



Regional disparity in performance of micro-finance in India: Policy imperatives

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Abstract : A number of innovative credit delivery systems are devised to purvey credit to rural sector. The SHG-Bank linkage programme is one such system which has been implemented in India since 1998-99. The micro-finance programme has made a remarkable progress, however, the inequitable growth of micro-finance is a cause of concern with most of the developments seems to happen in the Southern and Western regions of the country. The study found that the performance of micro-finance is broadly a seven dimensional feature. The first and most important is connected with the “Spread of micro-finance”, and is followed by “Depth of micro-finance”, “Thrift behavior”, “Performance of SHPIs”, “Performance of micro-enterprise”, “Performance of financial institutions” and “Financial deepening of SGSY”. The factors that influence the performance of state with respect to micro-finance were found to be loan outstanding to women SHG’s (Amt/SHG), SHG’s of RRB’s (No), loan to SHGs funded by SGSY of RRB’s (Amt/SHG), and SHGs funded by SGSY (No.). The states should focus on loan advanced to women SHGs (Amt/SHG), followed by the performance of SGSY promoted SHGs. Thus, the states should make efforts to improve the performance of SGSY scheme. It is the SGSY that provides loans and subsidy for adopting a micro-enterprise. The successful adoption of the micro-enterprise is key to the long term sustainability of the micro-finance programme.

Key Words : Micro-finance, Principal component analysis, Discriminant function analysis

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