bank account can lead to access to important financial services such as credit and insurance thereby achieving greater financial inclusion.
- **Credit:** it is the most valid indicator for assessing the status of financial inclusion as its usage determines the level of wellbeing of a family achieved.
- **Insurance:** it provides coverage to the accidents or emergencies arising in a society affecting human lives, assets or livelihoods and hence considered as an important element of financial inclusion.

1.9. Chapterisation of the study

This research work is compiled in five chapters. The chapters for this research work are mentioned below:

Chapter- I: General Introduction
Chapter-II: Review of Literature
Chapter-III: Data and Methodology
Chapter-IV: Analysis of Research Results
Chapter-V: Conclusion and Policy Prescriptions
Bibliography
Appendices

The details of contents included in each chapter are as follows:

Chapter I contains the general introduction where we included background of the study, rationale of the study, objectives of the study, research questions, profile of the study area and basic concepts used in the research study.

Chapter II contains the review of literatures related with the impact of microfinance programme.

Chapter III is focused on data and methodology where we included survey design, data, sampling procedure and sample design, and methodology of impact assessment.
Chapter IV contains the analysis of research results where profile of the surveyed respondents, profile of surveyed SHGs, and impact of microfinance programme on the basis of primary data on income, employment, income inequality and poverty, and financial inclusion indicators are included.

Chapter V concludes with summary of the main findings and policy prescriptions.