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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19-22 June.

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## THE INSTITUTIONAL SET UP FOR THE DEVELOPMENT OF COTTAGE INDUSTRY: A CASE STUDY OF MEGHALAY'S COTTAGE SECTOR

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### ABSTRACT

*The various institutions are participating in providing the microcredit to people for setting up the income generating units but the pre-credit formalities and cost of credit varies depending upon the type of institution and their schemes. The government has encouraged microfinance through various projects and directed commercial banks to keep the 40 percent lending for the priority sector. Apart from this there are various semiformal and informal financial institutions and agencies active in the field. In order to conduct the study we collected the data from both secondary and primary sources, proper statistical procedures were conducted to process and analyse the information. From the information that we have it is realised that the microfinance scheme fund is well equipped & supplemented with various direct and indirect financial schemes of different refinancing institutions such as; SIDBI, NSIC, IFCI, NSCFTDC etc. about 42 percent of microcredit is supplied by semi formal financial institutions under the purview of various direct & indirect schemes of refinancing banks. The remaining 58 percent of microfinance is being supplied by the formal financial institutions (commercial banks) and the informal organisations. About 76 percent of SHGs have been formed under Model-I which are directly credit linked to banks and the only 16 percent of SHGs are formed under Model-II which are being financed through NGOs.*

### KEYWORDS

informal financial institutions, microcredit, Model-I, Model-II, NGOs, refinancing institutions, semiformal financial institutions, and SHGs.

### INTRODUCTION

The program of Government to finance micro & small enterprises is being carried out through various agencies which have the track record of distributing microcredit and undertaking small savings over years. The agencies involved are; commercial banks, cooperative banks, regional rural banks, NBFCs, sec-25 companies / registered Cooperative, thrift & Credit Societies, trusts and NGOs. Based on the nature of their existence, working and making availability of finance in a specific region they have been classified into formal, semiformal and informal financial institutions, the formal financial institutions are; commercial banks, cooperative banks and regional rural banks, the semiformal & informal financial institutions include the NBFCs, sec-25 companies / registered Cooperative, thrift & Credit Societies, trusts and NGOs. The scheme based microfinance by all these agencies has been brought under the direct & indirect schemes of various refinancing institutions such as; SIDBI, NSIC, IFCI, NSCFTDC, NABARD etc. and the projects like; SGSY (C & RD) dept.), IWCP (Social welfare dept.), IWDP (Soil conservation dept.), Horticulture Mission (Agriculture dept.), IFAD projects (NEC, and planning Dept.) to keep the pace of microcredit flow to small & microenterprises with the overall lending of various formal financial institutions which is otherwise very low because of many reasons like; High transaction cost by banks in processing large number of small loans, poor entrepreneurs are unable to pay collaterals to banks and the higher chance of default by small debtors, in spite of RBI regulations for CBs to keep the 40 percent of their lending for priority sector mostly include the small scale industries.

### REVIEW OF LITERATURE

The Institutional set up for the Development of Cottage Industry was addressed by researches and some important studies are reviewed below. Commercial banks continue to play a dominant role in financing small scale industrial sector however the growth rate of bank credit has been low as compared to the growth rate of production in the SSI sector. Therefore, he concluded that the banking sector has failed to meet the increasing credit requirements of the SSI sector (RAMESHA, 1999). By 2008, there were 54 million micro finance customers in India, of these 39.9 million customers were served by the SHG model while 14.1 million were served by the MFI model (SRINIVASAN, 2009). In 2001, the micro finance development fund of Rs. 1 billion was set up under NABARD to fund various development activities relating the micro finance. It was later in 2005-06, redesigned as the micro finance development and equity fund with an increased corpus of Rs. 2 billion (SAVITA SHANKAR & MUKUL G. ASHER 2009). Under the model arrangement of micro finance, the MFI model resulted in the development of animal husbandry, non-farm activities, salaried income of others as their main source of income went up in the end line period. In GRAMEEN model, the rise was most significant in agriculture followed by animal husbandry and other activities (SIDBI Research 2010). The micro-finance has the capacity to create more products like micro-insurance, financial literacy, training for empowerment of women, skill training, health care, use of IT which facilitate the poor and many more unfold into massive phenomenon. If micro-finance as we already mentioned can be a solution to poverty reduction, the transaction cost should not be very high. They should cut the transaction costs that are beyond the reach of the poor in several contexts. (KH SOMORENDRO SINGH, 2011). SHGs are small but a powerful change agent by itself the SHG- Bank Linkage program has catered the neglected groups of the society such as women, poor and deprived sections of the rural areas. Though there is a significant progress in India, there is a regional imbalance in the share of SHG linkage with the banks. The share of North Eastern region of India is very small. The SHG linkage momentum is fairly increasing in the state of Manipur but could not achieve that of the developed states like Andhra, Karnataka and Tamil Nadu. (Dr. S. DILAN SINGH, 2011). Microfinance in Assam, although started late, has been growing at a very faster pace in recent years. Many new local and national level microfinance providers have emerged. Informal microfinance providers and practices are equally strong in rural areas. This is perhaps because of the gap between the demand and supply side of the micro credit and uneven outreach of microfinance. It seems that many local informal microfinance providers had emerged as a new form of moneylenders. It also observed that unhealthy competition amongst the MFIs was leading to multiple borrowing. Suitable legal provisions are needed for enabling the MFIs especially the small ones to work for the poor (DR. DEBABRATA Das & Ms. PINKY DUTTA, 2011).

## STATEMENT OF THE PROBLEM

The Research topic is selected from the issues and gaps in the previous researches related to the impact of financial institutions on small businesses in MEGHALAYA. Various projects are under operation for the development of SHGs through different government sponsored schemes where financing is either directly or indirectly linked with banks therefore it was an important issue to know about reason of existence and the role of various institutions and agencies in financing the small businesses in MEGHALAYA.

## RESEARCH METHODOLOGY

### SOURCE OF DATA

The study is undertaken both in rural and urban areas of MEGHALAYA. Both the primary and secondary data's are used. Primary data is enumerated from a field survey of the study area. Secondary data is collected from the reports of financial institutions, Government notifications, NGOs, research papers, books, TV news, websites and internet search for various questions.

### SELECTION OF THE STATE

The Meghalaya has seven districts; RIBHOI, EAST KHASI HILLS, WEST KHASI HILLS, JAINTA HILLS, EAST GARO HILLS, WEST GARO HILLS and SOUTH GARO HILLS with good combination of plain forward and hilly backward areas. The cottage units existing in all districts along with formation of about 17,000 SHGs through 221 banks and NGOs under the purview of microfinance programs of SIDBI & NABARD there are also semiformal, informal and other formal institutions which actively participate in microfinance the small business units but there is also the vast intra regional disparity associated with the location of the small scale units because of the population, economic and socio-cultural differences among the hilly and plain areas of the state. So Meghalaya represents the clear picture of whole region's microfinance and small business activity. As far as the state scenario is concerned, only limited studies have been conducted. The socio economic condition of Meghalaya is similar to those of Assam and the other neighbouring states such as; Mizoram, Manipur, Nagaland, Tripura, Arunachal Pradesh and Sikkim. So the study outcome of the Meghalaya might be useful for policy implications to other states in the NEER also.

### PILOT STUDY

Questionnaire was prepared based on the issues and gaps in the studies carried out by the earlier researchers in India relating to the role of financial institutions in the development of small and cottage businesses. Pilot study was conducted to ensure the reliability and validity of the research instruments. The following studies were useful to frame the questionnaire:

1. Mapping to enhance credit flow to rural sector of Meghalaya: SENGUPTA and MAJUMDAR (2006)
2. Status of micro- credit through SHGs in Meghalaya: Dr. SHREERANJAN (2006)
3. Development of small and Cottage Industry of Meghalaya: M.D. RAPTHAP
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### SAMPLING DESIGN

Non random sampling was followed the data was collected from selected projects with proper judgement based on the presence of maximum SHGs being nourished under them where various financial organisations are also actively participating in financing these projects.

### SAMPLE SIZE

Respondents were selected based on the number of projects selected in sampling design. In total we have selected seven projects and all the beneficiaries under these projects were selected for evaluating their financial conditions and the role of various financial organisations in satisfying the financial needs, the respondents also included officials from the project sponsored departments, banks and NGOs. The data was collected from all seven districts of MEGHALAYA.

### STATISTICAL TOOLS USED

Average, mean, simple correlations, graphs, diagrams, cross tabulation and percentage analysis etc. were used to analyze and interpret the data.

### METHOD OF DATA COLLECTION

A structured interview schedule was prepared by the researcher and used for collecting data from the members of NABARD, Soil conservation department GOM, Horticulture dept. GOM, Dept. of C & RD and SIRD, Social welfare dept., NEC, planning Dept. GOM., SSIs and SHGs located in both the urban and rural areas of the MEGHALAYA.

## ANALYSIS AND INTERPRETATION OF DATA

### FINANCIAL INSTITUTIONS

The seven financial institutions are actively participating in promoting the small & cottage industries in Meghalaya. These are; Assam financial corporation, National small industries corporation, Nationalized Commercial banks, Industrial refinance banks, Small industries development bank of India, Industrial financial corporation of India and the National scheduled castes finance & development corporation. They finance the applicants under concerned schemes.

The Assam financial corporation encourages informal financial practice in the applicants it makes credit available through eligible NBFCs, sec-25 companies / Registered Cooperative and Thrift & Credit Societies at cheaper rate of interest. The NSIC make credit available to SSIs through bill financing, working capital financing, export financing and lease equipment financing. The commercial banks are mainly concerned with term loan finance but in some cases they also finance the working capital requirements. Generally these banks and their respective branches operate according to their specific areas as specified for the purpose. There are around 221 different CBs operational in Meghalaya where on average every bank covers 12,078 people and distributes Rs. 10.83 million of credit. The refinance banks such as; SIDBI, IFCI and the NSCTFDC do crediting to entrepreneurs through commercial banks & other financial institutions but in some cases they do the direct financing. The SIDBI finances through both direct and indirect schemes, the main schemes are; National equity fund scheme, Single window scheme, Composite loan scheme, MAHILA UDYAM NIDHI (MUN) Scheme, Scheme for financing activities, relating to marketing of SSI products, Equipment finance scheme, Venture capital scheme and the Micro credit scheme. The IFCI Subscribing directly to the shares and debentures of any industrial undertaking, Guaranteeing loans taken up by industrial concerns from the scheduled banks and also grants long term loans under various schemes. The NSCTFDC provide microcredit to scheduled caste applicants under its specified schemes.

So, it is clear that (i) In Meghalaya the formal financial component of the microfinance structure is channelized through 221 different commercial banks and other financial institutions where finance is issued both under the government supported microfinance schemes and the mortgage term loans. The microfinance scheme fund is well equipped & supplemented with various direct and indirect financial schemes of different refinancing institutions such as; SIDBI, NSIC, IFCI, NSCTFDC etc. (ii) The informal financing has also been technically simplified through Assam financial corporation where customers get finance at cheap interest rates than other informal financial institutions.

### MECHANISM FOR MICROFINANCE

Micro-credit programs are run primarily by NABARD in the field of agriculture and SIDBI in the field of Industry, Service and Business (ISB). The Microfinance scheme of both these Institutions is operating through the network of MFIs/NGOs. Non-Banking Financial Companies (NBFCs), Co-operative societies, Section-25 companies, Societies and Trusts, all such institutions operating in microfinance sector constitute MFIs and together they account for about 42 percent of the microfinance sector in terms of loan portfolio. The MFI channel is dominated by NBFCs which cover more than 80 percent of the total loan portfolio through the MFI channel. The reason for existence of separate institutions i.e. MFIs for offering microfinance are; High transaction cost by banks in processing large number of small loans, poor entrepreneurs are unable to pay collaterals to banks and the higher chance of default by small debtors. So, it is clear that 42 percent of



microcredit is supplied by semi formal financial institutions under the purview of various direct & indirect schemes of refinancing banks. The remaining 58 percent of microfinance is being supplied by the formal financial institutions (commercial banks) and the informal organisations. The commercial banks are not interested in providing the microfinance (under Govt. schemes) to small scale industries which is evident from the slow pace of credit growth to SSIs as compared to the growth of net banking credit.

The microfinance Scheme of SIDBI & NABARD in the state is managed by a Committee under the chairmanship of additional Secretary & Development Commissioner (MSME). The other members of the Committee are Additional Development Commissioner & EA, Director (IFW), Chairman-cum- Managing Director (SIDBI) and Director (EA). The Committee is reviewing the progress made under the scheme, approve the adjustment of security provided by the Government of India and interest accrued thereon in case of non-recovery of loan by SIDBI, approve further rotation of funds provided by the Government of India and other related matters.

Government has launched a revised scheme under the micro Finance Program of SIDBI in 2003-04, government of India provides funds for micro-finance program to SIDBI under a 'Portfolio Risk Funds' (PRF), which is used for security deposit requirement of the loan amount from the MFIs / NGOs. At present, SIDBI takes fixed deposit equal to 10 percent of the loan amount. Under the PRF, the share of MFIs, /NGOs, is 2.5 percent of the loan amount (i.e. 25 percent of security deposit and balance 7.5 percent (i.e. 75 percent of security deposit) is adjusted from the funds provided by the order to harmonies divergence in the concept as well as to contend of cluster development programs, an Empowered Group of Ministers (EGoM) has been constituted very recently under the Chairmanship of the External Affairs Minister. Minister of SSI has been nominated for servicing of the EGoM.

#### THE ROLE OF THE SHG- BANK LINKED MFI MODELS IN MICRO FINANCING THE SMALL BUSINESS IN MEGHALAYA

There are around 16,500-17,000 SHGs in the Meghalaya formed under various programs, such as SGSY (C & RD dept.), IWCP (Social welfare dept.), IWDP (Soil conservation dept.), NABARD and Banks, Horticulture Mission (Agriculture dept.), IFAD projects (NEC, and planning Dept.) and the NGO promoted & run under various assistance programs. The credit per SHG is approximately Rs. 26505 (half of all India average). About 76 percent of SHGs have been formed under Model-I which directly credit linked to banks and the only 16 percent of SHGs are formed under Model-II and are being financed through NGOs. In the Model-I RRBs (Regional Rural Banks) are most active and finances the maximum number of SHGs (56 percent), followed by the commercial banks (38 percent), there is minimum involvement of cooperative banks. In the Model-II, about 2564 SHGs have been formed up to year 2010 most of the groups are now being covered under SGSY program.

#### STATUS OF NGO FACILITATED SHGS FORMATION

Most of the Micro credit initiatives in the state have taken place with the involvement of NGOs such as BOSCO REACH OUT, BAKDIL Diocesan social service society, Bethany society, FMA Out reach for underprivileged women and children, women for Integrated sustainable empowerment (WISE),, NANGROI Under HYNIEWTREP Organization, NAMRHEN association, western cultural and socio welfare association etc., to name a few. Of these, the BOSCO REACH OUT has been more successful in the formation and linking of SHGs with the banks. NABARD has sanctioned grant assistance of Rs. 8.00 lakhs to BOSCO REACH OUT for conducting various training programs for strengthening 400 existing SHGs and promoting 400 SHGs both in Meghalaya and Assam within a period of three years. NABARD has also sanctioned revolving fund arrangement of Rs. 15 lakhs for lending to 150 SHGs with an average loan of Rs. 10,000.00 per group for undertaking income generating activities. As on June 2004, BOSCO REACH out has formed 5563 SHGs, of which 340 groups have been savings linked.

#### SHGS IN IFAD PROJECTS

IFAD is assisting two projects for rural economic development in Meghalaya; North eastern region community resource Management Project of upland areas (NERCRMP) and the Livelihoods Improvement Project for the Himalayas. The NERCRMP project cost in Meghalaya is about Rs. 159.36 cr. which has contribution from IFAD (RS. 109.92 cr. 68.9 percent), GOI (Rs. 26.88 Cr. 16.86 percent), beneficiary schemes (Rs. 16.80 cr. 10.54 percent) and financial institutions (Rs. 5.76 cr. 3.63 percent). Under this project about 777 SHGs from 354 villages have been formed so far in Meghalaya through NGOs. The Livelihoods Improvement project cost is around Rs 172.14 cr. The cost sharing is likely to be 48.34 percent by the IFAD, 27 percent by the banks in the form of credit, 10.63 percent by the stakeholder i.e., poor people and 14 percent by the state govt. The financial services provided under the project would encompass savings, credit and insurance as proven in many successful experiments against poverty. Approximately 29,300 households in over 570 villages of 14 blocks covering about 30 percent of each block are likely to benefit under this project.

#### SHGS UNDER SGSY (SWARNA JAYANTI GRAM SWAROZGAR YOJANA)

Under the SGSY program, about 4,395 SHGs have been formed with amount Rs. 6.38 lakh disbursed as loan on them. Out of these SHGs 1,557 are savings linked, 1,304 SHGs are credit linked and remaining 1,534 are mixed. The program involves NGOs and banks in organizational work.

TABLE 1: DISTRICT WISE SHGS UNDER SGSY (AS REPORTED, JULY 2005)

District	SHGs formed	SHGs Eligible for Revolving fund	SHGs Sanctioned Revolving fund	SHGs Received Revolving fund	SHGs Eligible for project financing	SHGs Sanctioned project fiancé	SHGs Received project financing
EAST KHASI HILLS	646	247	197	165	74	49	45
WEST KHASI HILLS	685	473	473	204	77	NA	NA
WEST GARO HILLS	1300	313	293	293	6	6	6
EAST GARO HILLS	859	493	366	366	365	1	1
JAINTIA HILLS	373	291	122	122	20	9	9
RI - BHOI HILLS	215	199	199	199	16	16	16
SOUTH GARO HILLS	315	101	52	52	7	Nil	Nil
GRAND TOTAL	4395	2117	1702	1401	558	81	77

(Source: Directorate of C& RD and SIRD)

#### SWAYAMSIDHA (IWEP)

One of the women empowerment strategies came into the force by recasting the erstwhile INDIRA MAHILA YOJANA; in 2001 as 'SWAYAMSIDHA'. It organizing women into SHGs and link them with micro credit program for establishing their own income generating units. Under this program about 6,751 SHGs were formed from over 310 villages of Meghalaya and these SHGs are directly linked with banks. The various banks have sanctioned Rs. 505,000 as loan under this scheme to different SHGs. The inter-SHG loan process has also been witnessed among different SHGs and their members under the purview of SWAYAMSIDHA program. The 354 SHGs are reported to have saved Rs. 736,619 in various banks in the state.

#### SHGS UNDER WATERSHED DEVELOPMENT AND WASTELAND DEVELOPMENT PROJECTS OF SOIL CONSERVATION DEPARTMENT

Under this program about 360 SHGs of marginal farmers & landless people were formed from different villages and wasteland areas of Meghalaya with the objective to enable them for generating their own income units pertaining to activities like agriculture, horticulture, veterinary, tailoring, manufacturing and retailing. Many of these SHGs are linked to SGSY scheme. Total loan received by the SHGs formed under the program amounts Rs. 41.72 lakhs.

**SELF HELP GROUPS PROMOTED BY COOPERATIVE INSTITUTIONS**

MENDIPATHAR Multipurpose Cooperative Societies (MMCS) is most active in forming the SHGs in Meghalaya. It has formed around 104 SHGs from 52 villages of Meghalaya with 50 women groups, 34 men groups and 20 mixed groups. Total amount of savings by these SHGs was Rs. 362,385 and the total amount of loans from banks was Rs. 835,000 between year 2001-05.

**SELF HELP GROUPS PROMOTING INSTITUTIONS (SHPI) BY NABARD**

The regional rural banks (RRBs), state cooperative banks (SCBs), commercial banks (CBs) and cooperatives institutions take up the role of SHPIs where NABARD provides grant support. Under this program about 844 SHGs were formed during 2004-06 in Meghalaya. In year 2006, NABARD sanctioned revolving fund arrangement of Rs. 15 lakhs through various NGOs for lending to 150 SHGs with an average loan of Rs. 10,000.00 per group for undertaking income generating activities.

**SHGs UNDER HORTICULTURE TECHNOLOGY MISSION**

In the last five years, 1,351 SHGs (mostly of women) have been assisted with Rs. 67.55 Lakh with grant support of Rs. 5,000 per group for carrying out the horticulture related activities in Meghalaya.

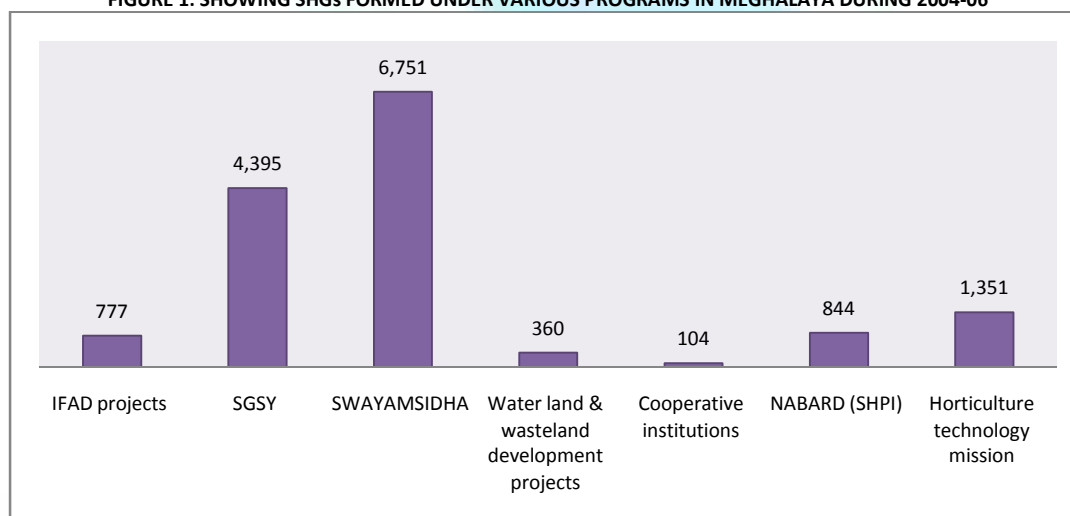
**SUPPORT OF NORTH EASTERN DEVELOPMENT FINANCE INSTITUTE (NEDFI) TO SHGs**

NDFI's Micro Finance Scheme targets the small and mid-sized agriculturist, self employed person and entrepreneur, not so much as a measure of poverty alleviation but as productivity/efficiency. The organization aims to achieve this by developing and supporting NGOs & voluntary agencies (VAs). The minimum amount that can be given to an SHG is Rs. 20,000 and the maximum could go up to Rs. 4 Lakh. NGOs lend money to SHGs /individuals at a rate would be determined by them in consultation with NEDFI that should not be more than 4 percent above NEDFI's PLR. A feasibility study of the projects sent by the SHGs would have to be done by the NGOs, before being accepted by NEDFI. NEDFI will help SHGs and NGOs in identifying activities through holding seminars, training sessions, workshops etc.

**TABLE 2: THE VARIOUS SHGs FORMED AND THE AMOUNT OF CREDIT GRANTED UNDER VARIOUS PROGRAMS IN MEGHALAYA IS 2004-06, IS GIVEN BELOW**

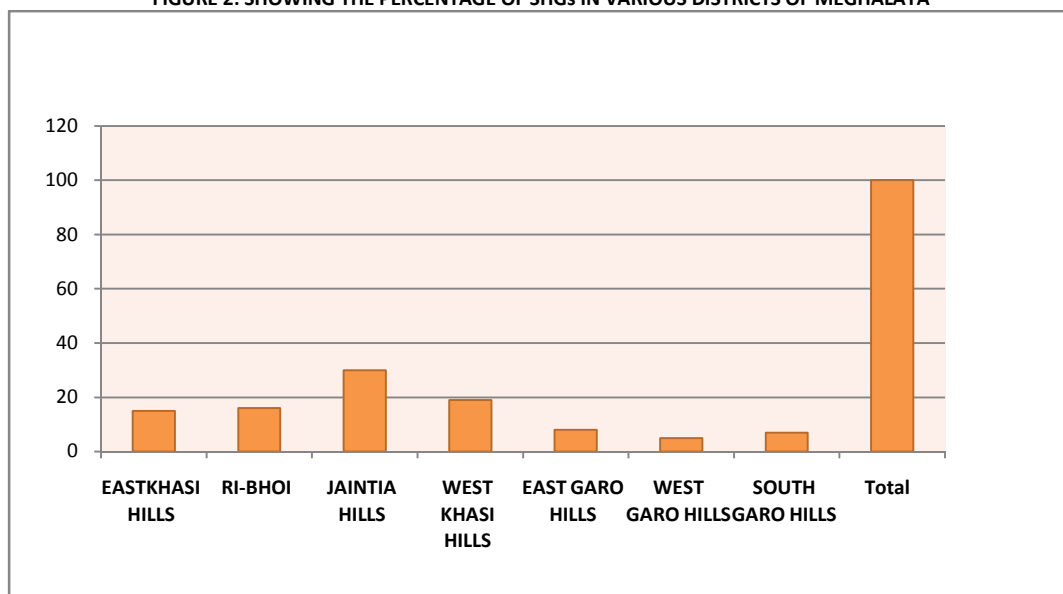
S. No.	Program	Number of SHGs Formed/households covered	Amount of credit issued (in Rs. lakhs)	Linked to NGOs/banks
1.	IFAD projects	777 SHGs & 29,300 Households	33.150	NGOs & banks
2.	SGSY	4,395 SHGs	6.38	NGOs & banks
3.	SWAYAMSIDHA	6,751 SHGs	5.05	Banks
4.	Water land & wasteland development projects	360 SHGs	41.72	NGOs & banks
5.	Cooperative institutions	104 SHGs	8.35	Banks
6.	NABARD (SHPI)	844 SHGs	84.40	Banks
7.	Horticulture technology mission	1,351 SHGs	67.55	NGOs & banks

Source: Reports from; NABARD, Soil conservation department GOM, Horticulture dept. GOM, Dept. of C & RD and SIRD, Social welfare dept., NEC, and planning Dept. GOM.

**FIGURE 1: SHOWING SHGs FORMED UNDER VARIOUS PROGRAMS IN MEGHALAYA DURING 2004-06****TABLE 3: SHOWING THE PERCENTAGE OF SHGs IN VARIOUS DISTRICTS OF MEGHALAYA**

District	Percentage of SHGs
EASTKHASI HILLS	15
RI-BHOI	16
JAINTIA HILLS	30
WEST KHASI HILLS	19
EAST GARO HILLS	8
WEST GARO HILLS	5
SOUTH GARO HILLS	7

FIGURE 2: SHOWING THE PERCENTAGE OF SHGs IN VARIOUS DISTRICTS OF MEGHALAYA



## CURRENT STATUS OF MICRO CREDIT DISTRIBUTION

TABLE 4: SHOWING THE DISTRIBUTION OF MICROCREDIT AMONG SHGs ESTABLISHED UNDER VARIOUS PROGRAMS DURING 2011-12 IN MEGHALAYA

Program	Number Of SHGs which received funds (in the range between Rs. 3,000 and 20,000)						Total No. of SHGs received funds	Total No. of SHGs	Total amount received in Rs. lakhs
	Received no amount	3,000	7,000	10,000	15,000	20,000			
IFAD Projects	0	60	40	250	150	0	500	500	51.6
SGSY	500	30	70	100	0	0	200	700	15.8
SAWAYSIDHA	600	10	70	90	20	10	200	800	19.2
Water land & Wasteland projects	0	20	10	20	20	0	70	70	6.30
Cooperative institutions	100	0	0	50	50	100	200	300	32.5
NABARD (SHPI)	0	0	0	300	0	200	500	500	70
Horticulture technology mission	40	0	0	10	10	20	40	80	6.5

Source: Primary data collected during the interviews from officials of NABARD, Soil conservation department GOM, Horticulture dept. GOM, Dept. of C & RD and SIRD, Social welfare dept., NEC, and planning Dept. GOM.

FIGURE 3: THE NUMBER OF SHGs RECEIVED FUNDS OUT OF THE TOTAL NUMBER OF SHGs ESTABLISHED UNDER VARIOUS PROGRAMS DURING 2011-12 IN MEGHALAYA

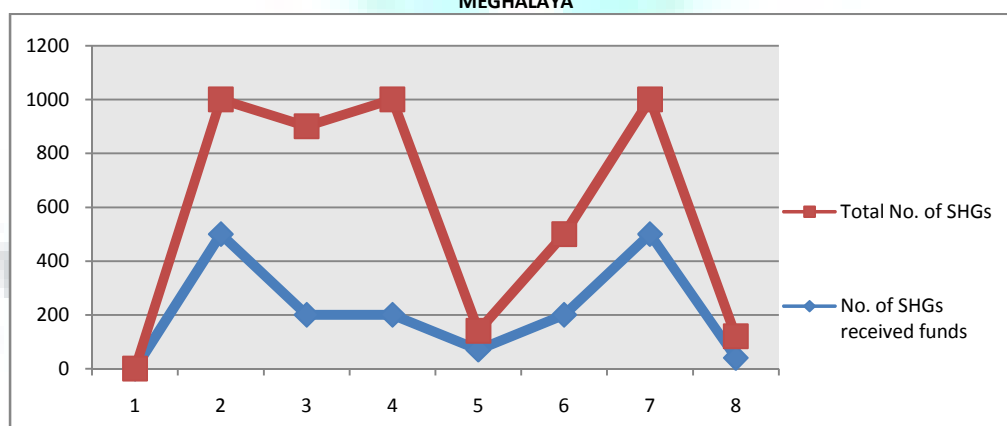


FIGURE 4: SHOWS THERE IS SOME POSITIVE CORRELATION BETWEEN THE NUMBER OF SHGs RECEIVED FUNDS AND THE AMOUNT GRANTED UNDER VARIOUS PROGRAMS

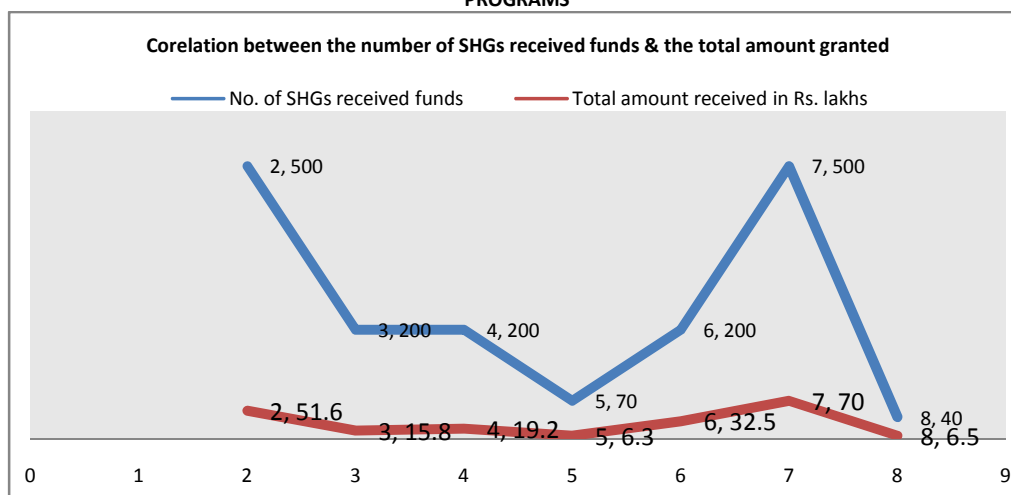
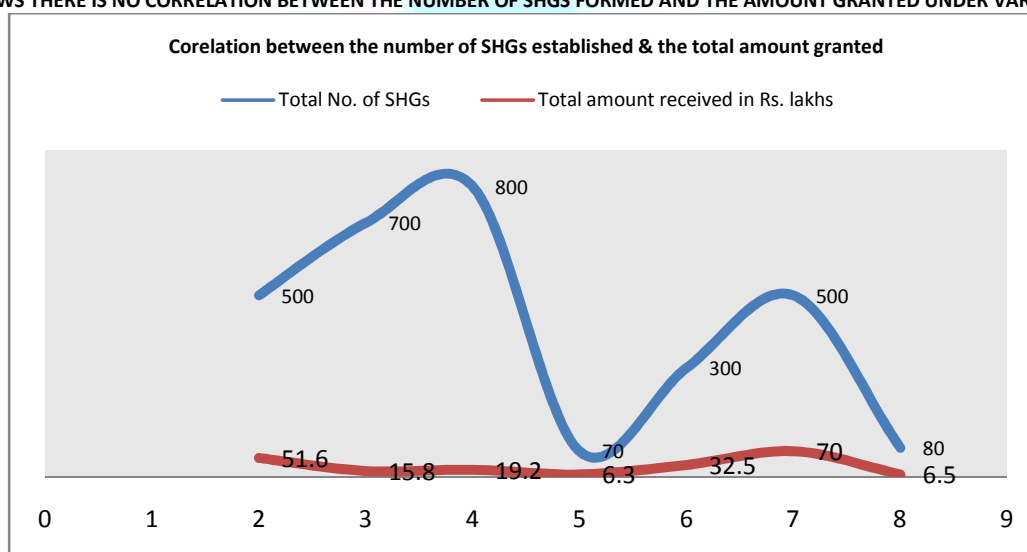


FIGURE 5: SHOWS THERE IS NO CORRELATION BETWEEN THE NUMBER OF SHGS FORMED AND THE AMOUNT GRANTED UNDER VARIOUS PROGRAMS



So, it is clear that funds are not granted according to the number of SHGs sanctioned under different programs. The release of funds for any SHG under the program concerned could take long time after the approval of its sanction. The variation is also evidenced in the grant of funds for the specific number of SHGs under different programs, for example; the cooperative institutions and the SAWAMYSIDHA program established 200 SHGs each but the later issued Rs. 19.2 lakhs with average funds Rs. 9,600 per SHG while former issued Rs. 32.5 lakhs with average funds Rs. 16,250 per SHG but the fact lies in the range of SHGs covered under different programs, the SAWAMYSIDHA program covering SHGs which mostly require Rs. 3,000 to Rs. 10,000 where Cooperative institutions financing SHGs requiring Rs. 10,000 to Rs. 20,000.

## FINDINGS OF THE STUDY

1. It was observed that the Financial Institutions are spread all the districts of Meghalaya and are playing important role in micro financing the small enterprises.
2. The formal financial component of the microfinance structure is channelized through 221 different commercial banks and other financial institutions where finance is issued both under the government supported microfinance schemes and the mortgage term loans. The microfinance scheme fund is well equipped & supplemented with various direct and indirect financial schemes of different refinancing institutions such as; SIDBI, NSIC, IFCI, NSCFTDC etc.
3. The informal financing has also been technically simplified through Assam financial corporation where customers get finance at cheap interest rates than other informal financial institutions.
4. It was observed that micro-credit programs are run primarily by NABARD in the field of agriculture and SIDBI in the field of Industry, Service and Business (ISB). The Microfinance scheme of both these Institutions is operating through the network of MFIs/NGOs.
5. It was observed that Non-Banking Financial Companies (NBFCs), Co-operative societies, Section-25 companies, Societies and Trusts, all such institutions operating in microfinance sector constitute MFIs and together they account for about 42 percent of the microfinance sector in terms of loan portfolio.
6. It was observed that most of the Micro credit initiatives in the state have taken place with the involvement of NGOs such as BOSCO REACH OUT, BAKDIL Diocesan social service society, Bethany society, FMA Out reach for underprivileged women and children, women for Integrated sustainable empowerment (WISE), NANGROI Under HYNIEWTREP Organization, NAMRHEN association, western cultural and socio welfare association etc., to name a few. Of these, the BOSCO REACH OUT has been more successful in the formation and linking of SHGs with the banks.
7. About 17,000 SHGs belonging to various businesses such as textiles, Wooden furniture & fixtures, cement, leather, stone, tailoring, lime making, bakery, printing, cane & bamboo, and handloom & handicrafts etc. have been formed in Meghalaya with the financial support of these institutions.
8. It was observed that with a view to accelerate the promotion and up scaling of SHGs in the state, NABARD has brought a concept Self Help Promoting Institutions (SHPI). NABARD has assisted two NGOs which function as SHPIs one in EAST KHASI HILLS District and the other in the WEST GARO HILLS districts.
9. It was observed that NEDFI has also promoted around 65 SHGs for microfinance of which 51 are women SHGs. A total of Rs. 4.137 million involving 759 beneficiaries have been assisted as on February, 2006, 215 SHGs have been credit linked to various banks.

10. It was observed that the projects Of NERCRMP are working for participatory, sustainable and viable community based institutions that are expected to carry out a people driven mode of rural development. The program gives thrust upon increasing local capabilities, improving livelihood opportunities, enhancing saving habit & capacity and improving delivery systems through local participation, especially that of women.
11. It was observed that the funds are not granted according to the number of SHGs sanctioned under different programs. The release of funds for any SHG under the program concerned could take long time after the approval of its sanction. The variation is also evidenced in the grant of funds for the specific number of SHGs under different programs depending upon the type of SHGs to be financed in a particular range covered under different programs, the SAWAYSIDHA program covering SHGs which mostly require Rs. 3,000 to Rs. 10,000 where Cooperative institutions financing SHGs requiring Rs. 10,000 to Rs. 20,000.

## CONCLUSION

In Meghalaya, the microcredit is supplied to various microenterprises/cottage units through formal, semiformal and informal financial institutions. The financial schemes of these institutions cater under the purview of direct & indirect financial schemes of various refinancing institutions, out of which SIDBI greatly nourishes microenterprises of industrial nature and the NABARD to those belonging to agriculture. The other refinancing institutions such as IFCI, NSIC, NSCTDFC etc. provides light financial support. In the overall structure of microfinance the financial support of semiformal financial institutions such as Non-Banking Financial Companies (NBFCs), Co-operative societies, Section-25 companies, Societies and Trusts, constitutes about 48 percent, the formal financial support being carried out by commercial banks & cooperative banks constitutes about 30 percent and the informal organisations constitutes 22 percent. About 17,000 SHGs belonging to various businesses such as textiles, Wooden furniture & fixtures, cement, leather, stone, tailoring, lime making, bakery, printing, cane & bamboo, and handloom & handicrafts etc. have been formed in Meghalaya with the financial support of these institutions. The prominent schemes/programs operational in forming SHGs are IFAD projects, SGSY, SAWAMYSIDHA, wasteland development projects, NABARD & SHPIs and other field specific programs.

## SUGGESTIONS FOR THE POLICY MAKERS

There is need of expanding the scope of existing programs & their schemes and the establishment of new projects to cover large section of poor population in the state. Both the central and the state governments have to enhance the financial plans and its actual allocation for creating the fast development of cottage sector. The schemes like; Rajiv Gandhi UDYAMI MITRA YOJANA (RGUMY) implemented through NSIC, Performance and Credit rating Scheme implemented through KVIC, KHADI KARIGAR JANASHREE BIMA YOJANA for KHADI Artisans, Interest Subsidy Eligibility Certification (ISEC), Work shed Scheme for KHADI artisans implemented through Coir Board, Rejuvenation, Modernization and Technology up gradation of the Coir industry, MGNREGA, State Self employment scheme, GRAM ODYOG ROZGAR YOJANA, Scheme of fund for regeneration of traditional industries (SFURTI), Prime Minister's employment generation program (PMEGP), the small industry cluster development program (SIDCP), the national scheme of " SEEU" and the various other schemes need to be launched in all blocks of the Meghalaya. More number of NGOs should be created and encouraged to reach out the microfinance under these schemes to the people of desolated, solitude and remote hilly areas. The loan/credit opportunities from international agencies/banks should be fully used in the selected projects and more proposals of the international interest need to be created and forwarded to the Asian Development Bank (ADB) and the World Bank (WB) to increase the credit inflow for establishing large possible number of income generating units.

## FUTHER RESREACH DIRECTION

This research paves way for further researches on the role of financial institutions in the development of cottage industries such as; the performance of banks in financing the cottage units and establishment of entrepreneurship along with the impact of innovative schemes and the challenges in achieving the targets; the role of various institutions including both financial and nonfinancial institutions in promoting the business of small scale industries; the impact of institutional support on self help groups and the individual entrepreneurs particularly in fulfilling their financial needs.

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