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An Analysis of Microfinance in Kashmir

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Abstract:

Poverty alleviation has been one of the most important objectives of development planning in India. Various approaches to alleviate poverty have been undertaken by the Government of India. The agenda for financial inclusion involves creating specific environment through which the poor across the country have open, safe, secure and affordable access to various financial products. Microfinance is one such strategy for inclusive growth, which can be explained as provision of financial services such as loans, savings, insurance, financial literacy, etc. Those who promote the concept of microfinance as an inclusive development tool believe that such unrestricted access will help in poverty alleviation and uniform growth. Various steps have been taken in this direction since Independence by Government, Financial Institutions, Microfinance Institutions, and NGOs which include SHG-Bank Linkage Programme as one such initiative.

Microfinance in J&K is still in its initial stage; from the formal sources like Public Sector Commercial Banks, District Cooperative Societies, Regional Rural Banks and Private Sector Commercial Banks, which provide microfinance services to few thousand SHGs formed in the State and it is in this direction that the present study has been undertaken in Kashmir. The Jammu and Kashmir State accounts for 1.04 percent of the total population of the country but its contribution to the national income are just about 0.7. In this backdrop, micro finance has emerged as one of the tools to in Jammu and Kashmir State for poverty mitigation against economic backwardness and political turmoil being witnessed over two decades now. The study attempts to assess the role of microfinance in Kashmir with emphasis on analyzing the performance of Self Help Groups in terms of growth, employment, improvement in living standards and so on. The study shows that microfinance has played a positive role in the valley. Microfinance is empowering women, especially the poor and widows, in Jammu and Kashmir and a lot more needs to be done in this direction.

1. Introduction

Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services. More broadly, it is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers." Those who promote microfinance generally believe that such access will help poor people out of poverty.

Microfinance in India started in 1974 in Gujarat as Shri Mahila SEWA (Self Employed Women's Association) Sahakari Bank. Registered as an Urban Cooperative Bank, they provided banking services to poor women employed in the unorganized sector. Microfinance later evolved in the early 1980s around the concept of informal Self-Help Groups (SHGs) that provided deprived poor people with financial services. From modest origins, the microfinance sector has grown at a steady pace.

Jammu and Kashmir like other states of country is primarily an agrarian state. Industrially, Jammu and Kashmir is one of the backward states in the country on account of inadequate infrastructural facilities on account of transportation, electricity, topography and other constraining factors. Though the state is very rich in natural and human resources, yet these have not yet been fully exploited for establishing an industrial base which could trigger economic spinoff for the majority of people. This has resulted most of the educated and uneducated youth to fiercely demanding government jobs. The state has only a few medium scale industries in the capital cities of Srinagar and Jammu which manufactures cement, wool and silk, furniture, etc. which neither does nor filter to the vast areas of rural and hinterlands. The Jammu and Kashmir State accounts for 1.04 percent of the total population of the country but its contribution to the national income is just about 0.7 percent. What is more disturbing and alarming is that the contribution is on decline and has declined from 0.85 percent in 1999-2000 to around 0.7 percent at present.

Micro finance (MF) directly and indirectly intendeds to help the state in improving the access of finance (particularly to women) which can promote the economic development of the state and help improve the living standard. Access to financial services and the subsequent transfer of financial resources to poor women make them to become economic agents of change. Women become economically self-reliant and contribute directly to the well-being of their families, play a more active role in decision making and are able to confront systematic gender inequalities (Singh, N. Tejmani, 2009). Studies have found that micro finance clients have better educational and health outcomes. Others have found that micro finance can, under some circumstances, empower women in their households as well as in society more generally (Barr, Michael S. 2005).

2. Database and Methodology

The data used for this study has been drawn from both primary and secondary sources. The data from primary source is based on the survey through a well-structured questionnaire. Data was also collected from the staff of IGSSS, an NGO working in Srinagar headquartered in New Delhi and the data thus collected was analyzed. To supplement the primary data, information was also drawn from secondary sources such as official reports/files of J&K Bank, NABARD Statistical Supplements and annual reports, Report of the Directorate of Economics and Statistics (J&K Government) and also from various papers published in journals.

2.1. Role of J & K Bank in Microfinance

Jammu and Kashmir Bank started microfinance in 2006. Under its microfinance programme, Jammu and Kashmir Bank has started an ambitious programme to provide hassle free financial assistance to small businesses, like artisans, agri-business activities and others at cheaper rates. The role of J&K Bank in reaching out to masses with financial solutions under its microfinance programme is appreciable. The Bank has been putting every effort to bring unbanked people in the ambit of banking through its 'Reaching Out to All Programme'. They have developed customized products for small businesses, artisans and people carving out their livelihood from agri-business activities and offer these products to them at cheaper rates. In the first stage, they launched the financial inclusion programme in R S Pura in Jammu and Ganderbal in Srinagar where they have opened accounts of people even with small means through no-frill account – S/B Ujala Scheme. With emphasis on micro-finance, the bank has rolled out a package envisaging financial inclusion and tapping the hitherto unbankable sections as two vital ingredients. Its young business promotion officers go hawking its products to remote peripheries opening no-frills accounts to consolidate the reach.

The Sunday market in Kashmir is now worth more than Rs. 20 crore a month. It's the micro financing initiative of the J&K Bank. The Jammu and Kashmir Bank started it as a pilot project. Known as the BD market, the bazaar is a small micro finance success story.

There are various schemes offered by J&K Bank under microfinance:

2.1.1. Craft Development Finance

The objective is to provide adequate and timely credit for comprehensive requirements of Artisans & Craftsmen, etc. The interest rate for loans under craft development upto Rs. 50000 is 12.25% and above Rs. 50000 to 100000 is 13.25%.

All Artisans, Craftsmen and other people aged 18 to 55 years, associated with below-mentioned activities are eligible for loans under this scheme:

Artisans, which shall include Namda Sazs/Wood Carvers/Fur Garments/Leather Garments/Paper Machine Makers, Copper Smiths, Kangdi Makers and Tailors/Boutique.

2.1.2. Apple Project

The purpose is to provide comprehensive and timely financial assistance with flexible and simplified procedure adopting whole farm approach taking care of the production/marketing credit needs of Apple Growers/Traders /Commission & Forwarding Agents of the J&K State with a reasonable component for consumption/subsistence of the growers. J&K Bank is the only bank which can reach the apple growers who need not to come to bank. Under the apple project in two districts of Baramulla and Shopian, the bank has already financed 16300 growers to the tune of Rs. 343 crore. The bank plans to extend the Apple Project to all districts of J&K soon.

2.1.3. Dastkar Finance

The purpose is to provide adequate and timely credit for comprehensive requirements of Artisans & Craftsmen, etc. All artisans, craftsmen and other people aged 18 to 60 years, associated with the activities like Carpet Weaving, Shawl Embroidery, Kani Shawl Weaving, Chain Stitch, Crewel, Wood Carving, and Paper Machie are eligible for this loan. The interest rate charged is 10.50%.

2.1.4. Khatamband Craftsmen Finance

The objective is to provide adequate & timely credit for comprehensive requirements of the Khatamband Craftsmen. Artisans associated with the Khatamband trade are eligible for this loan. The age of the applicant must be between 18-55 years. The total credit should not exceed Rs.1,00,000/- per Unit. The interest rate charged is 14% for loans upto Rs. 50,000 and 14.50 % for loans above Rs. 50,000 to Rs. 1,00,000.

2.1.5. Loans under Differential Rate of Interest Scheme

The bank provides loans under DRI scheme with interest rate of 4%.Majority of DRI loans have been given to district Kupwara taking into consideration its high rate of poverty.

The Jammu & Kashmir Bank is the main source of Credit to Self Help Groups which are linked to bank through NGOs mainly IGSSS which has formed SHGs in Baramulla, Human welfare foundation, Anantnag and Kashmir Women's Credit Cooperative Ltd (KWCCCL). In district Anantnag, J&K Bank is the top performer which provides Credit facilities to more than 71% of the self-help groups (source: INDIAN JOURNAL OF MANAGEMENT SCIENCE).

At present, J&K Bank finances 1357self-help groups. However, the bank does not ensure end use of funds. Females are the major borrowers forming 80% of the total recipients of loans under microfinance programme and are found to be prompt re-payers.The default risk of bank is low thus does not affect profitability much.

Jammu & Kashmir Bank also has recently started a full-fledged Financial Literacy Campaign by setting up a separate Institute at Bijbehara, which mainly aims at providing financial awareness among illiterates, neo-literates, as well as educated populace of the District.

2.2. Role of NGOs

2.2.1. Indo-Global Social Services Society & Self Help Groups

A self-help group, or SHG, is a group of 10 to 20 poor women in a village who come together to contribute regular savings to a common fund to deposit with a bank as collateral for future loans. The group has collective decision making power and obtains loans from the partner bank to which an NGO links it with through Self Help Group (SHG) Bank Linkage Model. The SHG then loans these funds to its members at terms decided by the group. Members of the group meet to conduct transactions and group leaders are responsible for maintaining their own records, often with the help of NGOs.

IGSSS undertook the project of Poverty Reduction through Self-Help Structures in conflict affected areas of Kashmir. The project was supported by the European Union (EU) and Welthungerhilfe (WHH) from January 2008 to February 2011. The total coverage area in this project was 25 villages spread over two districts of Baramulla and Bandipora.

2.2.1.1. Formation of SHGs

- A total of 35 SHGs were formed. In existing 25 target villages, all 35 SHGs are active and functional. They contribute towards their regular savings. Strengthening of existing groups is ensured through regular meetings, cluster meetings and federate meetings. In addition, focus was laid on the weaker groups and number of meetings with such groups was increased during the reporting period.

2.2.1.2. List of SHGs

1. Himayat Self Help Group of Village Inderkoot
2. Karwane Zainab Self Help Group of Village Inderkoot
3. Kaneeze Fatima Self Help Group of Village Ordina
4. Kehkashan Self Help Group of Village Daslipora
5. Karwane Zehra Self Help Group of Village Najan
6. Tawheed Self Help Group of Village Khanpeth
7. Al-Hadi Self Help Group of Village Odina
8. Gulfam Self Help Group of Village Mandiyari
9. Zafran Self Help Group of Village Mandiyari
10. Khumanee Self Help Group of Village Gund Ibrahim
11. Khamnai Self Help Group of Village Gund Ibrahim
12. Zeenat Self Help Group of Village Beighpora
13. Umar Self Help Group of Village Ganasthan
14. Usman Self Help Group of Village Ganasthan
15. Rahi Self Help Group of Village Zalpora
16. Ruhulla Self Help Group of Village Zalpora
17. Nargis Self Help Group of Village Trikolbal
18. Murtaza Self Help Group of Village Ankhulla
19. Roshan Self Help Group of Village Gunde Nowgam
20. Bismillah Self Help Group of Village Nowgam
21. Samaj Sudhar Self Help Group of Village GadaKhud
22. Gulposh Self Help Group of Village Check Jamal Mir
23. Gulab Self Help Group of Village Check Jamal Mir
24. Neelofar Self Help Group of Village Check Jamal Mir
25. Muskaan Self Help Group of Village Malikpora
26. Aman Self Help Group of Village Gonchipora
27. Gulshan Self Help Group of Village Trigam
28. Rehmat Self Help Group of Village Maula Abad
29. Hussaini Self Help Group of Village Rakhmohalla
30. Hamdania Self Help Group of Village Rakhmohalla
31. Smile Self Help Group of Village Nowgam payeen
32. Gousia Self Help Group of Village Check Ganasthan
33. Raza Self Help Group of Village Shigenpora
34. Kirmania Self Help Group of Village Trigam
35. Humdard Self Help Group of Village Harinara

- Afroza of Nargis SHG from Trikolbal village took a loan amount of Rs 10,000/- at 3% interest rate on 4th of June 2010 from the group for repairing of house. She renovated her house and returned the principle amount without interest on 7th of August 2011.
- Khumani SHG of Gund-e-Ibrahim returned first grading loan of Rs. 24000/- to Baramulla Central Cooperative Bank (BCCB), branch Pattan on 18th of August 2011 and Khamnai SHG repaid first grading loan of Rs. 13000/- to the Bank on 6th of August 2011.
- Hajira of Rahi SHG from Zalpora village returned a sum of Rs. 37000/- to the group on 30th of August 2011. She had borrowed loan in the month of March 2011 for getting his son's eye operated. His son had met an accident during which he lost his vision partly. With the surgical intervention, her son's vision was restored.
- Posha of Neelofar SHG from Check Jamal Mir village returned a sum of Rs 20,000/- on 1st August, 2011. She had taken a loan amount with 3% interest rate for her husband's surgery on 10th April, 2011. Her husband suffered from kidney stones. He was operated in the same month and now at present he has recovered from illness.
- Haseena, leader of Neelofar SHG from same village had taken loan of Rs.10, 000/- on 9/11/2010 at 3% interest rate for her daughter's marriage. She repaid Rs.2500/- on 27/6/2011 and rest of the amount was paid through monthly installments in the following months.
- Fazi, member of Neelofar SHG from Check Jamal Mir village had taken loan amounting to Rs.5000/- on 4/10/2011 at 1% interest rate for domestic reasons. Out of this amount, she returned a sum of Rs.2500/- on 27/6/2011. The remaining amount was repaid through 2nd installment in next reporting period.
- Shahzada of Rehmat SHG from Maulaabad village borrowed an internal group loan amount of Rs. 5000/- for her brother's engagement on 28th July, 2011. She is expected to return the loan amount in next reporting period.

Cluster meeting with SHGs was conducted at Nowgam village of Sumbal block and at Maulaabad village of Pattan block by the field staff of IGSSS in the month of August 2011. The cluster included following groups belonging to 5 target villages of Sumbal Block-Rahi and Ruhullah SHGs of Zalpora village, Roshan SHG of Gund Nowgam village, Bismillah SHG of Nowgam village, Smile SHG of Nowgam Payeen village and Aman SHG of Gonchipora village and 8 SHG groups belonging to 5 target villages of Pattan Block, Rehmat SHG from Maulaabad village, Khumanee SHG and Khamnai SHG of Gund-e-Ibrahim village, Nargis SHG of Trikolbal village, Gulfam SHG of Mandyari village, Neelofer, Gulab and Gulposh SHGs of Check-e-Jamal Mir village.

Outcomes: 1. It was outcome of the meetings that the members of Rahi and Ruhullah SHGs of Zalpora village alongwith Aman and Bismillah SHGs approached Tehsildar, Sumbal for demanding their right to safe water supply in their area. With the result, two water tankers were deputed to the village on daily basis to meet the requirements. This step has boosted confidence among the members to take initiatives and mobilize village people for demanding their basic rights.

2. Another outcome of the cluster meeting was that the members of Nargis SHG from Trikolbal village and Rehmat SHG from Maulaabad village had taken self-initiative to conduct meeting with Gulfam and Zafran SHGs of Mandyari so that they can share their views on how they can maintain unity as a group, contribute towards regular group savings and strengthen strategies to recover loan from members. It was an initiative to bring sense of belongingness and responsibility towards each other as SHGs.

- 4 SHG members namely Shafeeqa, Haseena, Noora, Haseena of Check-e-Jamal Mir village who had started cocoon business have raised the silkworm in the month of July 2011. Hasina has been able to raise 7kgs of silkworm from 1 box (250 gm) of seeds, Shakeela has raised 8kgs of silkworm from 1 box (250gm) of silk worm seeds, Noora has been able to raise 20 kgs of silkworm from 2 boxes (500gm) of silk worm seeds and another group member Haseena has raised 9kgs of silkworm from 1 box (250 gm) of silk worm seeds. Thus the group has been able to raise 44kgs of silkworm from 5 boxes. SHG members are expected to sell them in next reporting period at the rate decided by sericulture department which is assumed as Rs. 700/kg. All four of them have again purchased 1 box of silkworm seed (250gm) each to continue the rearing of silkworm seed. The group members have inspired other member of Neelofer SHG namely Haseena w/o Mohammad Yousuf to start the cocoon rearing business in the village as the income generating activity. Haseena has purchased 1 box of silk worm seeds (250gm) with which she has been able to raise 4kgs of silkworm. The profit detail on the basis of assumed rates i.e. Rs. 700/kg was prepared.

Name	SHG	Silk worm seeds in gms	Silkworm raised	Cost of 1kg Silkworm
Noora	Gulposh	500gm (2 box)	20kg	Rs 700
Haseena	Gulposh	250gm (1 box)	7kg	Rs 700
Shakeela	Gulposh	250gm (1 box)	8kg	Rs 700
Haseena	Gulposh	250gm (1 box)	9kg	Rs 700

Table 1

- Mr. K.P. Fabian, President of Indo-Global Social Service society (IGSSS) visited Kashmir along with Her Excellency Ambassador of Finland in the month of June, 2011 and interacted with the SHG members of intervention areas of IGSSS wherein he shared the concept of fixed deposit with the members of SHGs and suggested them to open fixed deposit accounts to earn more interest. It is after that, IGSSS project implementation staff took an initiative to motivate other SHGs

of intervention villages to get the minimum saving amount of SHG fixed in the concerned banks. A series of meetings with the SHG members was conducted to get the consent of SHG members. The SHG members felt that by fixed depositing certain amount of saving would provide security and profit to the savings. SHG members have felt that the fixed deposits can be alternate medium for saving money during difficult times. It is definitely something to think about right now with savings and to create a backup plan for future. Advantage of fixed deposit is that the deposit in the account will earn a fixed rate of interest and it would be a saving for future plans as well as the money would be secured for the need in emergency.

One federate meeting of SHGs was conducted at Project Office, Khanpeth in the month of August, 2011. The meeting was directed towards follow up of functional literacy program, income generation activities in groups and sharing of views and experience. The meeting focused on number of groups that attend functional literacy learning classes regularly. It was noted that only few groups have been regular while rest of the members shared their apprehensions of either being too old to study or having no time to attend classes. It was suggested in the meeting to the SHGs that those members who cannot attend regular classes to take alternate measures such as to study at home taking help from their school/college going children. However, the same should be followed with regular follow ups through weekly meetings. The same meeting was focused on initiating group activities. The Self-help groups shared their views as following:

- Hareefa of Gulshan SHG of Trigam village shared that the group members were planning to take up business of Poultry farming. The same will receive necessary inputs and guidelines from Fareeda of Kirmania SHG who already runs her own poultry farm unit. The details of the follow up will be provided in the next reporting period.
- 4 members of Gulab SHG of Check Jamal Mir have taken forward the Cocoon rearing business.
- Hadeesa, treasurer of Karwan-e-Zainab SHG of Inderkoot village have planned to run provisional shop. The shop will be established in the next reporting period.

In the Federate meeting SHG member Ms.Shubeena of Ganastan village shared about Bee keeping business. She has undergone 13 days training from Srinagar along with the certificate of participation. With dedication and hard work, she could produce more than 2 Quintals of honey. She suggested other group members to take up Bee Keeping Business for which she is ready to help and train group members in learning Bee Keeping business. Further she motivated the group members to take self-initiatives for self-development as she shared her experience of participating in exhibitions at Kashmir Haat through District Rural Development Agency (DRDA), Bandipora.

- As per operational plan, formation of Self-Help Groups (SHGs), Village Welfare Committees (VWCs) and Youth Committees (YCs) in new villages will be initiated in next reporting period.
- The functional literacy learning program at individual level was encouraged where possibility of learning in groups was difficult. The group members were suggested to learn from their children at home on daily basis. The process will continue in the next reporting period.
- Karwan-e-Zainab SHG of Inderkoot village has pooled a sum of Rs. 1,64,000/- in their account. The group has planned to open 2 provision shops in their village for income generation. The same will be started in the next reporting period.
- Hadeesa, treasurer of Karwan-e-Zainab SHG, took a loan amount of Rs.30, 000/- at 3% rate of interest from the group on 5th November 2009 to expand her milk business. She repaid Rs. 17000/- loan to the group on 25th August 2011. Initially she returned Rs. 12,200/- as first installment on 7th April 2010. Every day, her brothers assist her in collecting milk from households of her village and she buys it at Rs. 11/liter and sells it at Rs.15/liter earning a profit of Rs.4/liter. On an average, 1050 liters of milk is sold per month and a gross profit of Rs. 4200/- per month is earned. With the income generated as such, she feels satisfied for meeting the basic requirements of her family.
- Farida of Himayat Self-Help Group of Inderkoot has returned Rs.4000/- to the group on 4th August 2011. She took loan of Rs 5000/- at 3% for health reasons on 6th of March 2011. With the amount she purchased medicine for her mother. Unfortunately her mother died of chronic illness in the month of May 2011.
- Afroza of Nargis Self-Help Group of Trikolbal village took a loan amounting to Rs. 10,000/- at 3% interest rate on 4th of June 2010 from the group for repairing of house. She renovated her house and returned the entire amount without interest on 7th of August 2011.

2.2.2. Exposure Trip for SHG Women from Kashmir

An exposure trip was organized for 28 women from different Self-Help Groups from Kashmir. During the 12 days tour the group visited Delhi, Madhya Pradesh and Uttar Pradesh to pick up cues on entrepreneurial skills. For few members it was first time move out of their villages.

2.2.3. Delhi Tour

In Delhi, the group visited Dilli Haat for understanding market linkage and sales of products especially hand-made items as per market demand vis-à-vis cost effectiveness (cost management). The group benefitted from the interaction with people working with the Dastkar, a Delhi based organization working to improve the economic status of the craftsmen thereby promoting the survival of traditional crafts.

2.2.4. Visit to Samaj Pragati Sahiyog, Bagli, a Madhya Pradesh Based Non-Government Organization

Samaj Pragati Sahiyog, is basically working on watershed management in Bagli and its adjacent areas. The group had a five days stay in Bagli.

2.3. Major Outcomes

- 35 SHGs formed and strengthened through capacity building trainings, financial support and exposure visits. SHG members are earning Rs. 1500/month on an average through Income Generation Programmes (IGPs).
- 25 Village Welfare Committees (VWCs) and four youth groups were formed. Youths are being trained in skill development, street theatre and other agriculture-based vocations.
- 2720 children supported with school material and winter tuitions.
- Linkages were built with different government departments like District Rural Agricultural University, Banks and other agencies.
- 78 orphans were identified by the VWCs and all of them were supported by IGSSS in terms of winter tuitions and school material.
- 286 toilets have been constructed.

2.4. Kashmir Women's Credit Cooperative Limited

Microfinance is empowering women, especially the poor and widows in Kashmir in which a significant role has been played by the NGO Kashmir Women's Credit Cooperative Ltd (KWCCCL) that is providing loans to the needy to set up self-employment ventures like weaving and embroidery units, beauty parlours and boutiques. It is also giving loans for children's education. Needy women desirous of starting their business have just to give photographs, a witness and an affidavit for getting a loan ranging from Rs. 10,000 to Rs. 30,000.

The beauty is that women are taking loans and are repaying regularly while they are earning.

The corpus of the Srinagar-based KWCCCL is made up of fees collected from its over 1,600 members. The loans are given at the Reserve Bank of India approved interest rate of 11.25 percent.

Raja Tabardar, one of the eldest beneficiaries, took a loan of Rs. 25,000 at the age of 60. A widow and mother of four daughters, she has set up a unit for manufacturing heater coils and earnings over Rs. 5,000 per month after repaying the installment of Rs. 1,000.

Sakeena Bano, 24, took loan of Rs. 15,000 to set up an embroidery unit. "I was unemployed. Now, besides earning for myself, I have given employment to 10 others in my unit," said Sakeena.

Shafika Bano too has benefitted from this scheme. She took a loan of Rs. 15,000 to set up nine spinning wheels to weave silk. "I am earning about Rs. 5,000 per month after paying the installment of the loan and salaries to employees."

KWCCCL wants to help more women set up businesses. "Our aim is to make needy women of Kashmir economically sound and independent. Economic empowerment leads to empowerment of minds," said Nighat Pandit, chairperson KWCCCL to Indo-Asian News Service.

2.5. Chinari International

CHINAR (Child Nurture and Relief) International is focused on rehabilitation and empowerment of vulnerable children, destitute families and marginalized youth in conflict areas through community based socioeconomic programs.

CHINAR International officially launched its pilot program in a remote village of Zampathri, district Shopian on October 19th, 2011. It was started with the Remote Family Sponsorship Program (RFSP) whereby five destitute families were each given a sheep unit (3 sheep per unit) as part of a micro-finance livelihood program. CHINAR International officially launched its pilot program in a remote village of Zampathri, district Shopian on October 19th, 2011. It was started with the Remote Family Sponsorship Program (RFSP) whereby five destitute families were each given a sheep unit (3 sheep per unit) as part of a micro-finance livelihood program.

CI selected the five most impoverished families among the many destitute families surveyed in Zampathri for the livelihood program. CI provided microfinance for three sheep to each family. Following the famous "Grameen Bank" model, the families formed a social group and should be paying back the interest free loan in around 5 years. The installment paid to CI will be 20% of the profit every year (starting from the second year) till the loan is repaid fully. This program also encourages the beneficiaries to contribute a very small percent of their profits towards community projects after the loan is paid.

Among the five beneficiaries, two are widows while two others are too old/sick to work. Another widower is in full time engaged with his mentally challenged daughter.

CI acknowledges the support provided by the Department of Sheep Husbandry in identifying the breed selected, medical support and sheep selection and branding for the program.

2.6. Human Welfare Foundation (HWF)

In Anantnag, the Human Welfare Foundation is working with several women to organize self help groups and start agricultural, handicraft, dairy, and honey-making projects. Some of the women in these groups are so poor that they cannot save more than Rs. 10 in one month. This organization is unique because it has made an agreement with banks to finance the groups and has an export license but intends to work as a non-profit intermediary. One of the organizers, Shabir Baba, has put a colossal effort into undergoing training in the projects to be administered. He also regularly visits and monitors the self-help groups' progress.

2.7. Role of Jammu & Kashmir Women's Development Corporation (JKWDC)

JKWDC has disbursed a loan of Rs.3.43 crores under its microfinance programme to 1372 SHGs. Apart from constructing 12 women community halls under Swayamsiddha Scheme, JKWDC has conducted various vocational and skill upgradation training programmes in which more than 11,000 women beneficiaries were benefited. The corporation has conducted more than 542 awareness camps in every part of the state sensitizing 1,62,600 women beneficiaries and further facilitated their participation in national level exhibitions. Also, 1,780 Self Help Groups have been framed in 13 blocks comprising of 26,700 members and registered block level societies.

2.8. Nabard as a Facilitator of Microfinance

The NABARD promoted microfinance program, 'The SHG Bank Linkage Program', is now considered to be the biggest microfinance program in the world. The genesis that led to participation of formal banks in microfinance program is traced to a study conducted by NABARD in mid-eighties to understand the credit needs of the poor households and a subsequent pilot project of NABARD along with some NGOs. The study found that poor needed consumption loans as well as small loans for their micro-enterprises (Harper, 2002). NABARD took up a pilot project in 1992, along with some NGOs in India to assess whether by linking SHGs to formal banks can meet the credit needs of the poor. The pilot project was very successful and today it is recognized as an effective tool for extending access to formal financial services to the unbanked rural poor.

NABARD has been extending refinance to the extent of cent percent to banks for lending to SHGs since the SHG-Bank Linkage Programme was launched. Initially, this was intended to encourage the banks to actively participate in the programme. As the banks gained confidence in lending to SHGs and realized the business potential in extending microcredit through SHGs, they have been deploying their own funds in a mutually beneficial relationship with the SHGs.

Commercial Banks		Regional Rural Bank		Cooperative Bank		Total	
No. of SHGs	SAVING AMOUNT	No. of SHGs	SAVING AMOUNT	No. of SHGs	SAVING AMOUNT	No. of SHGs	SAVING AMOUNT
3828	304.62	596	34.14	1145	48.38	5569	387.14

Table 2: Savings of SHGs with Banks in J & K as on 31st Mar, 2011: (Amount in Rs. lakh)

Commercial Banks		Regional Rural Bank		Cooperative Bank		Total	
No. of SHGs	LOAN AMOUNT	No. of SHGs	LOAN AMOUNT	No. of SHGs	LOAN AMOUNT	No. of SHGs	LOAN AMOUNT
300	356.06	166	221.61	156	99.59	622	677.26

Table 3: Bank Loans disbursed during the year 2010-11: (Amount in Rs. lakh)

Commercial Banks		Regional Rural Bank		Cooperative Bank		Total	
No. of SHGs	LOANS O/S AMT.	No. of SHGs	LOAN O/S AMT.	No. of SHGs	LOAN O/S AMT.	No. of SHGs	LOANO/S AMT.
1070	657.36	377	285.18	716	216.75	2163	1159.29

Table 4: Bank Loans Outstanding against SHGs as on 31st Mar, 2011: (Amount in Rs. lakh)

2.8.1. Savings of SHGs with Banks

S. No.	Name of Bank	Details of SHGs Saving linked with Banks		
		NO. OF SHGs	NO. OF MEMBERS	SAVINGS AMOUNT
1	Canara Bank	4	52	0.78
2	Central Bank of India	20	190	2.40
3	Punjab National Bank	291	3168	10.77
4	State Bank of India	2156	25872	168.00
TOTAL		2471	29282	181.95

Table 5: Savings of SHGs with Public Sector Commercial Banks as on 31st Mar, 2011: (Amount in Rs. lakh)

S. No.	Name of Bank	Details of SHGs Saving linked with Banks		
		NO. OF SHGs	NO. OF MEMBERS	SAVINGS AMOUNT
1	Jammu & Kashmir Bank	1357	NA	122.67

Table 6: Savings of SHGs with Private Sector Commercial Banks as on 31st Mar, 2011: (Amount in Rs. lakh)

NA= not available/not reported.

S. No.	Name of Bank	Details of SHGs Saving linked with Banks		
		NO. OF SHGs	NO. OF MEMBERS	SAVINGS AMOUNT
1	Ellaquai Dehati Bank	320	NA	14.22
2	Jammu and Kashmir Gramin Bank	276	NA	19.92
TOTAL		596	NA	34.14

Table 7: Savings of SHGs with Regional Rural Banks as on 31st March 2011: (Amount in Rs. Lakh)

S. No.	Name of Bank	Details of SHGs Saving linked with Banks		
		NO. OF SHGs	NO. OF MEMBERS	SAVINGS AMOUNT
1	Anantnag DCCB	117	NA	5.07
2	Baramulla DCCB	210	NA	17.20
3	J&K SCB	561	NA	15.44
4	Jammu DCCB	257	NA	10.67
TOTAL		1145	NA	48.38

Table 8: Savings of SHGs with Co-operative Banks as on 31st March 2011: (Amount in Rs. lakh)

2.8.2. Loans Disbursed by Banks

S. No.	Name of the Bank	Total Loans disbursed during the year	
		No. of SHGs	Loans Disbursed
1	Canara Bank	1	0.20
2	Punjab National Bank	43	10.65
3	State Bank of India	98	203.00
TOTAL		142	213.85

Table 9: Bank loans disbursed by Public Sector Commercial Banks to SHGs during 2010-11: (Amount in Rs. Lakh)

S. No.	Name of the Bank	Total Loans disbursed during the year	
		No. of SHGs	Loans Disbursed
1	Jammu & Kashmir Bank	158	142.21

Table 10: Bank loans disbursed by Private Sector Commercial Banks to SHGs during 2010-11: (Amount in Rs. Lakh)

S. No.	Name of the Bank	Total Loans disbursed during the year	
		No. of SHGs	Loans Disbursed
1	Jammu & Kashmir Gramin Bank	66	94.91
2	Ellaquai Dehati Bank	100	126.70
TOTAL		166	221.61

Table 11: Bank loans disbursed by Regional Rural Banks to SHGs during 2010-11: (Amount in Rs. Lakh)

S. No.	Name of the Bank	Total Loans disbursed during the year	
		No. of SHGs	Loans Disbursed
1	J&K SCB	100	45.00
2	Anantnag DCCB	4	6.50
3	Baramulla DCCB	33	27.00
4	Jammu DCCB	19	21.09
TOTAL		156	99.59

Table 12: Bank loans disbursed by Co-operative Banks to SHGs during 2010-11: (Amount in Rs. Lakh)

2.8.3. Progress under Microfinance – NPAs against Bank loans to SHGs and Recovery Performance of banks

S. No.	Name of Bank	Gross NPAs data of SHGs against Bank Loan		
		LOANS O/S AGAINST SHGs	AMOUNT OF NPAs	NPA AS %age TO LOANS O/S
1	Canara Bank	0.41	0	0
2	Punjab National Bank	79.87	0	0
3	State Bank of India	326.00	31	9.5
TOTAL		406.28	31	9.5

Table 13: NPAs against Bank loans to SHGs and Recovery Performance of Public Sector Commercial Banks as on 31st March 2011: (Amount in Rs. lakh)

S. No.	Name of Bank	Gross NPAs data of SHGs against Bank Loan		
		LOANS O/S AGAINST SHGs	AMOUNT OF NPAs	NPA AS %age TO LOANS O/S
1	J&K Bank	248.31	0	0

Table 14: NPAs against Bank loans to SHGs and Recovery Performance of Private Sector Commercial Banks as on 31st March 2011: (Amount in Rs. lakh)

S. No.	Name of Bank	Gross NPAs data of SHGs against Bank Loan		
		LOANS O/S AGAINST SHGs	AMOUNT OF NPAs	NPA AS %age TO LOANS O/S
1	Ellaquai Dehati Bank	167.17	0	0
2	Jammu and Kashmir Gramin Bank	118.01	0	0
TOTAL		285.18	0	0

Table 15: NPAs against Bank loans to SHGs and Recovery Performance of Regional Rural Banks as on 31 March 2011: (Amount in Rs. lakh)

S. No.	Name of Bank	Gross NPAs data of SHGs against Bank Loan		
		LOANS O/S AGAINST SHGs	AMOUNT OF NPAs	NPA AS %age TO LOANS O/S
1	Anantnag DCCB	24.64	0	0
2	Baramulla DCCB	85.94	0	0
3	J & K SCB	64.50	18.48	28.7
4	Jammu DCCB	41.67	0	0
TOTAL		216.75	18.48	28.7

Table 16: NPAs against Bank loans to SHGs and Recovery Performance of Co-operative Banks as on 31st March 2011:

S.No.	Agency	Yr. of SANCTION	District to Be Covered	No. of SHGs to be promoted and credit linked	Amount of grant sanctioned	Progress Made as on 31 March 2011			
						Total amount of grant released	No. of SHGs promoted	No. of SHGs linked with SB A/cs	No. of SHGs credit linked
1	ESCORTS ORGANISATION	2008-09	BUDGAM	50	1.50	0.00	NA	NA	NA
2	NAZAKAT MAHILA MANDAL	2009-10	BARAMULLA	25	.75	0.25	NA	NA	NA
3	GREAT INDIAN DREAM FOUNDATION	2010-11	SRINAGAR	50	2.50	0.25	NA	NA	NA
TOTAL				125	4.75	0.50	NA	NA	NA

Table 17: SHG Bank Linkage – Grant Support to Non-Government Organizations (NGOs) Functioning as SHPIs as on 31 March 2011– List of On-going Projects: (Amount in Rs. Lakh)

2.8.4. Awareness of Microfinance

Variable	Frequency	Percentage
Information About MF		
Govt. Staff	14	2.8
NGO's	413	82.1
Friends and Relatives	60	11.9
Advertisement	11	2.2
Others	5	1.0

Table 18: Information about Microfinance Obtained through Different Sources

3. Result

In J&K, the commercial banks have largest no. of SHGs (3828) having highest amount of savings with the bank (Rs. 304.62 lacs) followed by cooperative bank and regional rural banks.

During the year 2010-11, the commercial banks have disbursed an amount of Rs. 356.06 lacs to 300 SHGs much higher as compared to regional rural banks and cooperative banks.

As far as the recovery performance of banks in the state is concerned, it is really good as only two banks i.e. SBI and J&K State Cooperative bank in the state have reported non-performing assets.

NABARD provides grant support to NGOs, RRBs, DCCBs, Farmers' Clubs and Individual Rural Volunteers for nurturing of quality SHGs. In J&K state, NABARD has released a grant of Rs. 9.29 lacs to the NGOs out of which only Rs. 50,000 has been released for NGOs operating in Kashmir.

The information about microfinance is mainly provided by NGOs. The role of NABARD is laudable so far as informing the beneficiaries; they support the NGOs financially for linking the SHGs with banks. This has greatly influenced NGOs as this helps them to cover the operational expenses for linking the SHGs.

1. The Jammu & Kashmir Bank is the main source of Credit to SHGs. Presently, J&K Bank finances 1357 self-help groups.
2. The role of NGOs in forming self-help groups, linking them to banks and empowering women is highly appreciable.
3. There has been significant increase in the savings of the SHG members.
4. The household Income of the SHG members has shown a significant increase since joining SHGs.
5. Due to less education qualifications, the SHG members do not have sufficient knowledge of all the SHG Schemes.

4. Discussion

Because microcredit is a relatively new concept in Kashmir, it may take some time before best practices are established.

Following suggestions should be considered:

- Training to the SHG members should be organised in a professional manner.
- In order to provide the information regarding various microfinance schemes local TV channels should be asked to broadcast special programs/features and success stories of SHGs so that more and more people are attracted to form and join SHGs.
- Financial Literacy campaigns should be held at regular intervals in the rural areas both by Government Entities as well as by the Financial Institutions to educate people about various microfinance programmes.
- Financial institutions should keep track of how these groups are performing after the loans have been disbursed. In this manner, financial institutions can evaluate their microcredit programs, making adjustments where necessary to make their programs more effective.
- An initiative that seems to have worked effectively with the JKSWDC involves the training of just one member of a SHG in a particular skill and allowing them to pass this knowledge on to the rest of the SHG. This is not only cost-effective because only one person is trained at a time, it also empowers the women.
- Bolstering Islamic Microfinance: The concept of Islamic finance – the idea that banking should be in line with sharialaw – has achieved popularity in many countries worldwide. Slowly, Islamic finance is merging with microfinance to create Islamic microfinance. The key aspect of this concept is that loans should not have any interest. This would greatly benefit many of the clients, many of whom complained that high interest rates made the loan difficult to repay. Researchers from the Islamic Development Bank estimated that in the six countries with the largest Muslim populations (Indonesia, India, Pakistan, Bangladesh, Egypt and Nigeria) the number of people living on less than \$2 per day far exceeds half a billion. Recent studies have also shown that Muslims are excluded from access to banking products and services to a significant extent, with exclusion rates as high as 80% in India. Finally, for Muslims with access to microloans, the Consultative Group to Assist the Poor has suggested that up to 40% reject loans on religious grounds. This means that there is huge potential for interest free microfinance that is yet to be tapped. Islamic microfinance could be implemented in the Kashmir Valley given the large Muslim population. The Islamic microfinance industry as a whole is expected to reach over \$2 billion by the end of 2012. Islamic microfinance banks have grown significantly in countries like Indonesia, Malaysia, Bangladesh and Pakistan. Additional inquiry is needed with regard to this concept.

5. Conclusion

Microfinance in Kashmir is still in its initial stage. J&K Bank has played a significant role in promoting microfinance in Kashmir. The role of NGOs in forming self-help groups and linking them to banks is appreciable. 35 SHGs are formed and strengthened through capacity building trainings, financial support and exposure visits by IGSSS. In addition, other NGOs like KWCCCL, Chinar International & Human Welfare Foundation are also contributing towards microfinance activities. Since joining SHGs, members have shown significant increase in income and savings. Recognizing that the Kashmir Valley is unique because of both geographical location and political instability, it is necessary to thoroughly plan execution of microcredit programs to meet local needs and conditions. To proceed with microcredit in this region, it is necessary to evaluate these existing programs to find a niche for further investment.

6. References

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