CHAPTER – 4
MICROFINANCE INITIATIVES OF SELECTED BANKS IN INDIA

4.1 Public sector banks profile- Microfinance Initiatives
   4.1.1 SBI Bank

4.2 Private sector banks profile- Microfinance Initiatives
   4.2.2 HDFC Bank

4.3 Comparative analysis of HDFC and SBI Bank

Summary
References
4.1 Public sector Banks profile- Microfinance Initiatives

India’s well-developed financial sector consists of 27 government owned banks and more than 20 major private banks. Government legislation requires all banks in India to lend at least 40 percent of their credit (at an interest rate not more than 4 percentage points above their prime lending rate) to the so-called “priority sector” which includes rural areas, small industries, exporting firms, housing and agriculture.

This policy and the general welfare objectives of India’s public sector banks, the so-called “new paradigm” microfinance, came very late to India. The government spent many years trying to alleviate poverty with massive programmes of directed and subsidised credit. These programmes had limited success, were often hijacked by the less poor and used as a patronage mechanism by politicians and bureaucrats. They did however occupy the ‘institutional space’, which might otherwise have been filled by micro-finance. According to the latest research done by the World Bank, India is home to almost one third of the world’s poor (surviving on an equivalent of one dollar a day). Though many central government and state government poverty alleviation programs are currently active in India, microfinance plays a major contributor to financial inclusion. In the past few decades it has helped out remarkably in eradicating poverty. Reports show that people who have taken microfinance have been able to increase their income and hence the standard of living.

The public sector banks on the whole have been achieving the set target of 40% of net bank credit to the priority sector in the past years. It has risen from 39% in 1999 to 42% in the previous years. The lending to agriculture has shown an increase, but still falls short of the 18% overall target set for agriculture. The lending to small industries has fallen. The advances to other priority sectors have shown an impressive increase in these years (from 9 to 15%). To Access the impact, 5 banks have been selected from each group, public and private sector banks. Selected bank's Profiles are as follows:
4.1.1 State Bank Of India (SBI)

The Bank is actively involved since 1973 in non-profit activity called Community Services Banking. All branches and administrative offices throughout the country sponsor and participate in large number of welfare activities and social causes. Bank business is more than banking because Bank touch the lives of people anywhere in many ways. Bank commitment to nation-building is complete & comprehensive.

<table>
<thead>
<tr>
<th>Features of Bank</th>
<th>State Bank of India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>Government</td>
</tr>
<tr>
<td>Bank started</td>
<td>1809</td>
</tr>
<tr>
<td>Bank entered micro-finance</td>
<td>1993</td>
</tr>
<tr>
<td>Total assets</td>
<td>5182 billion</td>
</tr>
<tr>
<td>% of assets in micro-finance</td>
<td>0.89%</td>
</tr>
<tr>
<td>Number of branches</td>
<td>16000+</td>
</tr>
</tbody>
</table>

4.1.1.1 Evolution of SBI

The roots of the State Bank of India rest in the first decade of 19th century, when the bank of Calcutta, later renamed the Bank of Bengal was established on 2 June, 1806. The Bank of Bengal and two other Presidency banks, namely, the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras (incorporated on 1 July 1843). All three Presidency banks were incorporated as Joint Stock Companies, and were the result of the Royal Charters. These three banks received the exclusive right to issue paper currency in 1861 with the Paper Currency Act, a right they retained until the formation of the Reserve Bank of India. The Presidency banks amalgamated on 27 January 1921 and the reorganized banking entity took as its name Imperial Bank of India. The Imperial Bank of India continued to remain a joint stock company. Pursuant to
the provisions of the State Bank of India Act (1955), the Reserve Bank of India, which is India’s Central Bank, acquired a controlling interest in the Imperial Bank of India. On 30 April 1955 the Imperial Bank of India became the State Bank of India. The Government of India recently acquired the Reserve Bank of India's stake in SBI so as to remove any conflict of interest because the RBI is the country's banking regulatory authority. SBI has acquired local banks in rescues. For instance, in 1985, it acquired Bank of Cochin in Kerala, which had 120 branches. SBI was the acquirer as its affiliate State Bank of Travancore already had an extensive network in Kerala. The State bank of India is the 29th most reputed company in the world according to Forbes. Also SBI is the only bank to get featured in coveted 'top 10 brands of India' list in an annual survey conducted by Brand Finance and The Economic Times in 2010.

4.1.1.2 Micro-finance Delivery Systems

The State Bank of India (SBI) gives wholesale loans to NGOs and MFIs, in addition to its direct self-help group business. So it is involved in both direct and indirect microfinance delivery methods. SBI is the world’s largest bank by numbers employed and numbers of branches. During the previous year’s its total advances were $30 billion, of which $7.8 billion was lent for farming and small-scale industry, the so-called ‘priority sectors’ for which all commercial banks in India are required to lend a fixed proportion of their portfolio. The Bank provides loans to SHGs for meeting entire credit requirements of the groups like income generation activities, social needs like housing, education, marriage and debt swapping. The quantum of the loan depends on the saving corpus of the group. The first loan to group should not exceed four times the corpus. In case of repeat loans, higher needs based loan can be sanctioned. However, maximum loan per SHG member should not exceed Rs.50,000/-. SBI has been involved in India’s poverty alleviation programmes and has suffered heavy losses as a result but the Bank has also entered the rapidly growing self-help group (SHG) market. In 2004, SBI was lending to 175,000 SHGs, with over two million women members; approximately another 175,000 groups have savings accounts with the Bank and are likely to take loans in the near future. The interest
rate is about 10% and recoveries are almost perfect. Only about 25% of SBI’s branches are involved in direct business with SHGs, however. The others are not involved, either because of competition from other banks or MFIs, or because there are no local NGOs to promote groups, or because local management are unenthusiastic.

In areas where MFIs dominate the market, however, SBI has become involved in bulk lending to a number of strong MFIs. SBI has actively participated in SHG-Bank Credit Linkage programme since its inception in 1992 as a pilot project of NABARD. Since then, the Bank has made a steady progress in financing SHGs. market share in SHG credit linkage is 17.46% (March 2014)

As on 31st March 2015, Bank's lending to SHGs is Rs. 4,586 crore to 3.85 lac SHGs, of which 91% are women SHGs. (Annual Report)

Various Initiatives in the area of Microfinance:

- Sensitization of staff working in rural and semi-urban branches.
- Training programmes on SHGs are conducted at 47 Learning Centers and SBIRD, Hyderabad.
- Close liaison with NGOs.
- Lending to NGOs / Federations of SHGs / MFIs
- Sahyog Niwas - Housing loans upto Rs.50,000/- to the SHG members without any mortgage of house / land.
- Training /skill up-gradation through 117 Rural Self Employment Training Institutes (RSETIs)
- Financial Literacy Centers (FLCs): 196 FLCs conduct camps, seminars and workshops to create financial awareness among people.
- Scheme for Promotion of Women SHGs implemented through anchor NGOs in 150 backward / Left Wing Extremism (LWE) affected districts.
- Cash credit facility provided to SHGs to facilitate flexibility in operation. SHG members can save variable amount over and above the minimum
saving fixed by the group. This forms part of saving corpus for the purpose of arriving at loan limit to SHGs.

- Scheme for Financing (SHGs) of Scheduled Tribes (STs) for channelizing the funds of National Scheduled Tribes Finance and Development Corporation (NSTFDC).

- Under National Rural Livelihood Mission (NRLM) scheme, loans to Women SHGs are provided at 7% p.a. interest rate. In 150 identified districts, prompt payee SHGs gets additional subvention of 3% p.a.

- As a part of its financial inclusion plan, State Bank of India set up a specialised micro-finance branch in Asia’s largest slum area, Dharavi, Mumbai. The micro-finance branch is a specialised vehicle for delivering direct as well as indirect finances to the rural as well as urban poor. This is the second such branch opened by the bank in the country, the first being at Bhopal, which it established in 2008.

**Financial performance**

![Net Profit - a Snapshot](image)
Retail Deposits drive Growth

<table>
<thead>
<tr>
<th>Source: SBI Annual Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chart 4.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rs. In Crores</th>
<th>Level</th>
<th>YOY Growth Sep-14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sep-14</td>
<td>Mar-14</td>
</tr>
<tr>
<td>Whole Bank Deposits</td>
<td>1473785</td>
<td>1394409</td>
</tr>
<tr>
<td>Domestic Deposits</td>
<td>1382926</td>
<td>1305084</td>
</tr>
<tr>
<td>Deposits at FIs</td>
<td>90859</td>
<td>88425</td>
</tr>
<tr>
<td>Term Deposits</td>
<td>791125</td>
<td>725787</td>
</tr>
<tr>
<td>Of which: Retail TD</td>
<td>692922</td>
<td>593792</td>
</tr>
<tr>
<td>(% of Total)</td>
<td>87.59</td>
<td>81.81</td>
</tr>
<tr>
<td>Current Account</td>
<td>90939</td>
<td>110935</td>
</tr>
<tr>
<td>(% of Total)</td>
<td>6.58</td>
<td>8.49</td>
</tr>
<tr>
<td>Savings Bank</td>
<td>500861</td>
<td>469262</td>
</tr>
<tr>
<td>(% of Total)</td>
<td>36.22</td>
<td>35.93</td>
</tr>
<tr>
<td>CASA</td>
<td>501801</td>
<td>580197</td>
</tr>
<tr>
<td>CASA Ratio - Domestic (%)</td>
<td>42.79</td>
<td>44.43</td>
</tr>
</tbody>
</table>

Source: SBI Annual Report

Chart 4.1

Expanding Footprint & Multiple Delivery Channels

<table>
<thead>
<tr>
<th>Source: SBI Annual Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Banking Users*</td>
</tr>
</tbody>
</table>

Source: SBI Annual Report
Other Initiatives by SBI Bank along with Microfinance:

State Bank of India (SBI) is the nation’s largest and oldest bank with a network of 15,869 branches. Nearly 10,000 of the 15,869 branches are located in rural and semi-urban areas. SBI is the leader in agricultural finance. SBI and its 5 Associate Banks have more than 48,000 ATMs making it one of the largest ATM networks in the world. The Bank’s ATMs are located in all parts of the country including some of the remotest and inaccessible parts.

Bank’s activity touches the lives of millions of poor and needy across the length and breadth of the country. The Bank has a comprehensive Corporate Social Responsibility (CSR) Policy, approved by the Executive Committee of the Central Board in August 2011 and earmarks 1% of the previous year’s net profit as spend budget for the year.
Corporate Social Responsibility has always been a part of the State Bank of India covering various social, environmental and welfare activities. This is rooted in the Bank’s belief that it owes a solemn duty to the less fortunate and underprivileged members of the society to make a sustainable social change in their development. In fact since 1973 the Bank is actively involved in non-profit activity called Community Services Banking. All its branches and administrative offices throughout the country sponsor and participate in large number of welfare activities and social causes.

The budget for the Bank’s Corporate Social Responsibility spending for FY 2013-14 was 1% of the previous year’s PAT which amounts to 141 crores. The Bank’s actual spend on activities for FY 2013-14 was 148.93 crores.
Various Initiatives Related to CSR

- **Supporting Education**

To support school education and provide relief from heat to millions of school children specially the under privileged children, Bank has provided 1,40,000 electric fans to 14,000 schools across the country. Infrastructure support by way of furniture, computers and other educational accessories and donation of large number of school buses/vans to the physically/ visually challenged children and children belonging to economically weaker section of society.

- **Supporting Healthcare**

Bank donated 210 medical vans/ambulances with an expenditure of `18.38 crores during the year. Medical equipment have been provided at 90 centres worth 8.87 crores. Bank installed more than 30,000 water purifiers in schools ensuring clean & safe drinking water for millions of school going children.

- **Assistance during natural calamities**

During the current fiscal the Bank has donated `6.00 crores to the Chief Minister’s Relief Fund of three states.

- **Green Banking**

Bank has adopted energy efficient measures. SBI is the largest deployer of solar ATMs. Bank has installed windmills in three states for its own energy needs. Paperless Banking is promoted and implemented across the country. Gives project loans at concessionary rate of interest to encourage reduction of green house gases by adopting efficient manufacturing practices.

- **Research & Development Fund**

The Bank makes an annual contribution of GBP 100,000 towards a Chair set up by the Bank jointly with RBI at the Asia Research Centre at London School of Economics. R&D Fund donations amounted to `1.03 crores during 2013-14.
• **SBI Children’s Welfare Fund**

The Bank constituted SBI Children’s Welfare Fund as a Trust in 1983 which extends grants to institutions engaged in the welfare of underprivileged children like orphans, destitute, mentally/physically challenged, etc. The Corpus of the Fund is made up of contributions by staff members and matching contribution provided by the Bank.

• **CSR awards**


### 4.2 Selected Private Sector Banks Profile-MicroFinance Initiatives

#### 4.2.1 HDFC BANK

Housing Development Finance Corporation Limited, more popularly known as HDFC Bank Ltd, was established in the year 1994, as a part of the liberalization of the Indian Banking Industry by Reserve Bank of India (RBI). It was one of the first banks to receive an 'in principle' approval from RBI, for setting up a bank in the private sector. The bank was incorporated with the name 'HDFC Bank Limited', with its registered office in Mumbai. The following year, it started its operations as
a Scheduled Commercial Bank. Today, the bank boasts of as many as 3403 branches and over 11256 ATMs across India.

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

Sustainable Livelihood Initiative (SLI) is one of key products of HDFC Bank aimed at equitable development. Through SLI, Bank’s aim to further financial inclusion objective by empowering livelihoods in the under-banked and unbanked segments of the population. SLI provides financial services such as loans, savings accounts, micro-recurring deposits (RD) and microinsurance products that can support the income-generating activities of these sections of the population. In addition, SLI also undertakes initiatives such as credit counseling, livelihood trainings and provision of market linkages to augment the financial services offered and to ensure holistic support of the livelihoods of these small entrepreneurs. Through this initiative, Bank is engaged with rural customers in ways beyond business by trying to understand their needs and by helping them channelise their income and expenditure effectively. Apart from financing the above activities, Bank also support them with a need-based micro-entrepreneurial skill-building programme both in the farm and non-farm based sectors. Bank’s micro-recurring deposit (RD) scheme helps SLI clients regularly save surplus money to meet the non-income-generating expenses of the family such as school fees, festival celebrations and family functions. With a minimum monthly investment amount of INR 100, and no upper limit, micro RD empowers and instills confidence particularly in women-folk in rural areas, enabling them to create a better future for themselves and their families. In the last year, SLI has taken its micro-finance lending to more than 5,174 villages in 20 states. Bank has covered more than 17 lakh households under this initiative. Bank have been named the Organisation of the Year at the Skoch Financial Inclusion Awards 2013, in
recognition of efforts towards building inclusive growth and bringing banking services to the unbanked regions. Bank been recognised for using technology as a common thread in all initiatives in micro-credit, micro-savings, micro-insurance, capacity building, financial literacy and Self Help Group (SHG) Linkage.

Financial Performance

Chart 4.3

Source: Data Compiled from HDFC Annual Report

Chart 4.4

Source: Data Compiled from HDFC Annual Report
Chart 4.5

Source: Data Compiled from HDFC Annual Report

Chart 4.6

Source: Data Compiled from HDFC Annual Report
Chart 4.7

Source: Data Compiled from HDFC Annual Report

Chart 4.8

Source: Data Compiled from HDFC Annual Report
Chart 4.9

Source: Data Compiled from HDFC Annual Report

Chart 4.10

Source: Data Compiled from HDFC Annual Report
INTERPRETATION

From the above charts it is clear that in last 3 year HDFC Bank has shown positive growth in terms of profit after tax, dividend per share, earning per share, balance sheet, size, advances, deposits, saving deposits, branches, ATMs.

**Table 4.1 : Financial Performance for various types of Loan**

<table>
<thead>
<tr>
<th>Exposure type</th>
<th>March 31, 2015</th>
<th>March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hire purchase receivables</td>
<td>-</td>
<td>6.7</td>
</tr>
<tr>
<td>Housing loans</td>
<td>1,282.0</td>
<td>1,743.2</td>
</tr>
<tr>
<td>Mixed assets*</td>
<td>9,123.4</td>
<td>7,217.0</td>
</tr>
<tr>
<td>Commercial vehicle loans</td>
<td>3,671.6</td>
<td>1,905.5</td>
</tr>
<tr>
<td>Tractor loans</td>
<td>6,410.5</td>
<td>3,510.8</td>
</tr>
<tr>
<td>Micro finance</td>
<td>3,930.3</td>
<td>1,268.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24,417.8</strong></td>
<td><strong>15,670.1</strong></td>
</tr>
</tbody>
</table>
Other Initiatives by HDFC Bank along with Microfinance

Over the last few years, Bank has been incorporating elements of sustainability into its functioning, with individual business units taking up varied initiatives of their own. A key aspect of the sustainability program has been its contribution to society through Corporate Social Responsibility (CSR) projects, which are guided by CSR policy. Recent developments in the Indian regulatory scenario have provided further impetus to sustainability journey. Bank has constituted a Board Level Committee on Corporate Social Responsibility (CSR) which will govern all the Sustainability and CSR-related activities of the Bank and further develop CSR policy.

Various Initiatives Related to CSR

HDFC banks deals in the following major category or areas for CSR investment-

- Corporate Governance
- Managing Environmental Impact through Internal Initiatives
- Grameen Loans
- Skill Training and Livelihood Enhancement
- Health Care
- Rural Development
- Environmental Sustainability
- Rural Initiatives
- Promoting Financial Awareness
- Financial Literacy and Empowerment
- Promoting Education
- Skill Training and Livelihood Enhancement
- Environmental Sustainability
- Eradicating Poverty
4.3 Comparative analysis of HDFC and SBI Bank

Microfinance generally refers to the provision of small financial services to the informal sector in a cost effective manner that is convenient for the intended users of the services. These intended users include low income households, micro entrepreneurs/enterprises, the under-banked and unbanked public. Microfinance has been considered as a veritable tool for reducing poverty and developing the community, particularly in developing economies. It is the provision of financial services with a socio mission. The target client groups for its initiative include the active poor, low income earners, “unbanked” and “under-banked” population of an economy. Lack of access to financial services is not the only cause or perpetuator of poverty. Other factors that have been considered as perpetuators of poverty include: lack of access to good education and training, good health care services, and inadequate resources needed to break out of the poverty cycle.

Table 4.2: Potential for SHG Bank Linkage Programme in Rajasthan

<table>
<thead>
<tr>
<th>S. No</th>
<th>State</th>
<th>SHGs</th>
<th>Household covered under SHG Programme</th>
<th>Total Rural Households</th>
<th>HH having income of highest earning member &lt;5000</th>
<th>Potential households for SHG</th>
<th>Potential for SHG formation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chandigarh</td>
<td>90</td>
<td>1170</td>
<td>15657</td>
<td>7046</td>
<td>5966</td>
<td>459</td>
</tr>
<tr>
<td>2</td>
<td>Haryana</td>
<td>41653</td>
<td>541489</td>
<td>2969509</td>
<td>1750716</td>
<td>1250880</td>
<td>96222</td>
</tr>
<tr>
<td>3</td>
<td>Himachal Pradesh</td>
<td>37838</td>
<td>491894</td>
<td>1263107</td>
<td>676134</td>
<td>222078</td>
<td>17083</td>
</tr>
<tr>
<td>4</td>
<td>Jammu &amp; Kashmir</td>
<td>6214</td>
<td>80782</td>
<td>1601606</td>
<td>1080174</td>
<td>1005606</td>
<td>77354</td>
</tr>
<tr>
<td>5</td>
<td>New Delhi</td>
<td>25870</td>
<td>336310</td>
<td>3269467</td>
<td>1881889</td>
<td>1571449</td>
<td>120881</td>
</tr>
<tr>
<td>6</td>
<td>Rajasthan</td>
<td>245903</td>
<td>3196739</td>
<td>10223045</td>
<td>7474983</td>
<td>4524147</td>
<td>348011</td>
</tr>
<tr>
<td>7</td>
<td>Total</td>
<td>360858</td>
<td>4691154</td>
<td>20393488</td>
<td>13178460</td>
<td>88484164</td>
<td>680628</td>
</tr>
</tbody>
</table>

Source: Status of microfinance in India report published by NABARD
Table 4.3: Progress under Microfinance - Savings of SHGs with selected Banks in Rajasthan

(Amount in Rs. Lakh)

<table>
<thead>
<tr>
<th>S.n</th>
<th>Name of the bank</th>
<th>Financial Year Per SHG Savings (Rupees)</th>
<th>Financial Year Per SHG Savings (Rupees)</th>
<th>% Growth</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of SHGs Saving Amount</td>
<td>No. of SHGs Saving Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>in Rs</td>
<td>in Rs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>SBI</td>
<td>10683 373 3491.52</td>
<td>2486 118 4746.58</td>
<td>-76.72</td>
<td>-68.36</td>
</tr>
<tr>
<td>2</td>
<td>HDFC</td>
<td>387 7.52 1943.15</td>
<td>2029 38.54 1899.45</td>
<td>+424.28</td>
<td>+412.5</td>
</tr>
</tbody>
</table>

Source: NABARD Microfinance reports
Interpretation: From above data it is clear that HDFC bank has shown positive growth in No of SHGs Savings of SHGs and amount of Savings under Progress under Microfinance compare to SBI banks.
Table 4.4 Progress under Microfinance - Bank Loans disbursed to SHGs in Rajasthan by selected banks (Amount in Rs. Lakh)

<table>
<thead>
<tr>
<th>S. N</th>
<th>Name of the bank</th>
<th>Total Outstanding Bank Loans against SHGs As on 31st March 2011</th>
<th>Per SHG Loan Outstanding (Rupees)</th>
<th>Total Outstanding Bank Loans against SHGs As on 31st March 2015</th>
<th>Per SHG Loan Outstanding (Rupees)</th>
<th>Trend of % Growth</th>
<th>Trend of % Growth</th>
<th>Trend of % Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of SHGs</td>
<td>Loan Outstanding</td>
<td>No. of SHGs</td>
<td>Loan Outstanding</td>
<td>No. of SHGs</td>
<td>Loan Outstanding</td>
<td>Loans</td>
</tr>
<tr>
<td>1</td>
<td>SBI</td>
<td>2267</td>
<td>1522</td>
<td>67137</td>
<td>884</td>
<td>837</td>
<td>94683</td>
<td>Downward</td>
</tr>
<tr>
<td>2</td>
<td>HDFC</td>
<td>16</td>
<td>5.04</td>
<td>31500</td>
<td>462</td>
<td>368.69</td>
<td>79803</td>
<td>Upward</td>
</tr>
</tbody>
</table>

Chart 4.13: Progress under Microfinance - Bank Loans disbursed to SHGs in Rajasthan by selected banks
Interpretation: From above data it is clear that HDFC bank has shown positive growth in Loans disbursed to SHGs in Rajasthan under Progress under Microfinance compared to SBI banks.

Table 4.5: Progress under Microfinance - Bank Loans outstanding against SHGs in Rajasthan (Selected banks)

<table>
<thead>
<tr>
<th>S.n.</th>
<th>Name of the bank</th>
<th>Loans disbursed to SHGs by Banks during the year</th>
<th>Per SHG Loans</th>
<th>Loans disbursed to SHGs by Banks during the year</th>
<th>Per SHG Loans</th>
<th>Trend of % Growth</th>
<th>Trend of % Growth</th>
<th>Trend of % Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2011-12 disbursed (Rupees)</td>
<td></td>
<td>2014-15 disbursed (Rupees)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>No. of SHGs</td>
<td>Loans in Rs</td>
<td>No. of SHGs</td>
<td>Loans in Rs</td>
<td>No. of SHGs</td>
<td>Loans in Rs</td>
<td>No. of SHGs</td>
</tr>
<tr>
<td>1</td>
<td>SBI</td>
<td>751</td>
<td>229</td>
<td>30492</td>
<td>41</td>
<td>95121</td>
<td>Downward</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>HDFC</td>
<td>6</td>
<td>6.10</td>
<td>101666</td>
<td>396</td>
<td>136633</td>
<td>Upward</td>
<td></td>
</tr>
</tbody>
</table>

Source: NABARD Microfinance reports

Chart 4.14: Progress under Microfinance - Bank Loans outstanding against SHGs in Rajasthan (Selected banks)
Interpretation

Above data shows Bank Loans outstanding against SHGs in Rajasthan by SBI and HDFC bank. HDFC bank is leading as compare to SBI bank in Rajasthan.

Table 4.6 : Progress under Microfinance - NPAs against Bank loans to SHGs of Selected banks in Rajasthan

<table>
<thead>
<tr>
<th>S.n</th>
<th>Name of the bank</th>
<th>Gross NPA data of SHGs against Bank Loan As on 31st march 2011</th>
<th>Gross NPA data of SHGs against Bank Loan As on 31st march 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Loans outstanding against SHGs</td>
<td>Amount of NPAs</td>
<td>NPA as % age to Total loans O/S</td>
</tr>
<tr>
<td>1</td>
<td>SBI</td>
<td>1522</td>
<td>297</td>
</tr>
<tr>
<td>2</td>
<td>HDFC</td>
<td>5.04</td>
<td>0.23</td>
</tr>
</tbody>
</table>

Chart 4.15 : Progress under Microfinance - NPAs against Bank loans to SHGs of Selected banks in Rajasthan
Interpretation

Above data shows NPAs against Bank loans to SHGs of Selected banks in Rajasthan. HDFC bank is leading as compare to SBI bank in reduction of NPA in Rajasthan.

Other new Initiative by banking sector for the development of Microfinance

- Green Microfinance as New concept

In recent years, green microfinance has started to emerge as a new phenomenon, based on the objective to reach a triple bottom line. The issue has still been little explored, but its potential development may be significant in the near future.

So far, many pioneer MFIs are engaging in green microfinance proactively, because they identify a need at the level of their clients. For many leaders, this engagement is felt as an ethical one, to fulfill their social mission, their responsibility towards the society, with a long term vision of sustainable development. However, in a context of growing interest regarding environmental protection and sustainable development, MFIs may feel increasingly pressurized to integrate an environmental bottom line. Pressures may be exercised directly by powerful stakeholders such as donors, investors, rating agencies and governments. They may also come more pervasively, as mimetic behaviours and processes of sense-making progressively define what should be the role of the microfinance industry regarding environmental issues. The risk then is that MFIs engage in environmental management by mere compliance to institutional pressures or social expectations, without putting clients’ interests at the heart of their approach, which entails a risk of inefficiency or even of adverse social effect.

The CSR literature indeed emphasizes that, when Corporate Social Responsibility is viewed as a constraint, there is a high risk that the organisation implements incongruent or counterproductive CSR programs, which produce no social value and even hurt core strategic objectives (Mostovicz, et al., 2009). When talking about Social Performance of MFIs, Copestake, et al. (2005) also argue that social performance is most successfully implemented when there is an internal buy-in of the importance of the issue (may it both for social and financial reasons), and that
external demand for Social Performance may actually inhibit internal ownership. The same scenario could apply to green microfinance. Green microfinance encompasses a diversity of strategies, and some of these strategies could potentially entail important economic and social trade-offs for microfinance clients (risk of exclusion, imposition of inadequate requirements, etc.). MFIs that engage in green microfinance in a mere reactive posture may not adopt the most relevant policies. The risk indeed is that these MFIs start implementing some quickly-designed, one-size-fits-all, green(washing) strategies, that at best will turn out ineffective to reach an environmental bottom line, and at worst, will entail some counterproductive economic, social and environmental effects.

Not only do all these issues call for further investigation in order to really understand the stakes at play around green microfinance. They also emphasize the responsibility of microfinance stakeholders to avoid rushing into the environmental bottom line issue without engaging a real reflection regarding the adequacy of objectives and means of green microfinance strategies.

- **Technology adoption by SHGs – EShakti: a NABARD initiated pilot project**

The ‘EShakti’ initiative was kicked off by an announcement made by NABARD in the presence of Dr. Raghuram Rajan, Governor of RBI during National Microfinance Conclave held on 13 November 2014. EShakti is a specially designed project for e-bookkeeping of SHG records and related Management Information System (MIS) on a real time basis. Keeping in view the need for digitization of SHG accounts & activities and to make it an easy searchable database, NABARD has launched a project for digitization of Self Help Groups (SHG). This is in tune with the GOI's mission for creating a Digital India. To begin with, two districts viz. Ramgarh (Jharkhand) and Dhule (Maharashtra) are being covered in pilot mode. Transparent and proper maintenance of records of SHGs will facilitate proper nurturing and strengthening of SHGs, remove irregularities and delays in maintenance of books of accounts and make book keeping easy for SHG members who are not fully literate. As informal bodies SHGs are linked to banks for getting non-collateralized loans whose volume varies from `30,000 to 3
lakh depending on their savings corpus and maturity. Presently very few groups get credit linkages beyond second time mainly due to lack of proper data pertaining to group loans and also maintenance of records of meetings, etc. Digitization of SHGs seeks to address this problem which comes in the way of upgrading the loan status of SHGs and giving them higher quantum of credit as their needs grow. Digitization would also help in concurrent grading of groups which would enable banks to take appropriate credit decision. Further, transactions of individual members of groups are also tracked since Aadhaar number is being incorporated into digitization which in turn creates credit history of the SHG members.

**Summary**

In Present chapter, Microfinance Initiatives of selected banks in India and in Rajasthan has been described.

The chapter highlights that a sound and effective banking system is the backbone of an economy. The economy of a country can function smoothly without many hassles if the banking system is not only flexible but also capable of meeting the new challenges posed by the technology and other external as well as internal factors. In today’s economy, the microfinance services industry is exposed to increasing performance pressures and competitive forces. Modern media, such as the internet, have created new challenges for microfinance industry. New business concepts, a change in client sophistication, and an increasing number of new competitors entering into the market, such as independent financial consultants, and other private players have changed the business models and the competitive forces which are giving the challenges to the established financial service organizations today worldwide.

The present chapter describe the Public sector banks profile and microfinance Initiatives specially by SBI Bank along with this it also describes Private sector banks profile and Microfinance Initiatives specially by HDFC Bank. The analysis is comparative in nature in terms of Savings, Loan disbursed, loan outstanding of SHGs with selected Banks in Rajasthan.
From the data it can be interpreted that HDFC bank is putting more efforts as compare to SBI bank in Rajasthan. In recent years, green microfinance has started to emerge as a new phenomenon, based on the objective to reach a triple bottom line. The issue has still been little explored, but its potential development may be significant in the near future. so both the banks are putting efforts in this concern. 

So far, many pioneer MFIs are engaging in green microfinance proactively, because they identify a need at the level of their clients. For many leaders, this engagement is felt as an ethical one, to fulfill their social mission, their responsibility towards the society, with a long term vision of sustainable development. However, in a context of growing interest regarding environmental protection and sustainable development, MFIs may feel increasingly pressurized to integrate an environmental bottom line. Pressures may be exercised directly by powerful stakeholders such as donors, investors, rating agencies and governments. They may also come more pervasively, as mimetic behaviours and processes of sense-making progressively define what should be the role of the microfinance industry regarding environmental issues. The risk then is that MFIs engage in environmental management by mere compliance to institutional pressures or social expectations, without putting clients’ interests at the heart of their approach, which entails a risk of inefficiency or even of adverse social effect.

On the other hand The 'EShakti' initiative was started by an announcement made by NABARD in the presence of Dr. Raghuram Rajan, Governor of RBI during National Microfinance Conclave held on 13 November 2014. EShakti is a specially designed project for e-bookkeeping of SHG records and related Management Information System (MIS) on a real time basis. Keeping in view the need for digitization of SHG accounts & activities and to make it an easy searchable database, NABARD has launched a project for digitization of Self Help Groups (SHG).

So In this way it can conclude that public sector banks needs to shows some positive efforts for the development of microfinance in Rajasthan
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