

**Executive Summary  
of  
UGC Minor Research Project**

**Title**

**“Impact of NABARD’s Social Banking in Gujarat:  
an Assessment of Microfinance in Gujarat”**

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## **Objectives of Research**

This study aims at measuring the growth of microfinance in Gujarat and examining the Role of the NABARD in state of Gujarat. The basic objectives are as follows:

- (i) To identify Microfinance Needs and Concepts in Gujarat.
- (ii) To evaluate microfinance functions of various microfinance institutions and Self-help Groups of Gujarat which runs with help of NABARD
- (iii) To analyze refinance operations and role of NABARD in state of Gujarat for microfinance to weaker section.
- (iv) To find out impact of microfinance Institutions in state of Gujarat.

## **Research Methodology**

**Research Problem:** To study and evaluate need of microfinance among weaker section of Gujarat, and to study Role of NABARD in microfinance in Gujarat. And suggest appropriate model for commercial success of Microfinance Industry.

**Research Approach:** The research is aimed at study overall Role and refinance disbursements by NABARD in state of Gujarat in last Ten years, during the period of 2002-03 to 2011-12. Over all purpose-wise and agency-wise disbursements were studied.

**Research Plan:** The sources of data were primary data and secondary data. Secondary data were collected from annual reports of NABARD and other Micro Finance Institutions operating in state of Gujarat. A structured questionnaire is prepared to collect primary data. Survey covered total 1000 respondents form all over Gujarat. The aim of survey is to identify impact of Microfinance on beneficiaries of microfinance.

## **Major Findings of the Study**

- (1) Microfinance is helpful to combat against poverty, and to improve life of poor people.
- (2) NABARD and MFIs are successful to create awareness about their existence in rural area.
- (3) People get information about microfinance schemes through their nearby resources, sources which are used for large publicity like banks, advertisements, MFIs campaigns are not found effective.
- (4) It is found that majority of beneficiaries are associated with microfinance only through micro-credit. Very few respondents are associated with micro-insurance and micro-saving.
- (5) Majority of loans are taken for smaller amount, which are mainly of agricultural and consumption purpose.
- (6) Banks and MFIs are successful to provide timely financial assistance in form of loan, as well as loans were disbursed in required amount.
- (7) Banking procedures and behavior of bank staff are major hurdles in microfinance by banks.
- (8) Technology adoption is one of major success of microfinance in Gujarat.
- (9) To improve credit availability to weaker section of society, institutional changes are required.
- (10) Microfinance created positive impacts on economic condition of weaker section.
- (11) Due to microfinance self-confidences and self-worth of poor people increased, and they are now in better position in to response to their social problems.
- (12) Microfinance can create major impact on standard of living of weaker section; however in Gujarat microfinance is still not successful to provide better medical facilities, water supply, sanitization, food grains, housing and transport.

(13) Overall purpose wise and agency wise refinance distribution by NABARD increased in state of Gujarat.

(14) Proper regulatory framework is required for financial inclusion of poor people.

### **Recommendations**

(1) Banks and MFIs need to publicize their schemes at more individual level.

(2) MFIs need to develop innovative schemes to attract customers for loan, deposit, remittance and insurance products especially adapted for low income groups

(3) MFIs need to develop schemes for micro and small business enterprises, as microfinance prove very much useful for them in Latin America.

(4) Banks need to train their staff for microfinance business, as normal banking staff unable to deal with microfinance business.

(5) MFIs should carry aggressive awareness program about their schemes, they may also adopt delivery channels located as per the convenience of the clientele

(6) From civil supply channel middlemen need to be removed, because at the one hand producers do not get sufficient price for their production and on the other hand consumers have to pay heavy price of goods in market. Government can also work on alternative delivery channels.

(7) Systems and procedures should be adapted to the microfinance operation, e.g. systems that support immediate follow up on missed savings / loan repayments.

(8) MFIs should adopt transparent policies and procedures which enable all the stakeholders to scan through.

(9) MFIs should adopt appropriate risk management techniques and practices to reduce risk of micro-loans.

(10) Microfinance Institutions should have solid foundation for governance, which is broadly made up of six fundamental elements

(a) A shared vision / mission

(b) Good Management Information System (MIS) for making data based decisions and for monitoring

(c) Well laid down processes for making decisions

(d) Appropriate training for staff, both in skill development and attitudinal development

(e) Ability to face external and internal crises

(f) Resilience to bounce bank.

**(11)** Government and MFIs should work together and in common direction to improve quality of living of poor people.

**(12)** A successful model for microfinance can be setup only on basis of Social, Legal, Economic, Political and Technology (SLEPT) of that region.