



# Comparative Analysis of Microfinance Performance and Impact of Public Sector Banks and Regional Rural Banks in Central India

**Deepshikha Patel**

Ph.D. Research scholar,

Dept. of Commerce

Hemchand Yadav University, Durg, Chhattisgarh

**Dr. Anita Pandey**

HOD, Dept. of Commerce

Shri Shankaracharya Mahavidyalaya, Junwani, Bhilai, Chhattisgarh

## Abstract

This research investigates microfinance performance and impact of Public Sector Banks (PSBs) and Regional Rural Banks (RRBs) in Central India, focusing on Chhattisgarh from 2017-18 to 2022-23. Utilizing quantitative comparative analysis and case studies from the DAY-NRLM government platform, it aims to analyze SHG disbursement trends, compare PSBs and RRBs achievements, assess microfinance effectiveness, and evaluate socio-economic development impacts. Key findings show consistent SHG and disbursement growth for both PSBs and RRBs, with PSBs achieving 100% targets while RRBs fluctuate. The study highlights microfinance's effectiveness in poverty alleviation, women's empowerment, and entrepreneurship. Suggestions for further research include qualitative analysis, longitudinal and regional studies, policy analysis, and participatory research, aiming to inform evidence-based policies for inclusive rural development. This research contributes valuable insights for future interventions promoting inclusive and sustainable rural development through microfinance in Central India.

**Key Words:** - Micro-finance, Women Empowerment, Rural Development, DAY-NRLM, SHG's, PBS, & RRB.

## Introduction

Microfinance refers to the provision of financial services, including small loans, savings accounts, and insurance, to low-income individuals or those who lack access to traditional banking services. This form of financial inclusion plays a vital role in rural development by empowering individuals and communities to improve their economic circumstances. The significance of microfinance in rural development can be understood through several key aspects:

**1. Financial Inclusion:** Microfinance enables rural populations, particularly individuals without access to formal banking institutions, to access much-needed financial services. This leads to greater financial inclusion, as individuals are provided with the means to save, invest, and protect themselves against economic hardship.

**2. Poverty Alleviation:** By providing small loans to rural entrepreneurs and small-scale farmers, microfinance helps stimulate economic activity and create livelihood opportunities. This, in turn, contributes to poverty reduction and economic empowerment within rural communities.

**3. Women's Empowerment:** Microfinance programs often target women, who are disproportionately affected by financial exclusion. By providing women with access to financial services and resources, microfinance can enhance their economic independence and decision-making power within households and communities.

**4. Community Development:** Microfinance institutions often foster community development by offering financial literacy training, skill-building programs, and support for local businesses. This holistic approach helps strengthen the social and economic fabric of rural areas.

**5. Entrepreneurship and Innovation:** Microfinance encourages entrepreneurship by providing seed capital for small businesses and agricultural ventures. This can lead to the growth of local enterprises, innovation, and diversification of livelihoods within rural areas.

Overall, microfinance plays a crucial role in rural development by addressing financial exclusion, fostering economic growth, empowering marginalized groups, and contributing to the overall well-being of rural communities.

### **NRLM in Chhattisgarh**

The National Rural Livelihood Mission (NRLM) in Chhattisgarh is an initiative aimed at reducing poverty and promoting sustainable livelihoods among the rural population of the state. NRLM focuses on organizing rural poor into self-help groups (SHGs) and their federations, enhancing their skills, and providing them with financial assistance and access to markets. Through NRLM, Chhattisgarh aims to empower rural communities, especially women, by providing them with opportunities for self-employment, entrepreneurship, and skill development. The program also aims to strengthen community-based institutions, facilitate social mobilization, and improve access to financial services and livelihood-related resources. NRLM in Chhattisgarh plays a significant role in promoting inclusive and sustainable rural development, poverty reduction, and economic empowerment.

### **The Significance of Public Sector Banks and Regional Rural Banks Funding SHGs**

Central India holds significant importance due to its rich cultural heritage, diverse natural resources, and a predominantly rural population. The region encompasses states like Madhya Pradesh and Chhattisgarh, where agriculture, forestry, and allied activities are integral to the economy. Additionally, the region faces socio-economic challenges, including poverty, financial exclusion, and limited access to formal financial institutions.

In this context, the funding of Self-Help Groups (SHGs) by Public Sector Banks (PSBs) and Regional Rural Banks (RRBs) holds immense significance. SHGs play a vital role in empowering rural communities, especially women, by promoting financial inclusion, entrepreneurship, and community development. By providing financial assistance and support to SHGs, PSBs and RRBs contribute to fostering sustainable livelihoods, poverty reduction, and social empowerment in Central India.

The funding provided by PSBs and RRBs enables SHGs to access capital for various economic activities such as agriculture, animal husbandry, handicrafts, and small-scale enterprises. This, in turn, enhances the income-generating capacity of rural households and strengthens the local economy. Moreover, SHG funding facilitates the development of micro-enterprises, promotes skill development, and encourages innovation, thus contributing to the overall socio-economic progress of the region.

Additionally, the collaboration between PSBs, RRBs, and SHGs facilitates the delivery of financial services, such as credit, savings, and insurance, to rural populations, fostering a culture of financial prudence and resilience. This financial support also aids in creating self-reliant and self-sustaining rural communities, aligning with the larger national agenda of inclusive growth and sustainable development.

In summary, the funding of SHGs by Public Sector Banks and Regional Rural Banks in Central India is pivotal for promoting grassroots entrepreneurship, enhancing livelihood opportunities, and addressing the financial needs of rural populations. This collaborative effort contributes significantly to the economic and social advancement of the region, ultimately fostering inclusive and sustainable development.

## Literature Review

**(Saha, Das, Patir, & Sarma, 2023)**, The paper titled "The Role of Public Sector Commercial Banks in Microfinance: A Comprehensive Study on North East Region" explores the impact and potential of microfinance initiatives facilitated by public sector commercial banks in India's Assam region from 2017 to 2021. It emphasizes the increasing trend in savings, loan disbursement, and outstanding loan amounts for various schemes aimed at empowering underprivileged households and small businesses. The paper highlights the need for commercial bank involvement in microfinance to achieve scale and sustainability, showcasing empirical evidence of the positive impact of microfinance programs. It also touches on challenges and future prospects, suggesting potential collaborations and securitization mechanisms for further integration of microfinance with the established financial system.

**(DasGupta, 2021)**, The COVID-19 pandemic has highlighted the vulnerability of indigenous communities, particularly tribes, who are already suffering from inequality and deprivation. These marginalized groups face health disparities, malnutrition, and dependence on vulnerable sectors like forestry and tourism, which have been further impacted by the pandemic. To address this issue, the Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM) has initiated measures to unite and support these communities through Self-Help Groups (SHGs). However, despite these efforts, tribal participation in SHGs has declined significantly in many Indian states. To tackle this problem, community involvement, awareness campaigns, and tailored support based on their cultural and economic contexts are crucial. Efforts are needed to enhance the resilience of indigenous communities, improve healthcare, alleviate malnutrition, and diversify their livelihoods. Moreover, accurate data collection is essential to making informed policy adjustments.

**(Jamaldeen, Chatterjee, & Alphonsa, 2019)**, I completely agree with the points made in the 2013 UNDP Report. It is crucial to foster political engagement and economic opportunities for sustainable human development. The positive impact of basic education on the formation of Self-Help Groups and cooperative societies in rural India is remarkable. It's amazing to see how these initiatives have led to a shift from wage employment to self-employment, especially for women members. SHGs provide a conducive environment for income-generating activities from the comfort of their homes, which has resulted in an improvement in their economic status. Micro-credit plans extended to women members of SHGs have also had a positive impact on sustainable income generation, contributing to livelihood sustenance and overall socio-economic advancement. It's essential to continue supporting initiatives aimed at sustainable development and empowering women for a better future.

**(Bi & Pandey, 2011)**, Microfinance has been heralded as a key development tool for poverty alleviation and financial inclusion in India, yet challenges such as the Andhra crisis and concerns regarding mission drift have raised questions about its effectiveness. This paper aims to evaluate the performance and efficiency of selected microfinance institutions (MFIs) in India by analyzing their financial sustainability and comparing their performance with that of commercial banks. A sample of 24 five-star-rated MFIs from the Microfinance Information Exchange (MIX) is analyzed based on financial data reported by the MFIs. The study examines various financial parameters, including financial structure, profitability, and efficiency, to assess the comparative performance of MFIs and commercial banks in India.

## Research Methodology

### **Research Objectives:**

1. To analyze the trends in total disbursement amount, outstanding amount, and the number of Self-Help Groups (SHGs) funded by Public Sector Banks and Regional Rural Banks (RRBs) in central India from 2017-18 to 2022-23.

2. To compare the achievement percentages of SHGs, disbursement amount, and outstanding amount between Public Sector Banks and RRBs over the study period.
3. To assess the effectiveness of microfinance initiatives in rural regions of central India by examining the achievement percentages of SHGs, disbursement amount, and outstanding amount against the set targets.
4. To investigate the factors contributing to the variations in performance between Public Sector Banks and RRBs in funding SHGs, including target setting, operational strategies, and market conditions.
5. To evaluate the impact of microfinance funding on the socio-economic development of rural communities in central India, including poverty alleviation, women's empowerment, and entrepreneurship promotion.

### Research Type and Geographic Scope:

The research is characterized as a quantitative comparative analysis and case study investigation focusing on microfinance performance and impact. It is conducted within the context of central India (specifically Chhattisgarh state), encompassing both Public Sector Banks (PSBs) and Regional Rural Banks (RRBs) operating in the region.

### Data Collections:

The data here is Secondary data, which has been collected from DAY-NRLM website ([https://daynrlmbl.aajeevika.gov.in/UI/Achievement/ProjectWiseAchievement\\_new.aspx](https://daynrlmbl.aajeevika.gov.in/UI/Achievement/ProjectWiseAchievement_new.aspx)).

### Data Analysis:

- Quantitative data analysis involves:
- **Comparative analysis:** Comparing targets and achievements of SHGs, total disbursement amount, and total outstanding amount between PSBs and RRBs.
- **Calculation of achievement percentages:** Calculating achievement percentages for SHGs, disbursement amount, and outstanding amount for both PSBs and RRBs.
- **Statistical analysis:** Using statistical techniques such as descriptive statistics, trend analysis, and correlation analysis to identify patterns and trends in microfinance performance indicators.

### Validity and Reliability of Data:

The data has been collected from the government website so the data in here is very reliable and also valid as they are official platforms maintained by authorized agencies. The credibility of the data can be initially established by verifying the authenticity of the website and ensuring it is an official government platform

### Limitations:

Recognizing and addressing any limitations of the research is crucial. This includes acknowledging potential constraints in data accuracy, completeness, availability, as well as the scope of data collected and the chosen methodology. Transparently discussing these limitations contributes to a more robust and well-rounded understanding of the research's scope and validity.

**Findings:**

<b>Public Sector Banks</b>								
Year	Target					Achievement		
	SHGs			Total Disbursement Amt.	Total Outstanding Amt.	Total SHG's	Total Disbursement Amt.	Total Outstanding Amt.
Fresh SHG's	Repeat/Renewals / Enhancement	Total SHG's						
2017-18	6,504	4,563	11,067	9,365.85	15,958.10	15,404	10,393.79	14,688.60
2018-19	7,176	7,780	14,956	17,320.00	21,150.00	22,510	19,804.18	21,978.78
2019-20	10,130	11,700	21,830	23,732.81	32,365.31	24,680	25,205.54	31,091.56
2020-21	15,460	10,760	26,220	25,300.00	39,570.00	39,897	35,626.00	42,547.13
2021-22	19,670	33,020	52,690	53,320.00	57,520.00	39,989	50,504.38	60,176.15
2022-23	23,810	30,800	54,610	65,290.00	63,640.00	49,960	76,113.66	84,336.50

Table 1

<b>RRB</b>								
Year	Target					Achievement		
	SHGs			Total Disbursement Amt.	Total Outstanding Amt.	Total SHG's	Total Disbursement Amt.	Total Outstanding Amt.
Fresh SHG's	Repeat/Renewals / Enhancement	Total SHG's						
2017-18	7,500	5,000	12,500	20,238.26	26,670.59	14,628	10,984.79	12,649.71
2018-19	6,685	9,986	16,671	15,670.00	18,370.00	20,303	16,362.46	17,838.22
2019-20	7,450	12,980	20,430	21,471.88	25,470.59	21,602	20,076.51	23,131.25
2020-21	7,940	10,910	18,850	22,770.00	31,740.00	25,797	26,622.35	32,526.58
2021-22	10,490	17,600	28,090	30,950.00	43,250.00	34,268	37,193.50	45,861.62
2022-23	12,680	16,420	29,100	37,870.00	47,800.00	39,117	47,186.97	59,063.28

Table 2

**1. Trends in Microfinance Performance:**

- Both Public Sector Banks (PSBs) and Regional Rural Banks (RRBs) have shown consistent growth in the total number of Self-Help Groups (SHGs) funded from 2017-18 to 2022-23.



- PSBs experienced a growth rate ranging from 146% to 324% in the total number of SHGs funded, while RRBs showed growth rates between 139% and 267% during the same period.
- The total disbursement amount by PSBs and RRBs also exhibited significant growth, with PSBs achieving growth rates ranging from 191% to 732%, and RRBs achieving growth rates between 149% and 430%.

**Achievement Percentage (%)**

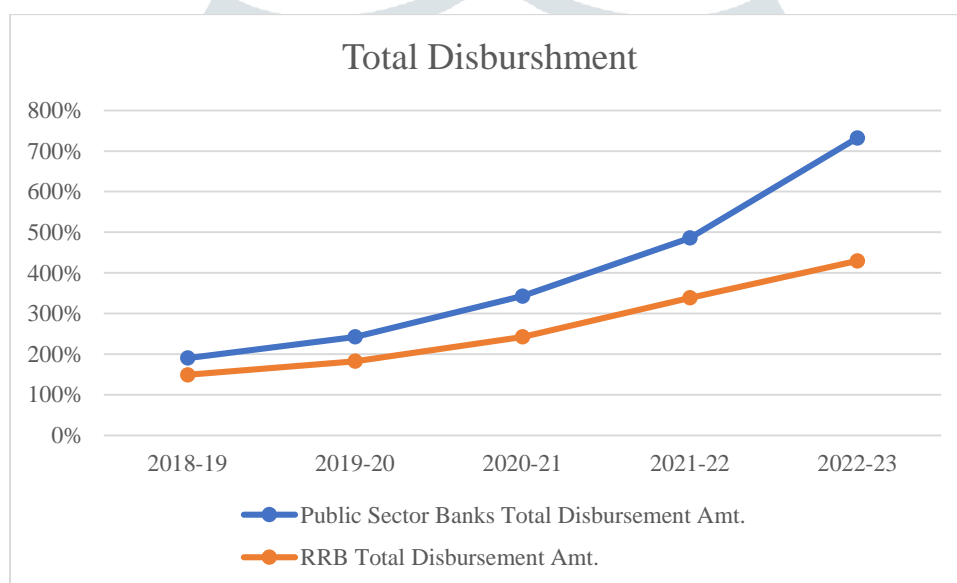
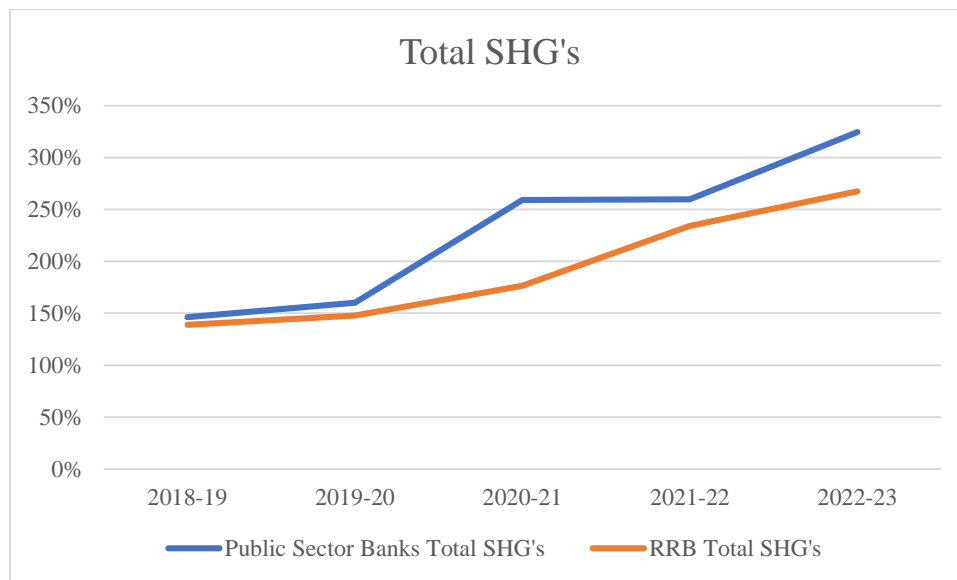
Year	Public sector Banks			RRB		
	SHGs	Disbursement	Outstanding	SHGs	Disbursement	Outstanding
2017-18	100	100	92.04	100	54.28	47.43
2018-19	100	100	100	100	100	97.11
2019-20	100	100	96.06	100	93.5	90.82
2020-21	100	100	100	100	100	100
2021-22	75.89	94.72	100	100	100	100
2022-23	91.49	100	100	100	100	100

Table 3

**2. Comparison of Achievement Percentages:**

- In terms of achievement percentages, PSBs consistently achieved 100% of their SHG targets from 2017-18 to 2020-21, while RRBs achieved 100% of their SHG targets from 2018-19 to 2020-21.
- However, in the year 2021-22, PSBs achieved 75.89% of their SHG target, while RRBs maintained a 100% achievement rate.
- Regarding disbursement and outstanding amounts, PSBs achieved 100% of their targets in all years, while RRBs showed fluctuations in achievement percentages, particularly in outstanding amounts, ranging from 47.43% to 100%.

Growth Rate				
Year	Public Sector Banks		RRB	
	Achievement		Achievement	
	Total SHG's	Total Disbursement Amt.	Total SHG's	Total Disbursement Amt.
2017-18	-	-	-	-
2018-19	146%	191%	139%	149%
2019-20	160%	243%	148%	183%
2020-21	259%	343%	176%	242%
2021-22	260%	486%	234%	339%
2022-23	324%	732%	267%	430%



### 3. Effectiveness of Microfinance Initiatives:

- The assessment of microfinance initiatives' effectiveness in rural regions of central India reveals that both PSBs and RRBs have been successful in achieving their set targets for SHGs, disbursement amounts, and outstanding amounts in most years.
- However, variations in achievement percentages between PSBs and RRBs, especially in the year 2021-22, suggest potential challenges or differences in operational strategies and market conditions affecting their performance.

### 4. Factors Contributing to Performance Variations:

- Further investigation is required to understand the factors contributing to performance variations between PSBs and RRBs, including target setting, operational strategies, and market conditions.
- Possible factors may include differences in target allocation, funding mechanisms, risk management practices, and regional socioeconomic factors influencing microfinance activities.

## 5. Impact on Socio-economic Development:

- The impact of microfinance funding on the socio-economic development of rural communities in central India appears substantial, as evidenced by the significant growth in the total number of SHGs funded and the total disbursement amount by both PSBs and RRBs.
- The consistent achievement of targets and growth rates indicates a positive impact on poverty alleviation, women's empowerment, and entrepreneurship promotion in the region, aligning with the broader goals of microfinance initiatives.

Overall, the findings suggest that microfinance initiatives by both PSBs and RRBs have been effective in promoting financial inclusion and socio-economic development in rural regions of central India, although further research is needed to explore the underlying factors influencing performance variations between the two types of banks.

### **Conclusion:**

This study delves into the microfinance performance and impact of Public Sector Banks (PSBs) and Regional Rural Banks (RRBs) in Central India (Chhattisgarh), spanning 2017-18 to 2022-23. The analysis offers valuable insights into:

#### **Performance Trends:**

Both PSBs and RRBs have achieved remarkable growth, reflected in a significant increase in funded Self-Help Groups (SHGs) and total disbursement amounts. PSBs have witnessed a growth rate ranging from 146% to 324% for SHGs funded, while RRBs experienced growth between 139% and 267%. Disbursement amounts also surged, with PSBs achieving growth rates of 191% to 732% and RRBs seeing increases between 149% and 430%.

#### **Achievement Percentages:**

Regarding SHG targets, PSBs maintained a consistent 100% achievement from 2017-18 to 2020-21, whereas RRBs achieved 100% only from 2018-19 to 2020-21. However, in 2021-22, PSBs achieved 75.89% while RRBs maintained 100%. Interestingly, PSBs consistently achieved 100% of their disbursement and outstanding amount targets throughout the period, while RRBs exhibited fluctuations, particularly in outstanding amounts (ranging from 47.43% to 100%).

#### **Effectiveness of Initiatives:**

Based on target achievement, both PSBs and RRBs have demonstrated effectiveness in driving microfinance initiatives in rural areas, contributing positively to financial inclusion and development. However, variations in performance between the two bank types, especially in the later years, suggest potential challenges or differing strategies that warrant further investigation.

#### **Impact on Socio-economic Development:**

The significant growth in funded SHGs and disbursements by both PSBs and RRBs indicates a substantial impact on the socio-economic development of rural communities. This growth aligns with the broader goals of microfinance initiatives, suggesting positive contributions towards poverty alleviation, women's empowerment, and entrepreneurship promotion in the region.

#### **Areas for Further Research:**

To comprehend the observed variations in performance between PSBs and RRBs, deeper analysis is needed into factors like target setting methodologies, operational strategies employed, and specific market conditions



influencing their activities. Potential differences in target allocation, funding mechanisms, risk management practices, and regional socioeconomic factors affecting microfinance activities should be explored.

Additionally, research can delve into the precise impact of microfinance funding on specific development indicators within rural communities. This could involve examining metrics related to poverty levels, women's economic participation, and entrepreneurial activity to refine strategies and maximize the positive impact of microfinance initiatives in Central India.

### **Overall Significance:**

This study reaffirms the crucial role played by PSBs and RRBs in fostering microfinance for rural development in Central India. Their contributions have demonstrably fueled financial inclusion and socio-economic progress in the region.

By continuing to explore the factors influencing performance variations and conducting impact assessments at the community level, microfinance initiatives can be further optimized to create an even more significant and sustainable positive impact on the lives of rural populations in Central India.

### **Suggestions for Further Study:**

- 1. Qualitative Analysis:** While the current study provides valuable quantitative insights into microfinance performance, conducting qualitative research through interviews or focus groups with stakeholders such as SHG members, bank officials, and government representatives could provide deeper insights into the challenges, successes, and impact of microfinance initiatives in central India.
- 2. Longitudinal Study:** Consider extending the study period to gather data over a more extended period, enabling a longitudinal analysis of microfinance performance trends and impact. This would provide a more comprehensive understanding of the long-term effectiveness and sustainability of microfinance initiatives in rural development.
- 3. Case Studies:** Conduct in-depth case studies of specific SHGs funded by PSBs and RRBs to analyze their experiences, challenges, and success stories in detail. This qualitative approach can complement quantitative analysis by providing rich contextual insights into the microfinance landscape.
- 4. Comparative Regional Analysis:** Expand the geographic scope of the study to include other regions in India to compare microfinance performance and impact across different socio-economic contexts. This comparative analysis would facilitate a broader understanding of the factors influencing microfinance effectiveness and scalability.
- 5. Policy Analysis:** Investigate the policy frameworks and regulatory environments governing microfinance in India, particularly in central India. Analyzing policy implications and their impact on microfinance operations and outcomes can provide valuable insights for policymakers and practitioners to enhance the effectiveness of microfinance initiatives.
- 6. Impact Assessment Framework:** Develop a comprehensive impact assessment framework to evaluate the socio-economic outcomes of microfinance interventions, including indicators related to poverty alleviation, women's empowerment, entrepreneurship, and community development. This framework can guide future research and program evaluations to measure the holistic impact of microfinance initiatives accurately.
- 7. Participatory Research Approach:** Adopt a participatory research approach by involving local communities, SHGs, and other stakeholders in the research process. Engaging stakeholders as active participants can ensure that research findings are relevant, contextualized, and actionable for promoting inclusive and sustainable rural development through microfinance.

- 8. Cross-Sectoral Collaboration:** Explore opportunities for cross-sectoral collaboration between microfinance institutions, government agencies, non-governmental organizations (NGOs), and other stakeholders to leverage resources, expertise, and networks for enhancing the impact of microfinance

interventions. This collaborative approach can facilitate innovative solutions to address complex rural development challenges effectively.

By incorporating these suggestions into future research endeavors, scholars, policymakers, and practitioners can contribute to advancing knowledge, informing evidence-based policies, and promoting inclusive and sustainable rural development through microfinance initiatives in central India and beyond.

## References

- Bi, P. Z., & Pandey, D. S. (2011, September). COMPARISON OF PERFORMANCE OF MICROFINANCE INSTITUTIONS WITH COMMERCIAL BANKS IN INDIA. *Australian Journal of Business and Management Research*, Vol.1 (No.6), 110-120. Retrieved from [https://d1wqtxts1xzle7.cloudfront.net/9989525/ajbmr\\_16\\_14-libre.pdf?1390893667=&response-content-disposition=inline%3B+filename%3DCOMPARISON\\_OF\\_PERFORMANCE\\_OF\\_MICROFINANC.pdf&Expires=1708603258&Signature=SYZuExXazEdc9F-fgmSTmh0FVWOF2Dsth~s-Kfe9tbbHhsKoLIg](https://d1wqtxts1xzle7.cloudfront.net/9989525/ajbmr_16_14-libre.pdf?1390893667=&response-content-disposition=inline%3B+filename%3DCOMPARISON_OF_PERFORMANCE_OF_MICROFINANC.pdf&Expires=1708603258&Signature=SYZuExXazEdc9F-fgmSTmh0FVWOF2Dsth~s-Kfe9tbbHhsKoLIg)
- DasGupta, M. (2021, October 20 ). Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM) and Tribal Livelihood Promotion: An Indian Experience in Pre-post COVID-19 Pandemic Era. In *New Business Models in the Course of Global Crises in South Asia* (pp. 221–241). Springer, Cham. doi:[https://doi.org/10.1007/978-3-030-79926-7\\_13](https://doi.org/10.1007/978-3-030-79926-7_13)
- Jamaldeen, A., Chatterjee, S., & Alphonsa, S. (2019, Nov 27). Rural womens' earning through self-employment: an in-depth discussion with cases from India. *South Eastern University of Sri Lanka, University Park, Oluvil, Sri Lanka.*, 741-751.
- Saha, M., Das, R., Patir, M., & Sarma, N. (2023). "THE ROLE OF PUBLIC SECTOR COMMERCIAL BANKS IN MICROFINANCE: A COMPREHENSIVE STUDY ON NORTH EAST REGION". *Journal of Data Acquisition and Processing*, Vol. 38 (2) , 1782-1789. doi: 10.5281/zenodo.776807