A Comparative study on the Performance of the India’s NABARD with the Bangladesh’s Grameen Banks

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ABSTRACT
The research paper focuses on the performances of the India’s NABARD and the Bangladesh’s Grameen Banks in eradicating poverty and promoting rural economy. The objectives of Grameen is to bring financial services to the poor and to help them to fight poverty, particularly women and the poorest stay profitable and financially sound.

Nabard’s SHG-BANK Linkage model is a tool for poverty alleviation and women empowerment. It is to bring the unbanked rural clients to access to formal financial services. On comparing them the objectives are not much different. Nabard was started in India in 1982 but Grameen Banks were established by Prof. Dr.Muhammed Yunus in1976. Grameen Bank credit delivery system is taking credit to the very poor. The SHG-Bank Linkage programme of Nabard has emerged as the primary model for providing micro credit services through its partner agencies like; Cooperative Banks and Regional Rural Banks(RRB), Commercial Banks, NGOs, Farmers Clubs and Individual Rural Volunteers(IRV). Grameen Bank credit delivery system is taking credit to the very poor. It is set up with a branch Manager and a number of center managers and covers an area of about 15 to 22 villages. Groups of five prospective borrowers are formed; within the group only two of them are eligible for first loan. The group is assessed for a month as they are conforming to the rules of the bank. When the first borrowers begin to repay the loan amount with the interest within a period of SIX weeks, then the other members of the group become eligible for a loan. The collective responsibility of the group serves as the Collateral for the loan. Grameen system is actually collateral-free. It believes that,” Credit should be accepted as a human right’ and builds a system where “one who does not possess anything gets highest priority in getting loan”. It is based, not on the material possession but on the potentiality of person’.

OBJECTIVES
The objective of Grameen is to bring financial services to the poor to help them to fight poverty, particularly women and the poorest stay profitable and financially sound. Nabard’s SHG-BANK Linkage model is a tool for poverty alleviation and women empowerment. It is to bring the unbanked rural clients to access to formal financial services. SHG is a group of poor women not exceeding 15 to 20 members. SHG is a group of poor women not exceeding 15 to 20 members. Both Nabard’s SHG-BNK Linkage and Grameen banks have 97% women members. There is no legal instrument between the lenders and the borrowers. Nabard Facilitates credit flow for agriculture, rural infrastructure and rural development, Promote policies, practices and innovations conducive to rural development, Strengthen rural credit delivery system through institutional development, Supervise Rural Financial Institution (Cooperative Banks and Regional Rural Banks) and Consultancy services.

METHODOLOGY
Both primary and secondary data of the study area for five years, from 2007 – 2012 was collected. Questionnaires were distributed to ascertain data regarding the performance of the Women SHGs mostly comes under Bank Linkage model..
Primary data is collected from Kanchipuram, District of Tamil Nadu, South India.

MODE OF PAYMENT

Nabard’s SHG-Bank Linkage model provides normally Rs.10,000 to Rs.1,00000. It varies groups by groups according to their projects. Big projects will get more than this. It also provides subsidies to the groups as a boost for them. The repayment is 97%. And the Interest Rates is from 12% to 16%.

Grameen’s loans are small, but sufficient to finance the project. The Grameen’s interest is simple interest of 16%. Smaller and shorter repayment schedule ensures faster recycling of funds. Regular meetings and savings are compulsory ingredients to the product design. Nabard’s loan methodology is based on Credit cum Savings. The concept is “Savings first and Credit later”. Each group and members should save with the banks. As on 31-03-2010, there are 69.53 lakhs SHGs savings linked with the banks around Rs.6,198-71 crores. In which total savings of exclusive women SHGs Rs.4,498.66 crores. Nabard’s Bank Linkage model doesn’t insist on weekly repayment. The mode of repayment is on monthly. But MFIs in India follow weekly repayment. The weekly repayment is banned by the State of Andhra Pradesh in India due to large scale of farmers’ suicidal deaths.

GRAMEEN’S GOAL

Grameen Banks in Bangladesh encourage the borrowers to adopt some common goals in social, educational and health areas. It is known as ‘SIXTEEN DICISIONS’. They are, “No Dowry, education for children, sanitary latrines, tree planting, clean drinking water, etc., they are really for a social reformation. Nabard doesn’t insist for these types of systems, but believes in eradication of poverty and rural infrastructures.

GB evaluates poverty level of the borrowers using 10 parameters. A member is considered totally moved out of poverty if she fulfills the following criteria:

i) The borrower maintains an average amount balance ofTK5000 in her savings a/c as balance,
ii) The family lives in a house worth of TK 25000/-
iii) The family members drink pure water, use sanitary latrine and have adequate clothing.
iv) All children in the family of 6 years old, should go to school and have a good health care.

Nabard doesn’t have any systematic parameter to assess the members’ standard of living. But NGOs and research scholars in the fields are assessing the living standard of the borrowers. Nabard helps the groups through its partner agencies to promote micro enterprises and giving trainings in capacity building, refinancing supports, subsidies and revolving funds. Subsidies are boon to its borrowers. If they really prompt to Nabard, it is too prompt to its members.

Table 1: Nabard’s functioning of Women’s SHG-Bank Linkage Model.

<table>
<thead>
<tr>
<th>Period of SHGs</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 3 years</td>
<td>10</td>
<td>10%</td>
</tr>
<tr>
<td>3 to 5 years</td>
<td>22</td>
<td>22%</td>
</tr>
<tr>
<td>Above 5 Years</td>
<td>68</td>
<td>68%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary data:

The SHG-Bank Linkage Model which is sponsored by Nabard through its partner Agencies are mostly 5 years old and functioning well. As per my survey there are 68% of SHGs are 5 years old.

BICYCLE BANKERS

Grameen focuses on the poorest of the poor. It conducts meetings for its field workers every week and gives priority to women members. GBs are located at rural areas to cater the needs of the poor. The principle of Grameen is that the clients should not go to the bank; it is the bank which should go to the people instead. Women become as reliable borrowers and astute entrepreneurs. Nabard asks the borrowers to form as a group and enroll them in its banks for lending.

Table 2: Increase of Household income of Grameen Bank borrowers:

<table>
<thead>
<tr>
<th>GRAMEEN MEMBER</th>
<th>NON-GRAMEEN MEMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>25%</td>
</tr>
</tbody>
</table>

The increase of household income by the Grameen Members are highly appreciated when compare to non-members.

Table 3: Reduction of Poverty line (living below the poverty line)

<table>
<thead>
<tr>
<th>GRAMEEN MEMBER</th>
<th>NON-GRAMEEN MEMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>56%</td>
</tr>
</tbody>
</table>


According to table 3, the reduction of poverty is considerably increased in Grameen Members.

Table 4: Meetings of Nabard’s – Women SHG Members.

<table>
<thead>
<tr>
<th>Meetings</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once in a week</td>
<td>22</td>
<td>22%</td>
</tr>
<tr>
<td>Fortnightly</td>
<td>45</td>
<td>45%</td>
</tr>
<tr>
<td>Once in a month</td>
<td>33</td>
<td>33%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary data:

45% Members like to conduct the Meetings at least once in two weeks. It gives a good governance and helps them in decision making.
POOR ALWAYS PAY BACK

According to Dr. Muhammad Yunus, ‘poor people always pay back their loans’. On some occasions they may take some longer time to pay back than it was originally stipulated, but repay they will. GB provides loan to even beggars. The bank explains to the poor how they can carry some merchandise when they go out to beg from door to door and earn money. Grameen believes in giving them education for the poor to a dignified livelihood. Nabard doesn’t consider beggars as its clients. Why people are poor? Because of this society which has abruptly denied them a real, social and economic base to grow on.

Table 5: Repayment of Nabard’s - Bank Linkage Model.

<table>
<thead>
<tr>
<th>Details of Repayment of Loan Amount</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below-70%</td>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>70 – 79%</td>
<td>12</td>
<td>12%</td>
</tr>
<tr>
<td>80-89%</td>
<td>22</td>
<td>22%</td>
</tr>
<tr>
<td>90- 99%</td>
<td>20</td>
<td>20%</td>
</tr>
<tr>
<td>100%</td>
<td>44</td>
<td>44%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary data:

44 - Respondents promptly repay their 100% loan amount within the time prescribed, however the other members repay the loan amount part by part. Totally only 2% is very delay in-repayment.

LOAN INSURANCE SCHEME

The borrower is required to in a small amount of money in a loan insurance savings a/c once in a year. It is calculated on the basis of outstanding loan and interest of the borrowers on that day. If a borrower dies at any time during the next year, the entire outstanding amount is paid up from the insurance fund which is created by the interest income of the loan insurance savings a/c. In addition to, the borrower family will receive back the amount she saved in the insurance savings a/c. This scheme makes the borrower happy and safe; when they die their loan will not pass to the family members.

Nabard doesn’t have such scheme. But in India there is Prime Minister’s Rural Insurance Scheme and it is not yet well organized and popularized.

PENSION FUND

Grameen requires all borrowers with the loans above of TK 8,000 to contribute a minimum of TK 50 each month in a pension deposit account. After 10 years a borrower will receive a guaranteed amount which is almost double the amount which the borrower has put in during 120 months. It is becoming very popular with the borrowers. Nabard doesn’t implement this scheme to its borrowers. But there is Rural Pension Scheme which is implemented by the Govt. of India.

3 C’S OF CREDIT

1. Character: The credit provider should determine the borrower’s past debt obligation. From credit history, honesty and reliability of the borrower to pay credit is determined.
2. Capacity: How much debt a borrower can comfortably handle and income streams are analyzed.
3. Capital: It means the current available assets of the borrower. Eg., savings, investments etc., Nabard doesn’t have such parameters in disbursing loan to its members. Its schemes are entirely different from GB.

NABARD AND MICRO FINANCE

There were more than 69.53 lakh savings-linked SHG and more than 48.51 lakhs credit-linked SHG covering 9.7 crore poor households, as on 31 March 2010, under the microfinance programme. The share of outstanding bank loans to SHG as a percentage of bank loans to weaker sections is scheduled.

Commercial banks (31 March 2010) was 16.3 per cent, compared to 15.8 per cent in the previous year.

FINDINGS OF THE STUDY

- 50 Million poor women have access to very small loans
- Group lending model is very safe and suitable for women
- SHGs are group lending model with joint liability
- Nabard’s loan amount is more than Grameen Banks’ loan.
- Grameen members are limited to 5
- Nabard’s SHG –Bank Linkage model consists of 10 to 15 members
- Grameen branches are located in villages
- Nabard still not reaches the village level. But it has a wider plan of Banking facilities to all the identified 73,000 habitations having a population of more than 2,000 to be completed by 2011-12.
- Grameen’s repayment is weekly, Nabard’s is monthly
- Nabard is the largest Micro Financial Institution in the World
- Grameen’s interest rate is 16% simple and Nabard’s Interest Rate is 8% to 12%
- Nabard provides subsidies to its members, but Grameen doesn’t provide any subsidy
- Grameen helps 8.33 million borrowers and covers 81,379 villages. But Nabard helps 97 million families and covers more than 7 lakhs villages in India.

CONCLUSION

According to Prof. Dr. Muhammad Yunus,” 58% of the poor, who borrowed from Grameen are now out of poverty. They are over 100 million people now involved in micro credit schemes. At the rate we are heading, we will halve total poverty by 2015. We will create a poverty museum in 2030” it is a marvelous and applause for Yunus for his yeoman service. Poverty is a chronic. India’s microfinance is still too small to create a massive impact on poverty alleviations. But it still strongly serves in altering
the socio economical faces of the India’s poor. Poverty eradication is a joint effort by the Govt, NGOs and Banks. It needs new approaches in planning and implementations. Everybody should learn from their failures.

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