

**A STUDY OF FINANCIAL INCLUSION IN THE
CONTEXT OF SHG-BANK LINKAGE PROGRAMME
IN SERCHHIP DISTRICT OF MIZORAM**

**(A THESIS SUBMITTED FOR THE AWARD OF THE
DEGREE OF DOCTOR OF PHILOSOPHY IN ECONOMICS)**

BY

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CERTIFICATE

This is to certify that the thesis entitled “**A Study of Financial Inclusion in the Context of SHG-Bank Linkage Programme in Serchhip District of Mizoram**” submitted to the Mizoram University for the degree of Doctor of Philosophy in Economics, is a record of research work carried out by Daniel Lalawmpuia, Registration No.MZU/PhD/785 of 22.10.2014 under my supervision and guidance.

This thesis is the result of his own investigation into the subject and to the best of my knowledge, the work as a whole or part has not been submitted to any other University for any research degree.

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DECLARATION

Mizoram University

January, 2019

I, Daniel Lalawmpuia, hereby declare that the subject matter of this thesis is the record of work done by me, that the contents of this thesis did not form base of the award of any previous degree to me or to do the best of my knowledge to anybody else, and that the thesis has not been submitted by me for any research degree in any other University/Institute.

This is being submitted to the Mizoram University for the degree of Doctor of Philosophy in Economics.

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III

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LIST OF COMMON ABBREVIATIONS

AFI	Alliance for Financial Inclusion
APBS	Aadhaar Payment Bridge System
ATM	Automated Teller Machine
BC	Business Correspondent
BCM	Business Correspondent Model
BCA	Business Correspondent Agent
BF	Business Facilitator
BSBDA	Basic Saving Bank Deposit Account
CBS	Core Banking Solution
CDR	Credit to Deposit Ratio
CFI	Centre for Micro Finance
CSP	Customer Service Point
DBT	Direct Benefit Transfer
DCC	District Consultative Committee
FI	Financial Inclusion
FIF	Financial Inclusion Fund
FIP	Financial Inclusion Plan
FLC	Financial Literacy Camp/Campaign
GCC	General Credit Card
IGA	Income Generating Activity
IMF	International Monetary Fund
JLG	Joint Liability Group
KCC	Kisan Credit Card
KYC	Know Your Customer
MCAB	Mizoram Co-operative Apex Bank
MCP	Micro Credit Plan
MFI	Micro Finance Institution

MRB	Mizoram Rural Bank
MUCO	Mizoram Urban Cooperative Bank
MUDRA	Micro Units Development & Refinance Agency Limited
NABARD	National Bank for Agriculture and Rural Development
NACH	National Automated Clearing House
NBFCs	Non Banking Financial Companies
NER	North East Region
NERLP	North East Rural Livelihoods Promotion
NRLM	National Rural Livelihoods Mission
NMFI	National Mission on Financial Inclusion
NFA	No Frills Account
NPA	Non-Performing Assets
NULM	National Urban Livelihoods Mission
PMJDY	Pradhan Mantri Jan-Dhan Yojana
PMMY	Pradhan Mantri Mudra Yojana
PSB	Public Sector Bank
RBI	Reserve Bank of India
RF	Revolving Fund
RRB	Regional Rural Bank
SBI	State Bank of India
SCB	Schedule Commercial Bank
SGSY	Swarnajayanti Gram Swarozgar Yojana
SHG	Self-Help Group
SHG-BLP	Self Help Group-Bank Linkage Programme
SHPI	Self Help Promoting Institution
SIDBI	Small Industrial Development Bank of India
SLBC	State Level Bankers' Committee
SPSS	Statistical Package for Social Science
SSA	Sub Service Area
UFI	Universal Financial Inclusion
WSHG	Women Self Help Groups

1.1 INTRODUCTION

Wider use of financial service is the key to economic progress and overall well being as finance is a powerful intervention for economic development. Access to finance, especially for the poor, is empowering because financial exclusion often leads to broader social exclusion. Yet, formal finance does not appear to have adequately permeated vast segments of our society, although progress is being made.¹

The Twelfth Five Year Plan has explicitly stated '*Faster, Sustainable and More inclusive growth*' as its objective. Growth needs to be sufficiently inclusive if its benefits have to be shared among all or else the growth process itself shall be jeopardized and derailed. In order to achieve 'inclusive growth', both State based interventions and market based instruments are required. However, an important limitation of 'market' as an institution is that it is 'not wealth neutral' and given this perspective, the concept of 'Financial Inclusion' fits in. Financial Inclusion needs to be seen as an instrument that would move the wealth effect towards a neutral domain. Thus, as a concept financial inclusion has the potential to contribute substantially towards inclusive growth.²

In the Indian context, both supply-side and demand side barriers have both been recognized as responsible for low level of access to

¹ Mohanty, D (2015): "Report of the Committee on Medium term Path on Financial Inclusion"

² NABARD (2009): "Financial inclusion-An overview" , Department of Economic Analysis and Research (DEAR), National Bank for Agriculture and Rural Development, Occasional Paper – 48.

financial services. Supply side constraints like poor banking infrastructure, low resource base of credit purveying institutions, security based lending procedures, lengthy and cumbersome formalities, low level of financial literacy, etc., are still dominant in the sector. Scores of demand side factors such as inadequate human capital, skewed distribution of land including lack of proper land reforms, presence of large section of landless labourers, poor state of physical infrastructure (road, bridges, irrigation structures, market-yards, cold storages), underdeveloped social capital (gram panchayat, local administration, commodity cooperatives, etc), low productivity leading to low level of profitability, poor linkages, poor risk mitigation mechanism, etc., in the country have adverse effects on the expansion of coverage of institutional credit.

Strong and robust financial institutions are the pillars of economic growth, development and prosperity of modern economies. To sustain and accelerate the growth momentum, we have to ensure increased participation of the economically weak segments of population in the process of economic growth. Financial inclusion is the road which India needs to travel towards becoming a global player. Financial inclusion of hitherto excluded segments of population is a critical part of this process of inclusion. Today, there is a national as well as global focus on inclusive growth.

Financial inclusion has been one of the top priorities of the reserve bank during the recent years. The banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. Financial inclusion can truly lift the financial condition and standards of life of the poor and the disadvantaged. The banking sector has taken a lead role in promoting financial inclusion ³

In short, access to financial services allows the poor to save money outside the house safely, prevents concentration of economic power with a few individuals and helps in mitigating the risks that the poor face as a result of economic shocks. Thus, providing access to financial services is increasingly becoming an area of concern for the policymakers for the obvious reason that it has far reaching economic and social implications.

Financial Inclusion- Need

³.Rao,N.S and Bhatnagar, H (2012): “Financial Inclusion: Issues and Prospects” *Pacific Business Review International* Volume 5 Issue 3 September.

It is now widely acknowledged that financial exclusion leads to non accessibility, non-affordability and non-availability of financial products. Limited access to funds in an underdeveloped financial system restricts the availability of their own funds to individuals and also leads to high cost credit from informal sources such as moneylenders. Due to lack of access to a bank account and remittance facilities, the individual pays higher charges for basic financial transactions. Absence of bank account also leads to security threat and loss of interest by holding cash. All these impose real costs on individuals. Prolonged and persistent deprivation of banking services to a large segment of the population leads to a decline in investment and has the potential to fuel social tensions causing social exclusion. Thus, financial inclusion is an explicit strategy for accelerated economic growth and is considered to be critical for achieving inclusive growth in the country.⁴

Financial Inclusion as a Quasi-Public Good

Increasingly, in developing countries, access to finance is positioned as a public good, which is as important and basic as access to safe water or primary education. The pertinent question to ask here is whether ‘Financial Inclusion’ can be construed a public good? A good is considered a ‘public good’ if it meets the conditions of non-rivalness in consumption and non-excludability. The degree of ‘publicness’ in ‘financial inclusion’ maybe different from the standpoint of a typical

⁴ NABARD (2009): “Financial inclusion-An overview” , Department of Economic Analysis and Research (DEAR), National Bank for Agriculture and Rural Development, Occasional Paper – 48.

public good like say 'defense', but there should be no doubt that financial inclusion meets the above two criteria to a large degree and to that extent is a "quasi public good". Another important effect is that one is able to reap the advantages of network externality of financial inclusion and the value of the systems goes up. So once it is agreed that it is a 'quasi public good' we are now in the realm of public policy and hence it is incumbent upon the government to provide it in partnership with other agencies including private agencies.

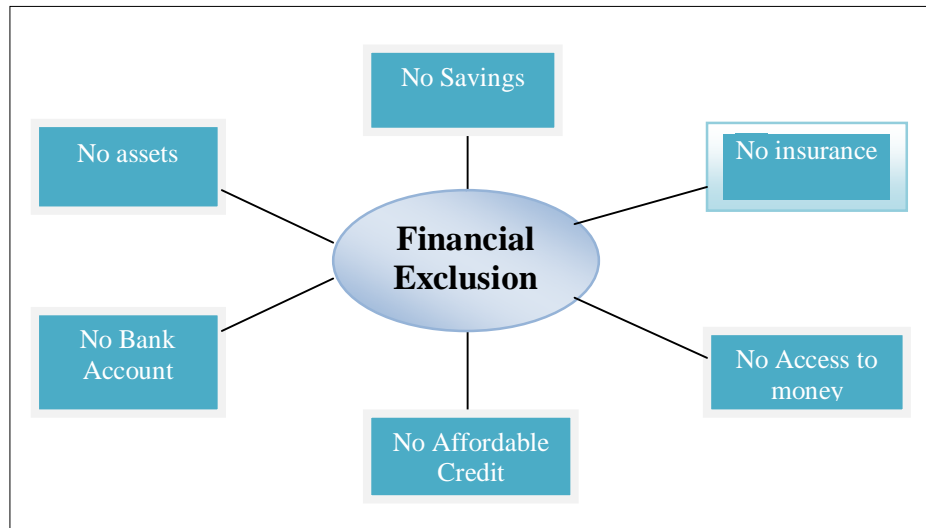
Nature and Extent of Exclusion

Access to finance, especially by the poor and vulnerable groups is a prerequisite for employment, economic growth, poverty reduction and social cohesion. Further, access to finance will empower the vulnerable groups by giving them an opportunity to have a bank account, to save and invest, to insure their homes or to partake of credit, thereby facilitating them to break the chain of poverty.

The term 'financial exclusion' is used in different ways. It can be a broad concept related to a lack of access to a range of financial services or a narrow concept reflecting particular circumstances such as: geographical exclusion; exclusion on the grounds that charges and prices are prohibitively high; or exclusion from marketing efforts. Self exclusion is also important where an individual believes there is little point in applying for a financial product because they expect to be refused, sometimes because of a previous experience of refusal, because

they know someone else who has been refused, or because of a belief that ‘they don’t accept people who live round here, or who are like me’.

Graph 1.1 Financial Exclusion



Source: HM Treasury, (2004): Promoting financial inclusion.

The banking industry in India has recognized this imperative and has undergone certain fundamental changes over the last two decades. Reforms since the early nineties in the banking sector have facilitated increasing competition, the development of new generation private sector banks as well as technological breakthrough in diverse financial products, services and delivery channels. With the recent developments in technology, both delivery channels and access to financial services have transformed banking from the traditional brick-and-mortar infrastructure like staffed branches to a system supplemented by other channels like automated teller machines (ATM), credit and debit cards, internet banking, online money transfer, etc.

The moot point, however, is that access to such technology is restricted only to certain segments of the society. Indeed, some trends, such as increasingly sophisticated customer segmentation technology allowing, for example, more accurate targeting of sections of the market have led to restricted access to financial services for some groups. There is a growing divide, with an increased range of personal finance options for a segment of high and upper middle income population and a significantly large section of the population who lack access to even the most basic banking services. This is termed “financial exclusion”. These people, particularly, those living on low incomes, cannot access mainstream financial products such as bank accounts, low cost credit, remittances and payment services, financial advisory services, insurance facilities, etc.

Financial inclusion, thus, has become an issue of worldwide concern, relevant equally in economies of the under-developed, developing and developed nations. Building an inclusive financial sector has gained growing global recognition bringing to the fore the need for development strategies that touch all lives, instead of a select few.⁵

Who Needs to be Included?

The essence of financial inclusion is in trying to ensure that a range of appropriate financial services is available to every individual and enabling them to understand and access those services. Apart from

⁵ Rangarajan, C (2008). “ Report of the Committee on Financial Inclusion”, GoI

the regular form of financial intermediation, it may include a basic no frills banking account for making and receiving payments, a savings product suited to the pattern of cash flows of a poor household, money transfer facilities, small loans and overdrafts for productive, personal and other purposes, etc. However, inclusive finance does not require that everyone who is eligible uses each of these services, but they should be able to choose to use them, if they so desired. To this end, strategies for building inclusive financial sectors have to be creative, flexible, and appropriate to the national situation and if necessary, nationally owned.

For promoting financial inclusion, we have to address the issue of exclusion-of people who desire the use of financial services, but are denied access to the same. In countries with a large rural population like India, financial exclusion has a geographic dimension as well. Inaccessibility, distances and lack of proper infrastructure hinder financial inclusion. Vast majorities of population living in rural areas of the country have serious issues in accessing formal financial services.

Another facet of exclusion which needs to be addressed is “Social Exclusion” which is an extreme consequence of what happens when people do not get a fair deal throughout their lives, often because of disadvantages they face at birth, and this can be transmitted from one generation to the next. Social exclusion is about more than income poverty. It is a short-hand term for what can happen when people or areas have a combination of problems such as unemployment,

discrimination, poor skills, low incomes and poor housing. These problems are linked and mutually reinforcing.⁶

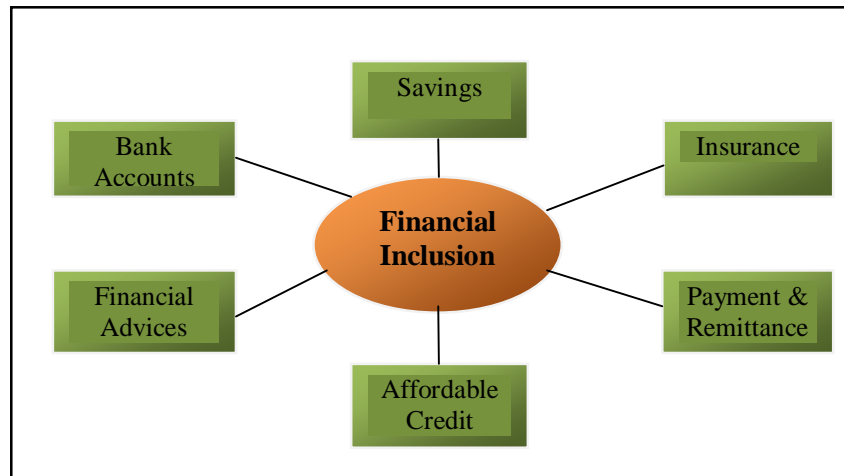
1.2 CONCEPT OF FINANCIAL INCLUSION

Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low income segments of society, compared to financial exclusion, where they are not. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. It is argued that as banking services are in the nature of public good; the availability of banking and payment services to the entire population without discrimination is the prime objective of this public policy.

The term "Financial Inclusion" has gained importance since the early 2000s, and is a result of findings about financial exclusion and its direct correlation to poverty. More recently, Alliance for Financial Inclusion (AFI) Executive Director Alfred Hannig highlighted on 24 April 2013 progress in financial inclusion during the IMF-World Bank 2013 Spring Meetings: "Financial inclusion is no longer a fringe subject. It is now recognized as an important part of the mainstream thinking on economic development based on country leadership."

⁶ *Ibid* p. 33

Graph 1.2 Financial Inclusion



Source: Rangarajan, C. (2008): Report of the Committee on Financial Inclusion,

According to the United Nations (UN) the main goals of inclusive finance are as follows:

1. Access at a reasonable cost of all households and enterprises to the range of financial services for which they are “bankable,” including savings, short and long-term credit, leasing and factoring, mortgages, insurance, pensions, payments, local money transfers and international remittances.
2. Sound institutions, guided by appropriate internal management systems, industry performance standards, and performance monitoring by the market, as well as by sound prudential regulation where required
3. Financial and institutional sustainability as a means of providing access to financial services over time
4. Multiple providers of financial services, wherever feasible, so as to bring cost effective and a wide variety of alternatives to customers

(which could include any number of combinations of sound private, non-profit and public providers).

A World Bank report states that financial inclusion, or broad access to financial services, is an absence of price or non price barriers in the use of financial services. It recognizes the fact that financial inclusion does not imply that all households and firms should be able to borrow unlimited amounts or transmit funds across the world for some fee. It makes the point that creditworthiness of the customer is critical in providing financial services. The report also stresses the distinction between ‘access to’ and ‘use of’ financial services as it has implications for policy makers. ‘Access’ essentially refers to the supply of services, whereas use is determined by demand as well as supply. Among the non-users of formal financial services a clear distinction needs to be made between voluntary and involuntary exclusion. The problem of financial inclusion addresses the ‘involuntarily excluded’ as they are the ones who, despite demanding financial services, do not have access to them.⁷

The United Nations (2006) elaborates on the scope of financial inclusion as a financial sector that provides access to credit for all bankable people and firms, to insurance for all insurable people and firms and, to savings and payment services for everyone. Inclusive

⁷ NABARD (2009): “Financial inclusion-An overview” , Department of Economic Analysis and Research (DEAR), National Bank for Agriculture and Rural Development, Occasional Paper – 48.

finance does not require that everyone who is eligible should use each of the services, but they should be able to choose to use them if (they) desired. Thus the scope was widened not only to cover the ‘access to services’ but also to the wider choice offered to people.⁸

The term financial inclusion needs to be interpreted in a relative dimension. Depending on the stage of development, the degree of financial inclusion differs among countries. For example, in a developed country non-payment of utility bills through banks may be considered as a case of financial exclusion, however, the same may not (and need not) be considered as financial exclusion in an underdeveloped nation as the financial system is not yet developed to provide sophisticated services. Hence, while making any cross country comparisons due care needs to be taken.

In the Indian context, the issue of financial inclusion (or exclusion) along with its various facets was deliberated in detail by the Committee on Financial Inclusion under the Chairmanship of Dr. C. Rangarajan (2008). According to the Committee, the essence of financial inclusion is in trying to ensure that a range of appropriate financial services is available to every individual and enabling them to understand and access those services. Apart from the regular form of financial intermediation, it may include a basic no frills banking account for making and receiving payments, a savings products suited to the

⁸ Gounasegaran, C. *et. al.* (2013): “Financial inclusion: progress so far”. *Banking and Finance*. FACTS FOR YOU • September 2013.

pattern of cash flows of a poor household, money transfer facilities, insurance (life and non-life), etc. Thus, it is clear that the objective of “Comprehensive Financial Inclusion” is to provide a whole gamut of financial services. However, in a restricted sense, financial inclusion can be achieved if some of the financial services, to start with credit, can be offered.⁹

The Committee on financial inclusion (C. Rangarajan. 2008) has defined financial inclusion as *the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost*. Meanwhile, according to Raghuram Rajan’s Committee (2008), financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products’.

Centre for Financial Inclusion has also defined financial inclusion as a state in which all people who can use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. Financial services are delivered by a range of providers, most of them private, and reach everyone who can use them, including disabled, poor, rural, and other excluded populations.

⁹ *Ibid* p. 14

According to Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India, financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players.

The above definition gives importance to accessibility of credit at an affordable cost to the disadvantaged sections of the society. In brief, the broad area of financial inclusion not only provides an enabling environment to use financial services but also removes both external and internal constraints that stand in the way of people becoming a part of the formal financial system.

Financial inclusion enables Banks to channelize the savings of the un-served population of the country and offers new business avenues for lending to this group. Prior to the recent sustained efforts on financial inclusion, the banks were barely scrapping the potential business, both on the deposit and lending side.

1.3 OVERVIEW AND PROGRESS OF FINANCIAL INCLUSION IN INDIA.

Financial Inclusion is an important priority of the Government. The objective of Financial Inclusion is to extend financial services to the large hitherto un-served population of the country to unlock its growth potential. In addition, it strives towards a more inclusive growth by making financing available to the poor in particular. Overview and progress of financial inclusion in the country have been highlighted below:

Table 1.1 Positions of Households Availing Banking Services:

Household	As per census 2001			As per census 2011		
	Total No. of households	No. of households availing banking services	%	No. of households availing banking services	Number	%
Rural	138,271,559	41,639,949	30.1	167,826,730	91,369,805	54.4
Urban	53,692,376	26,590,693	49.5	78,865,937	53,444,983	67.8
Total	191,963,935	68,230,642	35.5	246,692,667	144,814,788	58.7

Source: Ministry of Finance, Government of India.

The country's position of household availing banking services has shown in the Table 1.1 in which only 30.1 percent of the rural household can avail banking services while 49.5 percent of the urban household can avail banking services in the country as per 2001 census. Similarly, according to 2011 census 54.4 percent of the rural household and 67.8 percent of the urban household can avail banking services in India. Moreover, only 58.7 percent of the households in the country can

avail banking services which shows there are still un-served and financially excluded populations in the country that should be given utmost priority in this regards.

1. **RBI Branch Authorization Policy:** In order to extend the banking network in unbanked areas, general permission has been granted by Reserve Bank of India (RBI) to domestic Scheduled Commercial Banks (other than Regional Rural Banks) to open branches/ mobile branches/ Administrative Offices/CPCs (Service Branches), (i) in Tier 2 to Tier 6 centres (with population upto 99,999) and (ii) in rural, semi-urban and urban centres of the North-Eastern States and Sikkim subject to reporting. RBI has advised banks that while preparing their Annual Branch Expansion Plan (ABEP), the banks should allocate at least 25 percent of the total number of branches proposed to be opened during a year in unbanked rural (Tier 5 and Tier 6) centres.
2. **Expansion of Business Correspondent Agent (BCA) Network:** Banks have been advised by Department of Financial Services, Ministry of Finance to extend banking services to the entire geography of the country based on the concept of Sub Service Area (SSA) comprising of 1000-1500 households. In case of North-East, Hilly States and sparsely populated regions of other States banks may decide the households to be covered by each Business Correspondent Agent (BCA) appropriately. In case of larger Gram Panchayats more than one BCA could be appointed. In case of smaller Gram Panchayats more than one contiguous Gram

Panchayat, taking into consideration the geographical area, could be assigned to each BCA.

3. **Swabhimaan Scheme:** Earlier, under the Swabhimaan campaign, the Banks were advised to provide appropriate banking facilities to habitations having a population in excess of 2000 (as per 2001 census) by March 2012. The banks identified approximately 74000 habitations across the country having a population of over 2000 for providing banking facilities. As per reports received from Banks, 74351 villages with population of above 2000 have been covered with banking facilities either by branches; Business Correspondents, mobile banking etc. by March 31, 2012.
4. **Direct Benefit Transfer (DBT):** The scheme was launched in the country from January, 2013 and was rolled out in a phased manner, starting with 25 welfare schemes, in 43 districts and extended to additional 78 districts and additional 3 schemes from 1st July, 2013. Presently DBT in 35 schemes have been expanded across the entire country.

The objective of DBT Scheme is to ensure that money under various developmental schemes reaches beneficiaries directly and without any delay. Banks play a key role in implementation of DBT/DBTL and this involves four important steps, viz.

- (i.) Opening of accounts of all beneficiaries;

(ii) Seeding of bank accounts with Aadhaar numbers and uploading on the NPCI mapper;

(iii) Undertaking funds transfer using the National Automated Clearing House - Aadhaar Payment Bridge System (NACH-APBS).

(iv.) Strengthening of banking infrastructure to enable beneficiary to withdraw money.

5. **RuPay Card:** *RuPay*, a new card payment scheme has been conceived by NPCI to offer a domestic, open-loop, multilateral card payment system which will allow all Indian banks and financial Institutions in India to participate in electronic payments. The card has been dedicated to the nation by the President of India on May 08, 2014. RuPay symbolizes the capabilities of banking industry in India to build a card payment network at much lower and affordable costs to the Indian banks so that dependency on international card scheme is minimized. This is in line with many of the large emerging nations like China which have their own domestic card payment system. Government of India has directed banks to issue Debit cards to all KCC and DBT beneficiaries and that every new account holder should be issued a debit card. A low cost option such as RuPay will help in achieving this objective and consequently help in fulfilling the objective of financial inclusion. The RuPay Card works on ATM, Point of Sale terminals, & online purchases and is therefore not only at par with any other card scheme in the world but also provides the customers with the flexibility of payment options.

- a. **USSD Based Mobile Banking:** The Department through National Payments Corporation of India (NPCI) worked upon a “Common USSD Platform” for all Banks and Telcos who wish to offer the facility of Mobile Banking using Unstructured Supplementary Service Data (USSD) based Mobile Banking. The Department helped NPCI to get a common USSD Code *99# for all Telcos. USSD based Mobile Banking offers basic Banking facilities like Money Transfer, Bill Payments, Balance Enquiries, Merchant payments etc. on a simple GSM (Global System for Mobile Communications) based Mobile phone, without the need to download application on a Phone as required at present in the IMPS (Immediate Payment Service) based Mobile Banking. Transactions can be performed on basic phone handsets. The user needs to approach his bank and get his mobile number registered. The bank will issue an MPIN (Mobile PIN) to the user. The user thereafter needs to dial *99# and the menu for using USSD opens. Thereafter customer has to follow selections on the menu to complete the transaction.
6. **Financial Inclusion Index:** On June 25, 2013, CRISIL, India’s leading credit rating and Research Company launched an index to measure the status of financial inclusion in India. CRISIL Inclusix is India’s first comprehensive measure of financial inclusion in the form of an index with one-of-its kind tool to measure the extent of inclusion in India, right down to each of the 632 districts. CRISIL Inclusix is a relative index on a scale of 0 to 100, and combines three critical parameters of

basic banking services-branch penetration, deposit penetration, and credit penetration-into one metric. The report highlights many hitherto unknown facets of inclusion in India. It contains the first regional, state-wise, and district-wise assessments of financial inclusion ever published, and the first analysis of trends in inclusion over a three-year timeframe.

The key findings of the study are:

- a. The all India CRISIL Inclusix score of 40.1 (on a scale of 100) is relatively low. It is a reflection of under penetration of formal banking facilities in most parts of the country. Just one in two Indian has a savings account, and only one in seven Indian has access to banking credit. In fact, the bottom 50 scoring have just 2 percent of the country's bank branches.
- b. Deposit Penetration (DP) is the key driver of financial inclusion in the country. The number of saving accounts at 624 million is close to four times of the number of loan accounts at 160 million.
- c. Focused efforts to enhance branch penetration and availability of credit are extremely critical. The bottom 50 scoring districts in India have only 4,068 loan accounts per lakh populations, which is nearly one third of the all India average of 11,680. Similarly, these districts have just three branches per lakh population as compared to 7.6 branches per lakh population at all India level.
- d. There are clear signs of improvement in the CRISIL Inclusix score over the past three years.

- e. Wide disparities exist across India and within states in terms of access to financial services. India's six largest cities have 11 percent of the country's bank branches. At the other end of the scale, there are four districts in North Eastern region with only one bank branch each.
- f. The key driver for the continued performance of the top 50 district is the significant increased in deposit and branch penetration.
- g. Even in the districts at the bottom, there is an encouraging improvement in branch efficiency.
- h. Improvement in credit penetration is the key driver that enabled the improvement in score of 50 most gaining district.¹⁰

7. Pradhan Mantri Jan-Dhan Yojana (PMJDY): PMJDY, a National Mission on Financial Inclusion was formally launched on 28th August, 2014. The Yojana envisages universal access to banking facilities with at least one basic banking account for every households, financial literacy, access to credit, insurance and pension. The beneficiaries would get a RuPay Debit Card having inbuilt accident insurance covers of ₹.1.00 lakh. In addition there is a life insurance cover of ₹.30000/- to those people who opened their bank accounts for the first time between 15th August, 2014 to 26th January, 2015 and meet other eligibility conditions of the Yojana.

¹⁰ CRISIL (2013): "CRISIL Inclusix: An Index to measure India's progress on financial inclusion" p-11,

PMJDY is different from the earlier financial inclusion programme (Swabhimaan) as it, inter-alia, seeks to provide universal access to banking services across the country and focuses on coverage of all households (both rural and urban) while the earlier Financial Inclusion Programme was limited to provide access point to villages with population greater than 2000. Further, PMJDY focuses on interoperability of accounts which was not there earlier; has simplified KYC guidelines and involves the Districts and States for monitoring and follow-up.

It has been clarified that existing account-holders need not open a new account to avail the benefits under PMJDY. They can get the benefit of accident insurance by getting a RuPay debit card issued and Overdraft limit by applying in the existing account. Further, it has also been clarified that benefits of ₹ 30, 000/- life insurance cover are available only to those whose accounts are opened for the first time between 15.08.2014 to 26.01.2015.

Under PMJDY, banks were given target to carry out surveys in allocated Sub Service Areas (SSAs) and Wards and to open accounts of all uncovered households by 26.01.2015. All the States/Union Territories in the country have been mapped into 2, 26,197 Sub-Service Areas (in rural areas) and Wards (in urban areas) and out of total

number of 21.22 crore surveyed households, bank accounts have been opened for 99.99 % households.¹¹

Large scale achievements have been made under PMJDY With a view to increasing banking penetration and promoting financial inclusion and with the main objective of covering all households with at least one bank account per household across the country as illustrated in the table given below:

Table 1.2 PMJDY-Progress Report (all figures in crore)

Bank Name/type	Number of Beneficiaries at rural/semi-urban centre bank branches	Number of Beneficiaries at urban metro centre bank branches	Number of Total Beneficiaries	Deposits in Accounts(In Crore)	Number of Rupay Debit Cards issued to beneficiaries
Public Sector Banks	13.51	11.21	24.72	54505.02	18.46
Regional Rural Banks	4.17	0.76	4.93	11899.88	3.62
Private Sector Banks	0.60	0.39	0.99	2123.94	0.93
Total	18.28	12.36	30.64	68528.84	23.00

**as on 15.11.2017 Source: Ministry of Finance, GoI*

9. Mudra- ‘Funding the Unfunded’: The launch of Micro Units Development & Refinance Agency Limited (MUDRA) and Pradhan Mantri Mudra Yojana (PMMY) by the Hon’ble Prime Minister on April 08, 2015 is one of the historic events of the year and is the landmark initiative in the financial inclusion landscape. The guidelines of PMMY issued by Department of Financial Services (DFS), GOI indicated that

¹¹ Ministry of Finance, GoI

all banks are required to lend to micro enterprises engaged in manufacturing, processing, trading and service sector activities, for a loan upto ₹ 10 lakh. Further, it was also advised that the loan may be given in three categories, i.e. Loan upto ₹ 50,000 under Shishu; ₹ 50,000 to ₹ 5 lakh under Kishor; and ₹ 5 lakh to ₹ 10 lakh under Tarun. Also, it was envisaged that more focus will have to be given for the Shishu category. A target of ₹ 1, 22,188 crore was set for F.Y. 2015- 16.

It was decided that MUDRA will monitor the progress of PMMY. The National Bank for Agriculture & Rural Development (NABARD) was also advised to closely monitor the progress of RRBs, as RRBs are under supervisory domain of NABARD. In order to make the monitoring more effective, a dedicated portal www.mudra.org.in was put in place to capture the data on the performance under PMMY on a weekly basis to have consolidated data of nationwide disaggregated retail transactions details, including data on new entrepreneurs, women entrepreneurs, SC/ST, Minority, MUDRA card etc. The data so collected was analyzed and reported to GOI. The progress was closely followed up with the banks for improvement, if any. A team of officers at 'Mission Mudra' was constituted and placed with DFS for an overall supervision and follow up of the programme on behalf of GOI.

Subsequently, it was also decided that the MUDRA loans given by MFIs also needs to be captured as most of the MFIs are MUDRA partners. Accordingly, MFIN was given the responsibility for following

up with the NBFC- MFI and getting their data on the portal. Similarly, Sa-Dhan was made responsible for collecting the data and on boarding the same for the non NBFC MFIs.

In order to give a boost to the lending under PMMY, especially for Shishu category loans, a credit campaign was carried out from 1st September 2015 to 2nd October 2015. The campaign culminated in mega credit camps in different locations in the country from 25th September 2015 to 02nd October 2015. In order to enhance the awareness of the programme, MUDRA carried out a month long publicity campaign, on behalf of DFS, through print media and Radio. The credit campaign resulted in lending to 22.50 lakh borrowers as against a target of 25 lakh borrowers and lent ₹ 4120 crore.

The overall performance of the Yojana indicates that the target has been achieved during the year. As against the target of ₹ 122188 crore, the Banks and MFIs together have disbursed ₹ 132954.73 crore, thereby achieving 109%. The achievements by Public Sector Banks indicate a substantial credit growth in this segment. Based on the data collected from the PSBs, it was seen that the disbursement by these banks in this segment was around ₹ 33,000 crore during the 2014-15 which has recorded a growth of 70% during 2015-16. The other lending institutions have also achieved high credit growth in this segment due to the initiative of Pradhan Mantri MUDRA Yojana.¹²

¹² Review performance of PMMY 2015-16

Table 1.3 Region Wise Performances by Banks (No. of Accounts)

Category	North	West	East	South	Total
Shishu	2382453	1864905	1893789	2563432	870459
Kishore	414020	331002	373576	852109	1972507
Tarun	120636	95641	60320	132814	409411
Total	297109	2291548	2329485	3548355	11086497
%	26	21	21	32	100

Source: Review performance of PMMY 2015-16

The regional coverage of the programme indicates that all the four regions had wide coverage, although there had been an edge for the Southern region. The other three regions were almost at par to each other as highlighted in Table 1.3.

Table 1.4 Financing of Women Entrepreneurs under PMMY

Bank Type	No. of Accounts	Disbursement amt in Crore
Public Sector Bank	1475907	10352.09
Private Sector Bank & Foreign Bank	2153790	6450.74
Regional Rural Bank	292127	2462.19
NBFC-MFI	22962461	42047.05
Non-NBFC-MFI	743980	1878.36
Total	27628265	63190.43

Source: Review performance of PMMY 2015-16

Providing financial support to women entrepreneurs was one of the main objectives of PMMY. Table 1.4 indicate that 2.76 crore women were funded out of the total number of 3.48 crore accounts, which is a whopping 79%. MFIs contributed significantly for the financing women under PMMY.

1.4 INITIATIVE TO PROMOTE FINANCIAL INCLUSION: AN INTERNATIONAL EXPERIENCE

The problem of financial exclusion is not exclusive to the developing world. The developed countries too have been affected by it and many poor and disadvantaged people in the world still lack access to financial services. However, the type, degree and magnitude differ between the two worlds. Therefore, emphasis has been on empowerment of the disadvantaged groups for access to public goods and services including banking services in the developed countries.

The UN General Assembly had designated the year 2005 as the “*International Year of Microcredit*” stating that the year will be an important opportunity to give impetus to micro-finance programmes throughout the world. Thus, the “International Year of Microcredit 2005” aimed at “Building Inclusive Financial Sectors to Achieve the Millennium Development Goals.” Further, a brief account of the experiences in promoting financial inclusion in few select countries is also discussed in the paragraphs below.¹³

In UK, the Financial Inclusion Task Force has identified three priority areas for the purpose of financial inclusion, viz., access to banking, access to affordable credit and access to free face-to-face money advice. A Financial Inclusion Fund has been established to promote financial inclusion and assign responsibility to banks and credit

¹³ NABARD (2009): “Financial inclusion-An overview” , Department of Economic Analysis and Research (DEAR), National Bank for Agriculture and Rural Development, Occasional Paper – 48.

unions in removing financial exclusion. Basic no frills accounts have been introduced. A Post Office Current Account (POCA) has been created for those who are unable or unwilling to access a basic bank account. The concept of a Savings Gateway has been introduced for those on low income employment. This offers £1 to those on low-income employment from the state for every £1 they invest, up to a maximum of £25 per month.

In USA, 9.5 to 20 per cent of the households lack a bank account and 22 per cent of low income families earning less than US\$ 25000 per annum do not have either a current or savings account. The government has taken various measures to deal with the problem of financial exclusion. The Community Development Financial Institutions (CDFIs) have been servicing the financial needs of the un-organized sector in USA, with the mission of “promoting access to capital and local economic growth by directly investing in and supporting CDFIs and expanding financial service organizations’ lending, investment and services within under-served markets. The CDFI Fund is a wholly owned Government Corporation, within the US Treasury Department.

Further, a civil rights law, viz., Community Reinvestment Act (CRA) in the US prohibits discrimination by banks against low and moderate-income neighborhoods. The CRA imposes an affirmative and continuing obligation on banks to serve the needs for credit and banking services of all the communities in which they are chartered. Apart from

the CRA experiment, the State of New York Banking Department, with the objective of making available the low cost banking services to consumers, made mandatory that each banking institution shall offer basic banking account and in case of credit unions the basic share draft account, which is in the nature of low cost account with minimum facilities.¹⁴

In 2002, the Treasury has established an Office of Financial Education to coordinate the efforts of other federal bodies in financial education. The Federal Deposit Insurance Corporation (FDIC) has contributed towards financial education programme by forming alliances with financial institutions, bank trade associations, non-profit organizations and community and consumer groups. Such alliances are a part of Money Smart Alliance, which among other things, is determined to enlist at least 1000 members as a part of this Alliance and deliver copies of money smart curricula to reach 1 million adults all across USA. This curriculum is designed to help adults build financial knowledge and use financial services efficiently.

In Canada, a legislation entitled 'Access to Basic Banking Services Regulations' was enacted in 2003 whereby all banks/ financial institutions are required to open personal bank accounts and encash Government cheques at no charge for any citizen who meets the basic requirements. The Canadian Bankers Association (CBA), the representative of all chartered banks in Canada is promoting financial

¹⁴ *Ibid*

education. The Canadian Foundation for Economic Education (CFEE) is an autonomous body set up by CBA to deliver financial education. Financial literacy extends beyond credit counseling and involves increasing the awareness of the people about macro-economic environment.

In Brazil, banking correspondents are allowed to provide all financial services, with the formally licensed banks taking full responsibility for the conduct of the correspondents linked to them. TERA Bank in South Africa uses wireless connections at grocery shops and provides debit cards to its members for accessing banking services. These shops are located around mines and other underprivileged areas and are connected to more than 10,000 ATMs using the Saswitch network. It uses satellite connectivity between its branches for real time transaction processing.

In Bangladesh, Grameen Bank, ASA (Association for Social Development) and BARC (Bangladesh Rural Advancement Committee) are the three largest MFIs serving around 4 million customers each. The Grameen Bank is the only formal financial institution and the others are registered as NGOs. The micro credit approach has diversified into wider range of financial services. From vanilla credit products, they moved towards product differentiation by end use and target segments.

In Indonesia, there are several types of Micro Finance Institutions (MFIs) like commercial banks including Bank Rakyat Indonesia (BRI) owned by Government with a large 'Unit Desa' network operating at sub- district level, privately owned rural BPRs (Bank Perkreditan Rakyat), credit cooperatives, etc. After the financial reforms of 1983, BRI transformed its Unit Desa network from loss making agents to commercial micro finance intermediaries.

It may be observed that even in the developed countries, the State has accepted financial inclusion as an important measure for the empowerment of poor and disadvantaged sections of the society.

1.5 OVERVIEW OF FINANCIAL INCLUSION IN THE GLOBAL CONTEXT

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs-transactions, payments, savings, credit and insurance-delivered in a responsible and sustainable way.

Access to a transaction account is a first step toward broader financial inclusion since it allows people to store money, and send and receive payments. A transaction account can also serve as a gateway to other financial services, which is why ensuring that people worldwide can have access to a transaction account is the focus of the World Bank Group's Universal Financial Access 2020 initiative.

Financial access facilitates day-to-day living, and helps families and businesses plan for everything from long-term goals to unexpected emergencies. As accountholders, people are more likely to use other financial services, such as credit and insurance, to start and expand businesses, invest in education or health, manage risk, and weather financial shocks, which can improve the overall quality of their lives.¹⁵

While there has been progress toward financial inclusion, significant challenges remain:

- ❖ An estimated 2 billion adults worldwide don't have a basic account.
- ❖ Globally, 59% of adults without an account cite a lack of enough money as a key reason, which implies that financial services aren't yet affordable or designed to fit low income users. Other barriers to account-opening include distance from a financial service provider, lack of necessary documentation papers, lack of trust in financial service providers, and religion.
- ❖ More than 200 million formal and informal, micro, small and medium-sized enterprises (MSMEs) in emerging economies lack adequate financing to thrive and grow.
- ❖ MSMEs cite a lack of collateral and credit history, and business informality as main reasons for not having an account.
- ❖ Some groups are more financially excluded than others: Women, rural poor, and other remote or hard-to-reach populations, as well as informal

¹⁵ <http://www.worldbank.org/en/topic/financialinclusion/overview>

- ❖ Micro and small firms are most affected. For example, the gender gap in developing countries is estimated at 9 percentage points: 59% of men reported having an account in 2014, while only 50% of women did.
- ❖ The forcibly displaced populations present one of the most pressing financial inclusion challenges as almost 80% in adults in Fragile and Conflict-Affected States are outside the formal financial system.

Financial inclusion is becoming a priority for policymakers, regulators and development agencies globally:

- ❖ Financial inclusion has been identified as an enabler for 7 of the 17 Sustainable Development Goals.
- ❖ The G20 committed to advance financial inclusion worldwide and reaffirmed its commitment to implement the G20 High-Level Principles for Digital Financial Inclusion.
- ❖ The World Bank Group considers financial inclusion a key enabler to reduce extreme poverty and boost shared prosperity, and has put forward an ambitious global goal to reach Universal Financial Access (UFA) by 2020.

Since 2010, more than 55 countries have made commitments to financial inclusion, and more than 30 have either launched or are developing a national strategy. Our research indicates that when countries institute a national financial inclusion strategy, they increase the pace and impact of reforms.

Countries that have achieved the most progress toward financial inclusion have put in place an enabling regulatory and policy environment, and have encouraged competition allowing banks and non-banks to innovate and expand access to financial services. However, creating this innovative and competitive space has to be accompanied by appropriate consumer protection measures and regulations to ensure responsible provision of financial services.

Digital financial technology, or “fintech,” and particularly the global spread of mobile phones, has facilitated expanding access to financial services to hard-to-reach populations and small businesses at low cost and risk:

- Digital IDs make it easier than ever before to open an account
- Digitization of cash-payments is introducing more people to transaction accounts
- Mobile-based financial services bring convenient access even to remote areas
- Greater availability of customer data allows providers to design digital financial products that better fit the needs of unbanked individuals

As countries have accelerated efforts toward financial inclusion, it has become apparent that they face similar hurdles which impede their progress. These include:

- Ensure financial access and services extend to hard-to-reach populations, including women and the rural poor
- Increase citizens' financial literacy and capability so they understand different financial services and products
- Make sure everyone has valid identification documents, and a low-cost, accessible means for them to be authenticated
- Devise useful and relevant financial products, tailored to consumer needs
- Establish robust financial consumer protection frameworks, and adapt relevant regulatory and supervisory authorities, including by utilizing technology to improve supervision (so-called “regtech”)
- Globally, a lack of IDs makes it hard to open a bank account, access capital and credit.¹⁶

1.6 EVOLUTION AND CONCEPT OF SELF-HELP GROUPS (SHGs) IN INDIA

Village development groups were piloted by various NGOs in India in the mid-1980s notably by MYRADA. These groups, through mutual consensus, worked towards providing access to credit to their members. MYRADA taught the group members the importance of cultivating weekly savings and giving loans to each other from their savings. These groups were called credit management groups (CMGs). MYRADA staff provided training on how to organize meetings, set an

¹⁶ <http://www.worldbank.org/en/topic/financialinclusion/overview>

agenda, keep minutes and other areas vital to successful business ventures. The members were linked together by a degree of affinity based on relationships of trust and support; they were also often homogeneous in terms of income or of occupation. In 1987, they were renamed as self-help groups (Fernandez, 1992). These groups were among the first of their kind, i.e., the self-help groups (SHGs) as we know them today.

Similarly in Maharashtra (and other states) under the Integrated Child Development Services (ICDS) programme, mahila mandals were established by government with the help of NGOs such as Chaitanya, which in turn looked for new avenues for capacity building and promoting financial access of the group members. In 1987 the NGO Professional Assistance for Development Action (PRADAN), which was working on a pilot on the effectiveness of the government's poverty alleviation programme in Rajasthan, introduced savings in groups that had been provided with a grant for fodder purchase to deal with the drought conditions. In 1989, International Fund for Agricultural Development (IFAD) piloted the Tamil Nadu Women's Development Project in Dharmapuri district, based on an innovative idea that promoted an informal group-based system of lending and saving. After women paid contributions into a communal account, they could access loans from local commercial banks participating in the scheme. MYRADA and other NGOs participated in this process that contributed

to the evolution of the formal linkage of commercial banks to these SHGs.¹⁷

In India soon after independence, there has been an aggressive effort on the part of the Government, which was concerned with improving the access of the rural poor to formal credit system. Some of these measures have been institutional, while some others were through implementation of focused programmes for removal of rural poverty. Reaching out of the far-flung rural areas to provide credit and other banking services to the hitherto neglected sections of the society is an unparalleled achievement of the Indian Banking System. The main emphasis is the spread of the banking network and introduction of new instruments and credit packages and programmes were to make the financial system responsive to the needs of the weaker sections in the society comprising small and marginal farmers, rural artisans, landless agricultural and non-agricultural labourers and other small borrowers falling below the poverty line.¹⁸

The potential of SHGs to develop as local financial intermediaries to reach the poor gained wide recognition in many developing countries especially in the Asia-Pacific Region, Many NGOs have played an active role in fostering the growth of the SHGs in furtherance of their socio-economic agenda. Considering the immense

¹⁷ Tankha, A (2012): "Banking on Self Help Groups: Twenty Years On" Sage Publications India Pvt. Ltd & ACCESS Development Services. New Delhi p, 11

¹⁸ NABARD (1998), "Annual Report" p.1

potential of the SHGs in meeting the development aspirations of the unreached rural poor, the National Bank for Agriculture and Rural Development (NABARD), the apex development institution with exclusive focus on integrated rural development supported and funded in 1986-87, a MYRADA sponsored action research project on savings and credit management of the Self-Help Groups. Therefore in collaboration with some of the other member institutions of the Asia Pacific Rural and Agricultural Credit Association (APRACA), the NABARD undertook a survey of 43 NGOs spread over 11 states in India to study the functioning of the SHGs and possibilities of collaboration between the banks and the SHGs in mobilization of rural savings and the delivery of credit to the poor.¹⁹

Encouraged by the results of the studies of the SHGs experience, the NABARD in consultation with the RBI, the Commercial Banks (CBs) and the NGOs launched the pilot project of linking the SHGs with the Commercial Banks in 1991-92 and issued detailed guidelines in February 1992. The RBI advised the Commercial Banks in July 1991 to extend finance to the SHGs as per the NABARD guidelines. Subsequently, the linkage project was extended to the RRBs and the Cooperatives.

The linkage philosophy was based on the informal credit system, that is, the moneylenders were holding their away over the rural poor because of their responsiveness, flexibility and sensitivity to the credit

¹⁹ NABARD (1998), “ Annual Report” p.9

needs of the poor. The poor require credit very frequently in small quantities without much hassle and for the activity of own choice. The moneylender is always there at his doorstep for supplying the credit promptly, but with an exorbitant rate of interest, forcing the poor to cough up all his surpluses/ income and making him/her, thereby, move downhill along the poverty line. The moneylender has a vested interest in the perpetuation of poverty.

The formal credit system has the resources, manpower and technical capability to handle any volume of credit dispensation. The pilot project on linking the SHGs with the Banks was launched aiming at combining the positive factors of both the systems and ensuring advantages to both the formal credit system and the SHGs. The traditional attitude of a banker that the poorest of the poor is not reliable and the banks are not meant for them is a myth to be dispelled. The distinct advantages envisaged under the project for the Banks and the SHGs are that the Banks are advised to win the confidence and trust of the rural poor. Though the pilot study is intended to find the impact of the SHGs with the Banks, however, during the pilot phase of the project, a number of other studies have also been conducted, aiming at comparing the advantage expected and the reality.

The Reserve Bank of India issued a circular dated July 24, 1991 to the commercial banks advising them to participate actively in the pilot project for linking Self-Help Groups with Banks. The NABARD,

after consultations with a few interested banks and voluntary agencies, issued a set of guidelines on February 26, 1992; which, while being adequately comprehensive were kept flexible enough to enable participating banks and field level bankers to innovate and to contribute to strengthening the project concept and strategy. When the pilot project was initiated by the NABARD, the Self-Help Group model was adopted and was called as an Indian model. Later, in the early nineties the NABARD called it the SHG- Bank Linkage Model.

The concept of SHG services the principle, '*by the women, of the women and for the women*'. Self-help groups are voluntary associations of people with common interests formed to achieve collective social and economic goals. The origin of Self-Help Groups (SHGs) is the brainchild of Grameen Bank of Bangladesh, founded by Prof. Mohammed Yunus in 1975, who tried out a new approach to rural credit in Bangladesh. Grameen gave loans without asking borrowers either to provide collateral or engage in paper work. In India NABARD initiated SHGs in the year 1986-87 but the real effort was taken after 1991-92 from the linkage of SHGs with the banks.

The term 'self-help group' can be used to describe a wide range of financial and non-financial associations. A large number of informal and formal groups of various types, largely unregistered, are to be found in villages and cities throughout the world. These groups are engaged in financial, non-financial, social, cultural and economic activities. Of

particular interest has been the role of such informal groups in the effective provision of enhanced financial services to their members by relying on social rather than physical collateral.²⁰

In India, SHGs represent a unique approach to financial intermediation. The approach combines access to low-cost financial services with a process of self management and development for the women who are SHG members. SHGs are formed and supported usually by NGOs or (increasingly) by Government agencies. Linked not only to banks but also to wider development programmes, they are seen to confer many benefits, both economic and social. SHGs enable women to grow their savings and to access the credit which banks are increasingly willing to lend. SHGs can also be community platforms from which women become active in village affairs, stand for local election or take action to address social or community issues (the abuse of women, alcohol, the dowry system, schools, and water supply).²¹

The Tamil Nadu Corporation for Development of Women Ltd.,(TNCDW) defines an SHG as “a small, economically homogeneous affinity group of rural poor, voluntarily formed to save and contribute to a common fund to be lent to its members as per group decision and for working together for social and economic upliftment of their families and community”.

²⁰ Tankha, A, (2012): *Banking on Self Help Groups: Twenty Years On*, New Delhi Sage Publications India Pvt Ltd & ACCESS Development Services.

²¹ APMAS & EDA (2006): *Self Help Groups in India: A study of the lights and shades*, Hyderabad, APMAS & EDA Rural Systems Pvt Ltd available at www.apmas.org

According to the Planning Commission of India, a Self-Help Group (SHG) is: (i) a self-governed, peer-controlled, small and informal association of the poor, with an average size of 15/20 people, usually from socio-economically homogeneous families, organized around savings and credit activities. (ii) Members of the SHGs meet weekly or monthly to discuss their common problems and share information to arrive at a solution. (iii) Group members make efforts to rectify their economic and social problems through mutual assistance and encouraged to make voluntary monetary contributions on a regular basis.

Self-help group is a method of organising the poor people and the marginalized to come together to solve their individual problem. The SHG method is used by the government, NGOs and others worldwide. The poor collect their savings and save it in banks. In return they receive easy access to loans with a small rate of interest to start their micro unit enterprise. Thousands of the poor and the marginalized population in India are building their lives, their families and their society through Self-help groups. The 9th five year plan of the government of India had given due recognition on the importance and the relevance of the Self-help group method to implement developmental schemes at the grassroots level.²²

²² Planning Commission (2008): *A Report on the Success and Failure of SHG's in India – Impediments and Paradigm of Success*, New Delhi, Government of India

Indeed, SHG has proved to be an effective tool for poverty alleviation and women empowerment in India. The SHG-bank linkage programme, the largest community based microfinance programme in the world, emerged as a powerful instrument for financial inclusion of the poor and marginalized sections and for optimum utilization of India's vast rural banking and cooperative infrastructure.²³

1.7 SHGs: AN INTERNATIONAL INITIATIVE

The SHG is the brainchild of Grameen Bank of Bangladesh, which was founded by Prof. Mohammed Yunus of Chittagong University in 1975. The concept of SHG serves to underline the principle “for the people, by the people and of the people”.

Mohammed Yunus, popularly known as the father of micro credit system, started a research project in Bangladesh in 1979 and came out with ideas of micro credit that resulted in the establishment of Grameen Bank in 1983. In 1984, the participants of the Third International Symposium on Mobilization of Personal Savings in Developing Countries organized by the United Nations, agreed in the final resolution that –internal savings must provide the basis of credit programmes, state control over interest rate must be relaxed and there should be more

²³ Sunil Kumar (2010): *Study on SHG Federations – Challenges and Opportunities*, Lucknow. Centre for Microfinance Research, Bankers Institute of Rural Development, p 17

decentralized financial services and strong linkage between the formal and informal credit institutions for development.²⁴

In 1986, the Asia and Pacific Regional Agriculturist Credit Association (APRACA) devised on a coordinated programme for the promotion of the linkage between the banks and the SHGs for rural savings mobilization and credit delivery to the rural poor.

In 1989, the Central Bank of Indonesia with the involvement of Self-Help Promotional Institution (SHPI) started a pilot project entitled “Linking the Banks and the SHGs.

In 1993, a first step was taken in Thailand by opening a Bank for Agriculture and Agricultural Co operative (BAAC) and allowed to provide loans for farm related activities and as a second step in early 1999, Thailand government approved amendment to BAAC Act. GTZ, as part of its technical cooperation with BAAC, was helping the bank to develop a system for non-farm activities. By 2002, there were 13 Thai commercial banks, 5 credit fancier companies (type of finance company), 18 finance companies and 18 foreign commercial banks to help micro finance poverty alleviation programme.

In 2003, Tanzania began pilot testing and provided access to micro credit to economically disadvantaged people using the village banking methodology.

²⁴ Aloysius Prakash Fernandez, “Alternate Management System for Savings and Credit of the Rural Poor” Bangalore, 1998, pp 28 – 33.

In Germany, researchers, building on a wide variety of earlier studies of ‘self-help groups ‘and informal finance, had been attempting to upgrade these groups with the objective of integrating them into the national financial system, through an appropriate legal framework. Linkage banking as conceived had two components-‘upgrading’ of groups as informal financial intermediation agencies and ‘downgrading’ banks-a reference to the simplification of their procedures and delivery mechanisms for the benefit of the new clients (Seibel, 2005). The concept of SHGs was not new in Germany. In fact, as noted by Seibel (2005) it dates back at least to the origin of the savings and credit groups of the emerging cooperative movements around 1850. German researchers saw the SHGs essentially as informal cooperatives.²⁵

The SHG–bank linkage strategy was first attempted as a pilot in Indonesia during the late 1980s. The Central Bank of Indonesia had authorized its public and private banks to accept informal groups as customers and lend to them without insistence on physical collateral. Repayment rates of SHGs during the pilot phase were 100%.²⁶

During the first half of 1987, feasibility studies were carried out with GTZ support in Indonesia, Philippines and Thailand and concluded in each country with a national workshop. In Indonesia, Bank Indonesia as the central bank, together with Bank Rakyat Indonesia as the

²⁵ Tankha, A (2012): “Banking on Self Help Groups: Twenty Years On” Sage Publications India Pvt Ltd & ACCESS Development Services. New Delhi. P 19

²⁶ *Ibid*

government's agricultural bank and Bina Swadaya, a prominent NGO, adopted the approach in a pilot project (Seibel, 2006). The feasibility studies and the resulting guidelines for a flexible linkage model to be adjusted to the circumstances in each country were presented in 1987 at the 10th Foundation Anniversary of APRACA in New Delhi and published as Kropp et al. (1989).²⁷

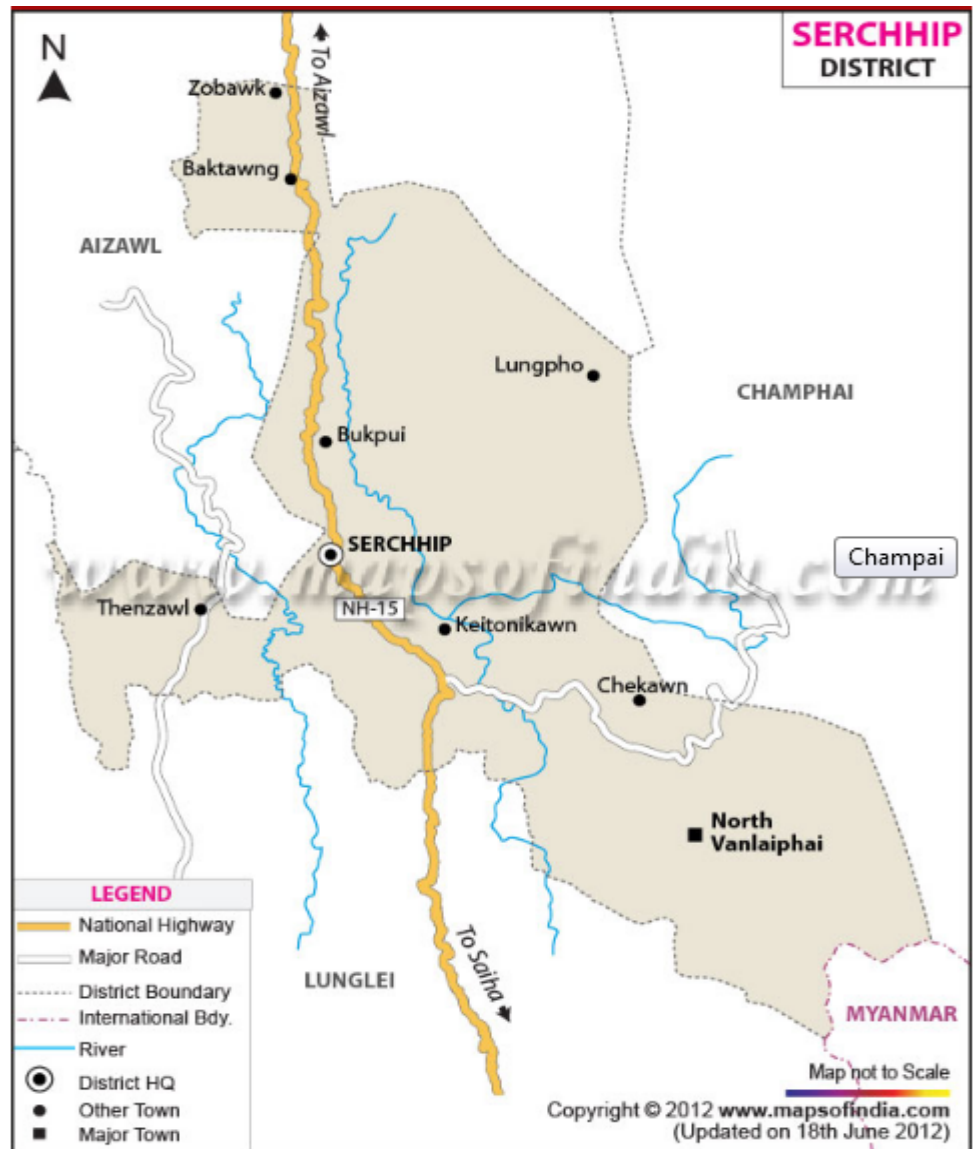
1.8 STUDY AREA:

Serchhip District has been selected for the present study as it was identified as an Intensive District out of two Intensive Districts in the state i.e. Serchhip and Kolasib District for the implementation of National Rural Livelihoods Mission (NRLM) in Mizoram which is one of the largest initiatives to improve of the livelihoods of the poor through Self-Help Group. Intensive district is taken up for implementation of NRLM with access to full complement of trained professional staff and cover a whole range of activities of universal and intense social and financial inclusion, livelihoods, partnerships etc. that will be replicated in the non-intensive district in a phase manner. Besides this, Serchhip District is the highest literacy (97.91%) District in India according to 2011 Census as well as SHGs have been formed and nurturing successfully from the period of Development of Women and Children in Rural Areas (DWCRA) to the Swarnjayanti Gram

²⁷ Tankha, A (2012): "Banking on Self Help Groups: Twenty Years On" Sage Publications India Pvt Ltd & ACCESS Development Services. New Delhi. P-20

SwarozgarYojana (SGSY) even today under NRLM. Consequently, Serchhip district has been selected after careful analysis in view of SHG-Bank Linkage Programme for the purpose of the present study.

District Map of Serchhip



Source: www.mapsofindia.com

Serchhip District came into existence to become the smallest (1,421 sq. km) among the eight Districts of Mizoram on 15th September, 1998 in the year when Rural Development Block was

created in the state. It has distinguished itself being the most literate among the 640 districts all over India. Geographically, Serchhip District is located in the central part of Mizoram and it can be generalised the latitude and longitudinal position at 23.3° N 92.83° E. Interestingly, the Tropic of Cancer passed through the District. Serchhip is bordered by Champhai District in the East, Aizawl in the North and North West and Lunglei District in the South. The District is divided into three Sub-Divisions viz. Serchhip Sadar, North Vanlaiphai and Thenzawl. There are two Rural Development Blocks such as Serchhip and East Lungdar RD Blocks. Altogether there are 42 Villages within the District. There is no city or urban agglomeration while Serchhip is notified town and district headquarters. The district is about 112 km from state capital by road.²⁸

1.9 STATEMENT OF THE PROBLEM

The SHG-Bank Linkage Programme is a major plank of the strategy for delivering financial services to the poor in a sustainable manner. The financial inclusion attained through SHGs is sustainable and scalable on account of its various positive features. The programme confronts many challenges and for further scaling up, these challenges need to be addressed. SHG-Bank Linkage is slowly picking up in the state of Mizoram as compare with other states. The state is indeed, in its initial and nascent stage in the context of financial inclusion especially

²⁸ Baseline Study for Mizoram State Rural Livelihoods Mission 2014, Rural Development Department, Government of Mizoram

in the SHG-Bank Linkage Model initiative. In view of the above, it was felt that there is a need for a critical examination of the SHG-Bank Linkage and financial inclusion in order to understand the socio-economic impact, pros and cons for achieving universal financial inclusion in Mizoram.

1.10 OBJECTIVES OF THE STUDY

1. To understand and analyse the significance of financial inclusion for the upliftment and the development of the rural area through self-help group.
2. To empirically ascertain the present status of financial inclusion and self-help group bank linkage in Mizoram.
3. To find out the viability of Self-Help Group Bank Linkage Model in order to ensure universal financial inclusion among the rural poor in Mizoram.
4. To identify the demand side and supply side hindrances in the implementation of financial inclusion and to make suggestions.

1.11 RESEARCH QUESTIONS

1. Has the SHG-Bank Linkage Programme increased financial inclusion among the SHG members?
2. Has the SHG increases savings and credit linkage among the rural poor?

1.12 RESEARCH METHODOLOGY

The study has examined an insight into the functioning of Self - Help Group-Bank Linkage and its socio-economic impact as well as their operational details in Serchhip District and Mizoram in order to understand and analyse the significance of financial inclusion for upliftment and the development of the rural area through Self-Help Group-Bank Linkage, Its effectiveness, efficiency and sustainability in order to ensure universal financial inclusion in the state of Mizoram in terms of opening of savings bank account, savings and credit linkage, financial literacy etc.

In addition of the above, an in depth analysis has been made to identify the demand side and supply side hindrances in the implementation of financial inclusion as financial inclusion has two aspects; in the demand side hindrances like banking and savings behaviour, financial literacy and rural infrastructure etc among the rural people as well as in the supply side hindrances like bankers (less outreach), human resource constraints, inefficient financial sector and technological backward. The study also focuses the socio-economic viability of SHG-Bank linkage model for implementation of financial inclusion in the village and unbanked areas which is yet to be explored with an empirical investigation. A multi stage purposive random sampling technique has been adopted for the present study as shown below:

1. At the first stage, Serchhip District has selected for the purpose of the study out of 8 districts in the state of Mizoram which was covered under NRLM. It has two RD (Rural Development) Blocks Viz. E.Lungdar and Serchhip RD Block comprising of 42 villages.
2. At the second stage, 130 SHGs have been selected randomly from 13 different villages viz. Chhingchip, Keitum, Bungtlang, Thenzawl, Baktawng, East Lungdar, North Vanlaiphai, Khawlailung, North Mualcheng, Lungchhuan and Chekawn within the two RD blocks, i.e. 130 SHGs sample have been used for the present study.
3. At the third stage, 6 Branch Managers of Mizoram Rural Bank have been selected since there are only 6 branches of MRB²⁹ within Serchhip District. Besides, focus group discussion was also conducted along with Community Resource Persons, active SHG members, NRLM staffs and Bank Managers for the present study.

1.13 COLLECTION OF DATA

The present study is mainly based on primary data by using a canvassing questionnaire collected from Bank Managers, SHGs and their members, Community Resource Persons and NRLM Staff to ensure an insight empirical analysis. Further, Secondary data have been collected from annual reports of Reserve Bank of India, Ministry of Finance, Government of India. National Bank for Agriculture and Rural

²⁹ MRB is a Regional Rural Bank having the largest Bank Branches in Mizoram in which most of the SHGs have savings and credit linkage in the state as they are actively participated in SHG-Bank Linkage and financial inclusion.

Development, Regional Rural Banks, State Level Bankers Committee, published and unpublished sources, Magazines, Journals, e-books, websites and other online resources etc. The collected data have been analysed with relevant statistical tools and systematically interpreted.

This chapter attempts to draw a relevant literature in support of the present study in which focuses have been given on the phenomena which deal with the research objectives and questions. The present review of literature has provided a deep insight into the subject matter relating the need of the study and its relevance in the present day.

Dodkey (1999) explaining that Self-Help Groups are now gaining acceptance as an alternative system of credit delivery, for meeting the credit needs especially to the people who are the poorest of poor generally comprising small marginal farmers, Landless agricultural labourers, rural artisans, womenfolk and other micro- entrepreneurs. The SHGs are regarded as a support system to the exiting banking operations. The objectives of the SHG is to inculcate the habit of thrift, savings, banking culture, i.e., availing loan and repaying the same over a given economic prosperity through credit. The principles underlying the SHG model in India are almost identical to Bangladesh concept, i.e., financing the poorest of the poor, ensuring excellent recovery level and empowering women not just by meeting their needs for consumption and productive loans but also through more holistic educative programmes on issues such as sanitation, family planning and the evil effect of liquor consumption in the family.³⁰

Puhazhendi and Satyasai (2000) studied socio-economic impact of Self Help Groups and found that the overall impact of Self Help

³⁰ Dokey, M.D (1999): 'Sustaining rural women', *Social World*, March, Vol. 45, No. 12, pp. 19.

Group was significant both on social and economic spheres of the household. Their study concluded that the impact of micro finance was relatively more pronounced on social aspects than economic aspects.³¹

Nedumaran *et al.* (2001) studied the performance and the socio economic impact of SHGs in Tamil Nadu and found that there was an increase of 23 per cent in the net income in the post SHG situation, compared to the pre-SHG situation. Social conditions of the members also considerably improved after joining the Self Help Group.³²

According to Ojha (2001) Self-Help Group model of self-employment generation seems to be a workable model. However, there will be need for utmost care in promotion of Self-Help Groups. Self-help promotion consists of assisting individuals to join together and set up an organisation promoting their individual and collective skills and opportunities to develop their own. Self-help promotion aims at generating self-sustainable growth processes within the course of which the target group makes its own decision.³³

Barik and Vannan (2001) in their work "*Promoting Self Help Groups as a Subsystem of Credit Cooperatives*" have stated that SHGs can be developed as a sub-system to primary agricultural co-operatives societies at village level. They have seen that by and large SHGs have

³¹ Sarkar, A.N. (2003): "Innovations in Self Help Group led Micro finance Development: Programmes Sharing of global experience" *Indian Cooperative Review*, 4(1), 12- 31.

³² Nedumaran,S., K. Palanisami., & L .P Swaminathan (2001): "Performance and Impact of Self Help Groups in Tamil Nadu", *Indian Journal of Agricultural Economics*, 56(3), 471.

³³ Ojha, R.K (2001): 'Self-Help Groups and Rural Employment', *Yojana*, May, Vol. 45, pp. 20

been linked with commercial banks in the rural areas. However, the linkage with the co-operative credit system is proverbially poor. As such the need of the hour is to make an earnest effort to bring about effective linkage with the co-operatives.³⁴

Seibel and Dave (2002) concluded that SHG banking was more profitable as compared to other competing products for the clientele of a rural bank branch. Their study covered seven units of three banks and was conducted in October 2002. They applied average cost analysis for each Sustainability of SHGs 167 product and marginal cost analysis in respect of personnel costs of SHG banking because of existing idle capacities. They found that non-performing loans (NPLs) to SHGs were zero per cent. In contrast, consolidated nonperforming loan ratios ranged from 2.6% to 18%. The returns on average assets of SHG banking ranged from 1.4% to 7.5% by average cost analysis and 4.6% to 11.8% by marginal cost analysis, as compared to -1.7% to 2.3% for the consolidated portfolio. Operational self-sufficiency of SHG banking ranged from 110% to 165% by average cost analysis and 142% to 286% by marginal cost analysis.³⁵

Joshi (2002) observed that micro-credit programmer extends small loans to poor people for self-employment projects that generate income, allowing them to care for themselves and their families. In most

³⁴ Barik, B.B and Vannan, P.P (2001) :‘Promoting Self Help Groups as Sub-System of Credit Co-operatives’, *The Cooperator*, January Vol. 38, No.7. pp. 305-311.

³⁵ Tankha, Ajay (2012): “Banking on self-help groups : twenty years on” SAGE Publications India Pvt Ltd, New Delhi.

cases, micro-credit programmer offers a combination of services and resources to their clients in addition to credit for self-employment. These often include savings, training networking and peer support. It is an irony that micro-enterprises and the contribution to the economy often remain unorganized. Poor women usually run their own individual economic activities very efficiently because of sheer survival pressure on them. But public support for the economy is usually absent so it is very difficult for poor women to improve their economic situation individually and alone. When interventions are made to strengthen women's economic activities, it is very important to credit the positive policy linkages for access to raw materials, markets, skills, space, credit, equipment etc. without this policy support, the most efficiently managed economic activities find it difficult to generate more income for poor women.³⁶

Rao (2002) pointed out that the genesis and development of SHGs in India reveals that the existing formal financial institutions have failed to provide finances to landless, marginalized and disadvantaged groups. The origin of SHGs could be traced to mutual aid in Indian village community. Cooperatives are formal bodies whereas SHGs are informal; SHGs encourage savings and promote income generating activities through small loans. The experiences available in the country and elsewhere suggest that SHGs are sustainable have reliability,

³⁶ Joshi, S.C (2002): 'Micro-credit not charity', *Social Welfare*, February Vol. 48, No. 32, p. 12.

stimulate savings and in the process help borrowers to come out of vicious circle of poverty.³⁷

Sinha and Patole (2002) noted that, despite the vast bank network in India, the financial needs of the poor and the poorest are largely unmet. It is sobering to observe that after over 35 years of bank nationalization and more than 15 years of credit targeting to agriculture, on an all-India basis the banks have a smaller outreach to Indian farmers compared to that of professional moneylenders.³⁸

Kofi Annan (2003) the former UN Secretary General observed that the stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. He noted that the great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people to improve their lives.³⁹

Das (2003) has explained in his article “*Self Help Groups and Micro Credit Synergic Integration*” that the inability of the credit institutions to deal with the credit requirements of the poor effectively has led to the emergence of micro-finance or micro-credit system as an alternative credit system for the poor. He has also mentioned that in

³⁷ Rao, V. M (2002): “Women Self-Help Groups Profiles from Andhra Pradesh and Karnataka”, *Kurushetra*, April Vol. 50, No. 6, pp. 26.

³⁸ Howard, M.J *et .at.* (2007): “Training to Address Attitudes of Bank Staff”, *Journal of International Development* 19, 841–851.

³⁹ Jeganathan. R, (2012): “Measures for achieving financial inclusion in India” p. 2.

rural India, it can be seen that the poorer sections of the society and destitute cannot avail the credit from banks and other formal institutions due to their inability to deposit collateral security and mortgage property. At this point of view, micro-financing or group lending is being looked upon as the instrument that can be considered as the golden stick for poverty alleviation *vis-a-vis* rural development.⁴⁰

Singh (2003) says that Self-Help Group and bank linkage programme being propagated by NABARD, for the last ten years has been recognized as the largest and fastest growing micro-finance programme in the world. The programme has also set in motion the process of women empowerment. However, the spread of the programme across the country has been uneven and has largely remained confined to a few States. He urges all states to vigorously join in their endeavour to make the SHG bank linkage programme a widespread success.⁴¹

Raghavendra (2003) in his article "*Self Help Groups Linkage Banking-Challenges of Training – Role played by National Centre*" says that the training has a vital role to play in the scaling up of the linkage programme. A major challenge faced by NABARD, SIDBI and banks is meeting the training needs of various players in the programme such as SHG members, functionaries of NGO, government and banks who

⁴⁰ Sabyasachi Das (2003): "Self Help Groups and Micro Credit-Synergic Integration", *Kurukshetra*, August Vol. 51, No. 10, pp. 25-30.

⁴¹ Jaswant Singh (2003): "2003-04 Budget Speech on Union Minister of Finance and Company Affairs", *Southern Economist*, March Vol. 41, No. 22, pp. 16.

should be exposed to different types and levels of training and awareness programmes.⁴²

Krishnaiah (2003) studied Self Help Groups in Andhra Pradesh and observed that as a result of group formation, women were able to diversify their activities by undertaking non-farm and animal husbandry related activities. He concluded that repayment of loans by the groups is very high because of peer pressure, members are known to each other and they are aware of the credit worthiness of members and the good performance of repayment from members to groups and groups to banks helped to get higher loans subsequently.⁴³

Das (2004) in his article "*Micro finance through SHGs*" has explained that microfinance through SHGs has become a ladder for the poor to bring them up not only economically but also socially, mentally and attitudinally. He has also revealed that micro finance not only deals with the credit part but also deals with savings and insurance part.⁴⁴

Zubair (2004) traced the impact of micro credit on poverty and vulnerability in Matlab division of Bangladesh and concluded that micro credit interventions played an important role in reducing vulnerability through smooth consumption, building assets, providing emergency

⁴²Raghavendra, K (2003): "Self-Help Group Linkage Banking: Challenges of Training -Role played by National Centre", *Land Bank Journal*, March Vol. 41, No. 4, pp.71-76.

⁴³ Krishnaiah, P (2003): "Poverty Reduction: Self Help Group strategy": UBSPD, New Delhi pp, 65-68.

⁴⁴ Rinjhim Mousuni Das (2004): "Micro Finance through SHGs", *Kurukshetra*, February Vol. 52, No. 4, pp. 43-45.

assistance and contributing to women empowerment. Participation in the Grameen Bank and Bangladesh Rural Advancement Committee Credit programmes showed statistically significant impact on women's mobility and they were able to make purchases and able to participate in major decisions.⁴⁵

Usha *et al.* (2004) studied SHGs in Chittoor district (AP) and observed that micro credit increased their access to financial resources both inside and outside the house hold and it made poor women financially self reliant. They reported that 79 per cent respondents informed that micro credit increased their income and savings, 64 per cent respondents expressed better awareness on health, 72 per cent respondents were aware of developmental programmes and 70 per cent respondents were aware of financial schemes as a result of discussion during weekly meetings.⁴⁶

Tamizoli and MSSRF team (2004) analysed the livelihood of *irula*, a tribal community in Pichavaram mangrove in Tamil Nadu and concluded that formation of Self Help Groups, micro finance and micro enterprises has helped them to overcome indebtedness and these three have widened the women's livelihood options. In micro enterprises, women see the possibility of employment near their homes and the

⁴⁵ Meenai, Zubair. (2003): "Empowering Rural Women". Aakar Books, Delhi p83-86.

⁴⁶ Rani,Usha., D.P.J.Reddy., & M.V.S.Reddy.(2004): "Women Development: Empowerment through Self Help Groups in Andhra Pradesh" In Kiran Prasad (Ed.) Communication and Empowerment of Women (vol.2 pp 616-624)The Women Press. New Delhi.

concept of sisterhood is powerful and has changed them to a settled life from nomadic life.⁴⁷

Thorat (2005) says that SHGs redefined the conventional way of doing banking with the poor. It proved that the “poor are bankable”. This can be viewed in the context of the attitudinal constraints, which characterized bankers on the eve of the linkage programme, one realizes what an immense learning point this has been. The poor, organized into SHGs, are ready and willing to partner mainstream financial institutions and banks on their part find their SHG portfolios “safe” and “performing”. Despite being contra intuitive, the poor can and do save in a variety of ways and the creative harnessing of such savings is a key design feature and success factor.⁴⁸

Pradan (2005) conducted a study on the social and economic impact of microfinance delivered through SHGs and concluded that SHG-Bank linkage had significant and positive impact in improving the livelihood of group members, especially in their saving and debt position as well as their living and consumption standards. The increase of asset position by members more likely encourages them to engage in own cultivation and livestock rearing. It has also been reported that SHGs act as platforms for members to access better technology and

⁴⁷ Tamizoli, P., & MSSRF Team (2004): “Mainstreaming Gender concerns in Mangrove Conservation and Management: The Pichavaram coast, Tamil Nadu. In Sumi. Krishna. (Ed.) *Livelihoods & Gender* (pp 92-108). Sage publications: New Delhi

⁴⁸ BASICS (2007): “A Study on SHG-Bank Linkage and Status of MFI in Bihar”, Bhartiya Samruddhi Investments and Consulting Services Ltd. (BASICS Ltd) Ashok Nagar, Ranchi

various promotional assistances all of which are important for their livelihood developments.⁴⁹

Thorat (2005) observed that the main impact of SHG and micro finance are viz. (a) Micro finance has reduced poverty through increase in income and enabled poor to build assets, (b) it has enabled households to spend more on education and (c) it has contributed to a reduced dependency on rural money lenders. It is banking for the poor and not poor banking.⁵⁰

Nagayya (2006) in his article, '*Micro-finance for Self-Help Group*' has stated that the bank and Self-Help Group linkages through financing agencies helps to empower the poor and mobilizing collective strength to make them self-reliant. He has also stated that government intervention will not be able to bring a change in intrinsic attitude of the communities so as make efficient use of credit sanctioned.⁵¹

Laxmi (2007) reports that SHGs are to supplement credit strategies for meeting the needs of the poor by combining the flexibility, sensitivity and responsiveness of the informal credit system with the technical/ administrative capabilities and financial resources of formal financial institutions to build mutual trust and confidence between

⁴⁹ Rathinam and Akudugu (2014): "Self-help Groups as a 'Livelihood Development' for Rural Women: Experiences from India and Ghana" *Journal of Economics and Sustainable Development* Vol.5, No.15.

⁵⁰ Thorat, Y.S.P. (2005): "Micro finance in India: Sectoral issues and Challenges" Theme paper- High Level Policy conference on Micro finance in India. 03-05 May, 2005.

⁵¹ D. Nagayya (2006): "Micro-finance for Self-Help Group", *Kurukshetra*, 2006, Vol. 48, No. 11, p. 10.

bankers and the tribal poor and to encourage banking in a segment of population that formal financial institution usually find difficult to reach this innovative form of financing is imperative.⁵²

Sharma (2007) concluded that micro finance through Self Help Groups is contributing to poverty reduction in a sustainable manner and significant changes have taken place in the standards of living of rural women in terms of increase in income level, assets, savings, borrowing capacity and income generating activities.⁵³

Rangarajan (2008) observed that a well functioning financial system empowers individuals, facilitates better integration with the economy, actively contributes to development and affords protection against economic shocks. Inclusive finance - through secure savings, appropriately priced credit and insurance products, and payment services-helps vulnerable groups such as low income groups, weaker sections, etc., to increase incomes, acquire capital, manage risk and work their way out of poverty. Notwithstanding the efforts made so far, a sizeable majority of the population, particularly vulnerable groups, continue to remain excluded from the opportunities and services provided by the financial sector.⁵⁴

⁵² Laxmi, R.K (2007): "Self Help Groups Innovation in Financing the Poor", *Kurukshetra*, November Vol. 24, pp. 14-15

⁵³ Sharma K.C (2007): "Micro finance through Self Help Groups". *Professional Banker*.VII (12) December .pp 29-36

⁵⁴ Rangarajan, C (2008): "Report of the committee on financial inclusion", GoI, p. 24.

Shiralashetti and Hugar (2008) have reviewed the progress of SHGs and their linkage to bank. The study is based on the secondary data collected from annual reports of the NABARD. The main objectives of the study are to examine the progress of SHGs and bank linkage in India with a reference to Karnataka State. The study includes district-wise and bank-wise linkage of SHGs in Karnataka State. They conclude that SHG movement is a powerful tool for alleviating the poverty of the people.⁵⁵

Karmakar (2008) reported that studies conducted by various experts have shown that the Self Help Groups have indeed helped in the social and economic empowerment of rural women at the same time delivering crucial financial services. SHG has expanded as the largest micro finance programme in the world in terms of its outreach and has extended banking service to people hitherto not served by the banking systems.⁵⁶

Shiralashetti and Hugar (2008) have reviewed the progress of SHGs and their linkage to bank. The study is based on the secondary data collected from annual reports of the NABARD. The main objectives of the study are to examine the progress of SHGs and bank linkage in India with a reference to Karnataka State. The study includes district-wise and bank-wise linkage of SHGs in Karnataka State. They

⁵⁵ Shiralashetti, A.S and Hugar,S.S (2008): "Micro-finance: A study of SHG and Bank Linkage", *Journal of Business Studies*, Vol. 5, No. 9, pp. 31-37.

⁵⁶ Karmakar, K.G. (2008): "Trends in Rural Finance". *Indian Journal of Agricultural Economics*, 63(1), 5-18.

conclude that SHG movement is a powerful tool for alleviating the poverty of the people.⁵⁷

Rangarajan (2008) cited that the success of the SHG-Bank linkage programme has motivated the Government to borrow its design features and incorporate them in their poverty alleviation programme. The SHG - Bank Linkage Programme is a major plank of the strategy for delivering financial services to the poor in a sustainable manner. The search for such alternatives started with internal introspection regarding the innovations which the poor had been traditionally making, to meet their financial services needs. It was observed that the poor tended to come together in a variety of informal ways for pooling their savings and dispensing small and unsecured loans at varying costs to group members on the basis of need.⁵⁸

Demirguc Kunt *et al.* (2008) observed that in a true sense, without financial inclusion, individuals and firms need to rely on their own resources to meet their financial needs, such as saving for retirement, investing in their education, taking advantage of business opportunities, and confronting systemic or idiosyncratic shock. A growing body of research shows that financial inclusion can have significant beneficial effects for individuals, providing both an

⁵⁷ A. S. Shiralashetti and S. S. Hugar, "Micro-finance: A study of SHG and Bank Linkage", *Journal of Business Studies*, Vol. 5, No. 9, pp. 31-37.

⁵⁸ Rangarajan, C (2008): "Report of the Committee on Financial Inclusion", GoI, pp, 77.

economic and a political rationale for policies that promotes financial inclusion.⁵⁹

Dasgupta (2009) in his paper '*Two Approaches to Financial Inclusion*' analyzed the two reports, one exclusively on financial inclusion, under the chairmanship of C Rangarajan and another under the chairmanship of Raghuram G Rajan, which were submitted to the government in 2008 highlights that both the reports largely converge in their diagnosis of financial inclusion. However, whereas the Rangarajan's Committee drags the government into micro-management, the Raghuram Rajan's Committee confines it to the policy level and macro market only. But both highlight the government's role in infrastructure development, human capital formation and legislation process.⁶⁰

Kumar and Golait (2009) in their article "*Bank Penetration and SHG-Bank Linkage Programme: A Critique*" observed that SHG-Bank linkage model is the indigenous model of micro-credit evolved in India and has been widely acclaimed as a successful model. SHG-Bank linkage programme is considered a promising approach to reach the

⁵⁹ Allen, Frankline *et al* (2012): "The Foundations of Financial Inclusion: Understanding Ownership and Use of Formal Accounts", *Policy Research Working Paper 6290*, World Bank, Washington, DC

⁶⁰ Dasgupta, R (2009): "Two Approaches to Financial Inclusion",

poor and has since its inception made rapid strides exhibiting considerable democratic functioning and group dynamism.⁶¹

Kumararaja (2009) has made an attempt to evaluate the performance of SHGs in Tamil Nadu. The study highlights the progress of SHGs in India and in Tamil Nadu. It reveals that there has been a steady progress in the number of SHGs and amount of loan sanctioned. The study concludes that a timely and regular check of the micro-credit through SHGs will contribute to a healthy progress and to the overall development of rural women.⁶²

Nagaraj and Chandrakanth (2009) explained an SHG is a group of about 10 to 20 poor women or men from a similar class and region, forming a savings and credit organisation by pooling financial resources in order to extend loans to the members at low interest with far fewer procedural hassles. 'Savings first' is the prime ethic of SHGs. The National Bank for Agriculture and Rural Development (NABARD), Reserve of Bank of India (RBI) leading NGOs and multilateral agencies included SHG as strategic component to mitigate poverty.⁶³

Klaus and Liu (2009) in their paper entitled "*Longer-Term Economic Impacts of Self-Help Groups in India*" finds that longer

⁶¹ Kumar, P and Golait, R (2009): "Bank Penetration and SHG-Bank Linkage Programme: A Critique" *Reserve Bank of India Occasional Papers* Vol. 29, No.3.

⁶² Kumararaja (2009): "Performance of SHG in Tamil Nadu", *Southern Economist*, 2009, Vol. 47, No. 19, pp. 14-16.

⁶³ N. Nagaraj and M. G. Chandrakanth (2009): "Economic Performance of Self-Help Groups in Karnataka", *Indian Source of Agriculture Economics*, October-December Vol. 64, No. 4, p. 604.

program exposure has positive impacts on consumption, nutritional intake, and asset accumulation. Investigating heterogeneity of the impacts suggests that even the poorest households were able to benefit from the program. Furthermore, overall benefits would exceed program cost by a significant margin even under conservative assumptions.⁶⁴

Hepzibah (2010) has said that Self Help Group Bank linkage model proved to be the pioneer model among the various financial inclusion programs. They have mentioned that SHG bank linkage model has narrowed the distant between the rural women and bank. They also further stated that the rural woman has learned to use the banks for their own credit needs and this marks the success of the program.⁶⁵

Anjugam (2011) has done a study on Impact of SHG bank linkage program on Financial Inclusion. She has mentioned in her study that the SHG bank linkage program has increased the bank usage (formal institutions) among the Self Help Group members.⁶⁶

Allen, Franklin *et al.* (2012) observed that, financial inclusion can bring many welfare benefits to individuals. They used data for 123 countries and over 124,000 individuals try to understand the individual and country characteristics associated with the use of formal accounts

⁶⁴ Klaus Deininger & Yanyan Liu (2009): "Longer-Term Economic Impacts of Self-Help Groups in India" *Policy Research Working Paper* 4886, the World Bank.

⁶⁵ Ramanujam, V and Arivazhagan, G (2011): "Factors determining bank literacy among the members of self help group bank linkage model in Coimbatore District", *International Journal of Management Research and Review*, Volume – 1/Issue- 3 / Article No -3/23-31, p 2

⁶⁶ *Ibid*

and what policies are effective among those most likely to be excluded: the poor and rural residents. They find that greater ownership and use of accounts is associated with a better enabling environment for accessing financial services, such as lower account costs and greater proximity to financial intermediaries. In addition, the study result has also suggest that policies to reduce barriers to financial inclusion may expand the pool of eligible account users and encourage existing account holders to use their accounts to save and with greater frequency.⁶⁷

Rama and Rupayan (2012) in their paper entitled “*Income Related Inequality in Financial Inclusion and Role of Banks: Evidence on Financial Exclusion in India*” analyzes income related inequality in financial inclusion in India using a representative household level survey data, linked to State-level factors. They find that (a) the extent of financial exclusion is quite severe among households across all income groups, (b) income related inequality in financial inclusion varies widely across sub-national regions in India, but it is quite high in most of the cases, (c) income related inequality in financial inclusion cannot be considered as synonymous to income inequality. A notable result is that greater availability of banking services fosters financial inclusion, particularly among the poor.⁶⁸

⁶⁷ Allen, Frankline *et al* (2012): “The Foundations of Financial Inclusion: Understanding Ownership and Use of Formal Accounts”, Policy Research Working Paper 6290, World Bank, Washington, DC

⁶⁸ Pal, Rama and Rupayan Pal (2012): “Income Related Inequality in Financial Inclusion and Role of Banks: Evidence on Financial Exclusion in India”, Indira Gandhi Institute of Development Research (IGIDR).

Ajay Tankha (2012) observed that the innovation of SHG–bank linkage as a means of enabling access of the poor to financial services attracted NGOs as well as national and international donors. Many NGOs started promoting SHGs and facilitating SHG–bank linkage. Some NGOs had viewed SHG promotion as a means to enable access of poor households to the formal banking system. Other NGOs, who had earlier formed SHGs and similar groups as community organizations for supporting livelihoods of the poor and facilitating empowerment of women too came forward to participate in the SBLP. Many NGOs, in addition, promoted activities such as marketing of SHG products, training and technical counseling apart from grant of credits to enable SHGs promoted by them to augment the income of their members.⁶⁹

Reddy and Reddy (2012) says, in the recent years community based microfinance is renowned as an instrument for financial inclusion and inclusive growth. The Self-Help Groups (SHGs) are linked to banks under SHG bank linkage programme to provide financial services to the poor and vulnerable sections for poverty reduction, and to reduce dependence on traditional sources, whose interest rates are overpriced. In the tribal areas, majority of the households are away from formal financial institutions for varied reasons and mostly depend on traditional sources for credit. Their study found that majority of the tribal

⁶⁹ Tankha, Ajay (2012): “Banking on self-help groups : twenty years on” SAGE Publications India Pvt Ltd, New Delhi.

households has accessed financial services from banks through SHGs and their federations.⁷⁰

According to Francis (2013) only through community action we can hope to improve health, sanitation, housing, livelihood and children's education among the poor. SHGs are a good platform for holistic approach in eradicating poverty of the rural poor. Interest free loans and other financial services alone do not make desired impact on the poor.⁷¹

Srinivasan (2013) noted that after nearly two decades of impressive growth, there is slackening of growth in Self Help Group-Bank Linkage Programme (SHG-BLP). While it has reached saturation point in the southern states, the growth is muted in other states as well while the loan impairment rates are on the rise. Time has come to identify the causes and address these problems. There is need to promote voluntary savings among the members of SHGs linking them to higher level institutions while simultaneously introducing basket of loan products for them keeping subsidies away. There is also a need to ensure orderly development of Federation of SHGs as Business Correspondents

⁷⁰ K. Raja Reddy and TCS Reddy (2012): "Indebtedness and Financial Inclusion among the Tribal: An Experience of Woman Self-Help Group Member Households in Andhra Pradesh" *The Microfinance Review*, Volume VII (2 1) January – June.

⁷¹ NABARD (2013): "Status of microfinance in India 2012-13" Micro Credit Innovations Department, National Bank for Agriculture and Rural Development, Mumbai, p, 12.

of financial institutions (FIs) while ensuring protection of customer's interests.⁷²

Fernandez (2013) observed that SHGs are for holistic development of the poor and building the social capital on the pillars of affinity, trust and mutual support will be the key for its success. Therefore, practices and the procedures which undermine the group approach are to be guarded.⁷³

Vyas (2013) also said that poor women are set on the path of self-reliance through micro saving, micro credit and micro insurance. Our endeavour should be to enable them to distinguish between these services and help them to take full advantage of all these products.⁷⁴

Ramakrishna (2013) mentioned that there is a need to mobilize the vast potential for social investments by individual philanthropists and Corporate Social Responsibility (CSR) funds to augment low cost credit to the poor backed by robust technology for maximising the outreach of micro credit.⁷⁵

Sharma and Kukreja (2013) write that for developing nations the era is of inclusive growth and the key for inclusive growth is financial inclusion. Their paper *“An Analytical Study: Relevance of Financial*

⁷² NABARD (2013): “Status of microfinance in India 2012-13” Micro Credit Innovations Department, National Bank for Agriculture and Rural Development, Mumbai, pp,12

⁷³ *Ibid*

⁷⁴ *Ibid*

⁷⁵ *Ibid*

Inclusion for Developing Nations” focuses on the role of financial inclusion and its strengthening the India’s position in relation to other countries economy. They concluded that undoubtedly financial inclusion is playing a catalytic role for the economic and social development of society but still there is a long road ahead to achieve the desired outcomes.⁷⁶

Chakrabarty (2013) states that, the task of financial inclusion in a country like India with large population and geographical spread is, indeed, challenging. The data released from the recent census of India indicates that only 58.7% of households in India avail of banking services with the figure being 54.4% for rural areas and 67.8% for urban areas. While there is greater awareness among policy makers and financial sector participants about the importance of prioritizing the goal of universal financial access, there is a need to ensure that progress on the ground is in line with these expectations. The opening of bank accounts is only the first stage and the focus now is not just on improving access but also on better use of the financial infrastructure. In this regard, the collaborative approach combining financial inclusion with financial literacy, along with closer monitoring of progress in transactions, is expected to boost operations in FI accounts.⁷⁷

⁷⁶ Sharma, Anupama and Kukreja, Sumita (2013): “An Analytical Study: Relevance of Financial Inclusion for Developing Nations”. Research Inventy: *International Journal Of Engineering And Science* Vol.2, Issue 6 March p. 15-20.

⁷⁷ Chakrabarty, K.C (2013): “Revving up the growth engine through financial inclusion” p. 4.

Amidžić *et.al* (2014) observed that financial inclusion has emerged as an important topic on the global agenda for sustainable long-term economic growth. A number of central banks both in emerging and developed countries have put in place various initiatives to promote financial inclusion in their countries. In addition to central bank's initiatives, the IMF, G20, International Finance Corporation (IFC), the Alliance for Financial Inclusion (AFI), and the Consultative Group to Assist the Poor (CGAP) are assuming an increasingly active role at the international level in collecting the data and setting standards to improve financial inclusion.⁷⁸

APMAS (2014) in their study on “*Quality and Sustainability of SHGs in Bihar and Odisha*” says the SHG Bank Linkage Program (SBLP), which is India's own innovation, has proved to be one of the largest and most effective poverty alleviation and women's empowerment programs in the World. The SBLP had a modest beginning with 255 credit linked groups and a loan amount of Rs. 29 lakh in 1992-93. Since then, the program has grown exponentially. In the process, SHGs emerged as a mass movement across the country and largest community based microfinance model in the world.⁷⁹

Khan, H R (2015) observed that in spite of the commendable expansion of branch network and progressive policy initiatives, large number of

⁷⁸ Amidžić *et.al* (2014): “Assessing Countries' Financial Inclusion Standing—A New Composite Index” *IMF Working Paper* -WP/14/36, International Monetary Fund.

⁷⁹ APMAS (2014): “Quality and Sustainability of SHGs in Bihar and Odisha” APMAS, Manikonda, Hyderabad, p-2.

rural population continue to remain outside the formal banking system for a variety of demand and supply side reasons and constraints. From the experiences gained from the success of the SHG-Bank linkage programme and other micro finance initiatives in India and abroad, it has been established that interfacing NGOs/CSOs and other socially conscious organizations/ persons between the banks and the ultimate customers would prove rewarding in the philosophy of "Financial Inclusion".⁸⁰

Mohanty (2015) states that Self-Help Group (SHG)-Bank Linkage Programme (SBLP), which had been at the forefront of the financial inclusion initiatives for the past two decades, continues to hold unique significance even in the current discourse of facilitating individual access to financial services. The SBLP is a group savings-linked programme with its main thrust on the provision of micro-credit. At end-March 2015 it had a loan portfolio of over Rs.500 billion. However, the success of the SBLP programme has been uneven across the country, with the southern region accounting for over half of the SHGs.⁸¹

D V Deshpande *et al* (2015) observed that microfinance has attracted a lot of attention at global and national level in recent past due to its wide ranging impact on provision of financial services to poor.

⁸⁰ Khan, H R (2015): "Report of the Internal Group to Examine Issues Relating to Rural Credit and Microfinance" Reserve Bank of India, Mumbai.

⁸¹ Mohanty, D (2015): "Report of the Committee on Medium-term Path on Financial Inclusion" RBI, Mumbai.

There are primarily two modes of microfinance delivery in India - Self-Help Group Bank Linkage Programme (SBLP) and Micro Finance Institutions (MFIs). Under SBLP model, pioneered by NABARD in the year 1992, saving and other banking services are inbuilt components along with micro-credit. However, MFIs concentrate on extending micro-credit services to clients by raising resources from banks and other sources. According to them SBLP covers about 72% of all micro-credit in the country and remaining 28% are covered by MFIs.⁸²

Disha Bhanot and Varadraj Bapat (2016) measures financial inclusion performance on three dimensions-branch penetration, credit penetration and deposit penetration and in the process of quantifying the contribution of self-help groups towards macro-level financial inclusion dimensions, reveals the multiplier effect of SHGs. Since it enables all group members to access savings, credit and other financial services from bank, efforts to promote financial inclusion through SHGs should continue.⁸³

Parasuraman, S (2017) In a paper entitled “Can India Be a Beacon of Hope for the World?” observed that women have organised themselves into self-help groups (SHGs) to create diversified and sustainable forms of livelihoods and entrepreneurship; initially as thrift

⁸² D V Deshpande *et al* (2015): “Comparative Study of Self-Help Group Bank Linkage Model and Microfinance Institution Model in Raibareli District of Uttar Pradesh” *The Microfinance Review*, Volume VII (2) July – December.

⁸³ Disha Bhanot and Varadraj Bapat (2016): “Multiplier Effect of Self-help Groups” *Economic and Political Weekly*, Vol. 51, Issue No. 33, 13 Aug.

and credit groups promoted by the NGOs, later facilitated by micro credit agencies, and now the Government of India supported National Livelihood Missions for Rural and Urban areas. Recent programmes such as the SHG-Bank Linkage Program (BLP) are now expanding to reach out to 100 million women (NABARD 2016). The SHG-BLP aims to effect social empowerment by supporting financial skill development in women SHG members, so that they may emerge as micro-entrepreneurs.⁸⁴

Raghuram Rajan (2017) also states that financial inclusion is about the broadening of financial services to those people who do not have access to financial services sector, the deepening of financial services for people who have minimal financial services and greater financial literacy and consumer protection so that those who are offered the products can make appropriate choices. The imperative for financial inclusion is both moral one as well as one based on economic efficiency.⁸⁵

It can be clearly observed from the above review of literature that SHG-Bank Linkage model has been one of the most viable models for financial inclusions across the country for more than two decades in its two aspects i.e. demand side and supply side aspects. Hence, financial inclusion is not only important but a prerequisite for inclusive growth especially for the poor and vulnerable sections of our society.

⁸⁴ Parasuraman, S (2017): "Can India Be a Beacon of Hope for the World?" *Economic and Political Weekly*, Vol. 52, Issue No. 8, 25 Feb.

⁸⁵ Rajan, Raghuram G (2017): "I do what I do" Harper Collins Publishers, New Delhi p-81.

3.1 GENESIS AND DEVELOPMENT OF SELF-HELP GROUP-BANK LINKAGE (SHG-BL) IN INDIA

It is said that any long journey starts from a small, single step. So was the journey of the Self Help Group-Bank Linkage Programme (SHG-BLP) from linking a pilot of 500 SHGs of rural poor two decades ago, it now boasts of the world's largest microfinance initiatives with over 7.4 million SHGs representing 97 million rural households directly becoming part of this great movement. Geographically its tentacles have now spread to every nook and corner of India – from the desert sands of Rajasthan to the forest villages of Arunachal Pradesh and from the inaccessible terrain of Jammu and Kashmir to the serene coastal villages of Lakshadweep Islands.

The movement which started as a link between the “unbankable” rural poor and the formal banking system to cater to the microcredit needs of the poor now boasts of a group savings of a whopping ₹.3, 30,001 crores (70% of which goes for internal lending and the balance in the SB accounts of the groups), from a very miniscule proportion of total bank credit to a credit outstanding of ₹.43000 crores (excluding nearly ₹.23000 crores lent to members from groups' own savings). With over 84% of these being all women groups, the poor rural women in India now controls a financial business with turnover of nearly ₹. 1,

00,000 crore (deposits + credit) much more than most of the MNCs in India!⁸⁶

There have been numerous success stories of the poor SHG members showing exemplary entrepreneurial qualities to come out of the vicious circle of poverty and indebtedness with the help of SHGs. The tremendous impact on the social status of the poor rural women becoming bread earners of their households through the instrument of SHGs has been highly commended by many independent researchers. This incredible success story of SHG-BLP has shaken the age old perception that poor are “not bankable”. In fact, many developmental efforts of Government and non-governmental agencies now rely on SHG-BLP for their effective delivery. Even internationally, Indian experience of SHG-BLP has been recognised as the largest and most successful microcredit initiative in the world.⁸⁷

While conceiving the SHG-BLP, it was presumed that once the “unbankable” poor are organised into SHGs with thrift and credit operations at the group level, they will first be linked to the financing banks as a group, for their savings as well as credit requirements. This was thought essential to build the necessary trust for the poor among the banking community so that they would ultimately graduate into individual customers of the banks. SHGs were, thus, conceived as trust

⁸⁶ NABARD (2014): “Status of microfinance in India 2013-14” Micro Credit Innovations Department, National Bank for Agriculture and Rural Development, Mumbai, p 3

⁸⁷ *Ibid*

building mechanism for banks to develop their potential customers and for the members of groups to learn to work with financial discipline while dealing with banking system. The intermediation of SHGs would have also allowed the members of SHGs to prepare themselves for availing the financial services offered by banks, etc. at scales which can not only take them out of poverty (by undertaking economic activities - new or up scaling existing one), but also to enable service delivery by banks more “viable”. While lauding the great achievement of SHG-BLP, it would be appropriate to look at the performance of the movement in this direction. A recent study conducted by NABARD in Karnataka had revealed that hardly 20-30% of the members of SHGs have graduated into individual Savings Bank account holders.⁸⁸

As financial inclusion of the poor became a serious issue which our planners could no longer ignore, several initiatives were taken by the Government of India, RBI, NABARD and banks to bring the poor into the fold of formal financial service providers. However, no serious attempt was made to leverage the SHG-BLP to achieve the financial inclusion goals. A successful programme which could link millions of rural poor to formal banking system though indirectly, could have been the main instrument through which financial inclusion in the country could have driven ahead. Mature SHGs could have been made direct agents of providing direct banking services to the poor at their doorsteps, as a low cost, but efficient alternative to branch network. This

⁸⁸ *Ibid*

model is certainly more cost effective and reliable alternative to the existing inclusion agenda and millions of households, now members of SHG-BLP, would have been the immediate beneficiaries.

The SHG-Bank Linkage Programme is a major plank of the strategy for delivering financial services to the poor in a sustainable manner. The search for such alternatives started with internal introspection regarding the innovations which the poor had been traditionally making, to meet their financial services needs. It was observed that the poor tended to come together in a variety of informal ways for pooling their savings and dispensing small and unsecured loans at varying costs to group members on the basis of need.

The SHG-Bank Linkage Programme was started as an Action Research Project in 1989 which was the offshoot of a NABARD initiative during 1987 through sanctioning ₹.10 lakh to MYRADA as seed money assistance for experimenting Credit Management Groups. In the same year the Ministry of Rural Development provided PRADAN with support to establish self-help groups in Rajasthan.

The experiences of these early efforts led to the approval of a pilot project by NABARD in 1992. The pilot project was designed as a partnership model between three agencies, viz., the SHGs, banks and NGOs. This was reviewed by a working group in 1995 that led to the evolution of a streamlined set of RBI approved guidelines to banks to enable SHGs to open bank accounts, based on a simple “inter se”

agreement. This was coupled with a commitment by NABARD to provide refinance and promotional support to banks for the SHG - Bank Linkage Programme.⁸⁹

Micro finance is the provision of thrift, credit and other financial services and products of very small amounts to the poor for enabling them to raise their income levels and improve their living standards. It has been recognised that micro finance helps the poor people meet their needs for small credit and other financial services. The informal and flexible services offered to low-income borrowers for meeting their modest consumption and livelihood needs have not only made micro finance movement grow at a rapid pace across the world, but in turn has also impacted the lives of millions of poor positively.

The beginning of the micro finance movement in India could be traced to the SHG- bank linkage programme started as a pilot project in 1992 by National Bank for Agricultural and Rural Development (NABARD). This programme not only proved to be very successful, but has also emerged as the most popular model of micro finance in India.⁹⁰

The programme has since come a long way from the pilot project of financing 500 SHGs across the country. It has proved its efficacy as a mainstream programme for banking with the poor, who mainly comprise the marginal farmers, landless labourers, artisans and craftsmen and others engaged in small businesses such as hawking and vending in the

⁸⁹ Rangarajan, C (2008): "Report of the committee on financial inclusion", p 77

⁹⁰ RBI (2008): "Report on Trend and Progress of Banking in India, 2007-08" p 196.

rural areas. The main advantages of the programme are timely repayment of loans to banks, reduction in transaction costs both to the poor and the banks, doorstep “saving and credit” facility for the poor and exploitation of the untapped business potential of the rural areas. The programme, which started as an outreach programme has not only aimed at promoting thrift and credit, but also contributed immensely towards the empowerment of the rural women.

The following three different models have emerged under the SHG-Bank Linkage Programme:

Model I: SHGs promoted, guided and financed by banks.

Model II: SHGs promoted by NGOs/Government agencies and financed by banks.

Model III: SHGs promoted by NGOs and financed by banks using NGOs/formal agencies as financial intermediaries.

Model II has emerged as the most popular model under the SHG-Bank Linkage Programme. Commercial banks, co-operative banks and the regional rural banks have been actively participating in the SHG-Bank Linkage Programme.⁹¹

Despite the vast expansion of the formal credit system in the country, the dependence of the rural poor on moneylenders somehow continued in many areas, especially for meeting emergent requirements. Such dependence was pronounced in the case of marginal farmers, landless labourers, petty traders and rural artisans belonging to socially

⁹¹ RBI (2008): “Report on Trend and Progress of Banking in India, 2007-08” p 199

and economically backward classes and tribes whose propensity to save is limited or too small to be mopped up by the banks. For various reasons, credit to these sections of the population had not been institutionalized. The studies conducted by NABARD, APRACA and ILO on the informal groups promoted by Non-Governmental Organizations (NGOs) brought out that Self-Help Savings and Credit Groups had the potential to bring together the formal banking structure and the rural poor for mutual benefit and that their working had been encouraging.⁹²

Accordingly, NABARD launched a pilot project to cover SHGs promoted by Non-Governmental Organizations, banks and other agencies under the pilot project and supported it by way of refinance. The quick studies conducted by NABARD in a few states to assess the impact of the linkage project brought out encouraging and positive features like increase in loan volume of the SHGs, definite shift in the loaning pattern of the members from non-income generating activities to production activities, nearly 100% recovery performance, significant reduction in the transaction costs for both the banks and the borrowers etc, besides leading to gradual increase in the income level of the SHG members. Another significant feature observed in the linkage project was that about 85% of the groups linked with the banks were formed exclusively by women.⁹³

⁹² RBI (2016): “Master Circular on SHG-Bank Linkage Programme” p 2

⁹³ Ibid

With a view to studying the functioning of SHGs and NGOs for expanding their activities and deepening their role in the rural sector, in November 1994, RBI constituted a working Group comprising eminent NGO functionaries, academicians, consultants and bankers under the Chairmanship of Shri S.K. Kalia, the then Managing Director, NABARD. The Working Group was of the view that the linking of SHGs with the banks is a cost effective, transparent and flexible approach to improve the accessibility of credit from the formal banking system to the unreached rural poor, which is expected to offer the much needed solution to the twin problems being faced by the banks, viz recovery of loans in the rural areas and the high transaction cost in dealing with small borrowers at frequent intervals.

The Group, therefore, felt that the thrust of the policy should be to encourage the formation of SHGs and their linking with the banks and in this regard, the banks have a major role to play. The Working Group had recommended that the banks should treat the linkage programme as a business opportunity and they may design area specific and group specific loan packages taking into account inter alia the potential, local needs, available talent/skills etc.

The Reserve Bank constituted four informal groups in October 2002 to examine various issues concerning micro-finance delivery. Linking of SHGs with banks have been emphasized in the Monetary policy of Reserve Bank of India and Union Budget announcements from

time to time and various guidelines have been issued to banks in this regard. To scale up the SHGs linkage programme and make it sustainable, banks were advised that they may consider lending to SHGs as part of their mainstream credit operations both at policy and implementation level. They may include SHG linkage in their corporate strategy/plan, training curriculum of their officers and staff and implement it as a regular business activity and monitor and review it periodically.⁹⁴

The NABARD circular of 27 March 2012 revisited the SBLP and noted some of the issues that are known to affect the programme's successful implementation, such as (a) inadequate outreach in many regions; (b) delays in opening of SHG accounts and disbursement of loans; (c) impounding of savings by banks as collateral; (d) non-approval of repeat loans, even when the first loans were repaid promptly; (e) multiple membership and borrowings by SHG members within and outside SHGs; and (f) limited banker interface and monitoring. It proposed the launching of SHG 2 with the following product level and system changes:

1. SHG members should be allowed to park their surplus fund with the group in the form of voluntary savings.
2. Cash credit/overdraft system of lending for SHGs should be sanctioned to enable SHGs to be flexible in meeting their frequent needs and help them reduce the cost of borrowing.

⁹⁴ RBI (2016): "Master Circular on SHG-Bank Linkage Programme" p 3

3. SHG members who are in a position to expand economic activities that require higher levels of loans may be allowed to form JLGs within SHGs.
4. Risk-mitigation systems (such as self-rating tools and SHG-level audits) are to be introduced to strengthen the bankers' confidence in SHGs.
5. Well-functioning SHGs and NGOs may be engaged by banks as BFs.
6. Monitoring and training mechanisms must be strengthened.⁹⁵

3.2 MAJOR INITIATIVE TO INTENSIFY SHG-BANK LINKAGE PROGRAMME IN INDIA

SHG – Bank linkage programme, the largest microfinance model in the world, began formally in 1992 with a set of guidelines passed by NABARD. Further RBI facilitated commercial banks to lend to SHGs without collateral. Since then it has taken the shape of a movement. This section will present an aggregate picture of various programs and schemes of SHGs such as National Urban Livelihoods Mission (NULM), National Rural Livelihoods Mission (NRLM), Women SHG, NERLP and Digitisation of SHG to overview the initiative taken by the government of India to promote SHG-Bank linkage in the country as below.

⁹⁵ Nair, T and Tankha, A (2013) “Microfinance India; State of the Sector Report 2013” SAGE Publications India Pvt. Ltd, New Delhi p 14

3.2.1 NATIONAL URBAN LIVELIHOODS MISSION (NULM):

The Government of India, Ministry of Housing and Urban Poverty Alleviation (MoHUPA), restructured the existing Swarna Jayanti Shahari Rozgar Yojana (SJSRY) and launched the National Urban Livelihoods Mission (NULM) in 2013. NULM has been under implementation w.e.f. September 24, 2013 in all district headquarters (irrespective of population) and all the cities with population of 1 lakh or more. The Mission with enhanced scope has been renamed as “Deendayal Antyodaya Yojana -National Urban Livelihoods Mission (DAY-NULM)” on 19th February, 2016.⁹⁶

NULM aims to reduce poverty and vulnerability of the urban poor households by enabling them to access gainful self-employment and skilled wage employment opportunities, resulting in an appreciable improvement in their livelihoods on a sustainable basis, through building strong grassroots level institutions of the poor. The mission would aim at providing shelter equipped with essential services to the urban homeless in a phased manner. In addition, the Mission would also address livelihood concerns of the urban street vendors by facilitating access to suitable spaces, institutional credit, social security and skills to

⁹⁶ RBI (2016): “Master Circular – Deendayal Antyodaya Yojana - National Urban Livelihoods Mission (DAY-NULM)” p-2

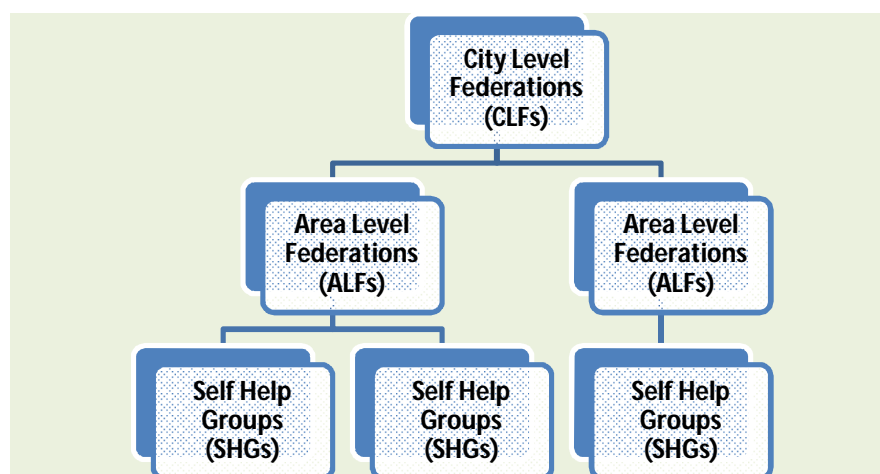
the urban street vendors for accessing emerging market opportunities with the following components.⁹⁷

1. Social Mobilization & Institutional Development (SM&ID)
2. Employment through Skills Training & Placement (ESTP)
3. Self Employment Program (SEP)
4. Capacity Building & Training (CBT)
5. Support to Urban Street Vendors (SUSV)
6. Scheme of Shelters for Urban Homeless (SUH)

NULM shall rest on the foundation that the mobilisation of urban poor households to form their own institutions is an important investment for an effective and sustainable poverty reduction programme. These institutions of the poor would partner with local self-governments, public service providers, banks, private sector and other mainstream institutions to facilitate delivery of social and economic services to the poor. NULM envisages mobilisation of urban poor households into a three tiered structure as below:

- i. Self-Help Groups (SHGs) at the grass-root level,
- ii. Area Level Federations (ALFs) at the slum / ward level and
- iii. City-level Federations (CLFs) at the city-level

⁹⁷ MoHUPA (2013) “ NULM Mission Documents” GoI, p-7



Graph 3.1. Graphical Presentation of a Three Tiered Structure SHGs under NULM

Table 3.1 SHG formation under DAY-NULM

SI No	Indicators	2016-17	2017-18*
1	No. of SHGs formed	87263	47431
2	Disabled out of total	3355	1419
3	Women out of total	779207	459399
4	Urban poor members	732591	423356
5	No. of Area Level Federation formed	3145	1115
6	No. of City Level Federation formed	133	59
7	No. of book keeper identified & Trained	4496	62975
8	No. of Internal Community Resource Persons identified & Trained	3310	2986

Source: *nulm.gov.in*

* as on 30.11.2017

Table 3.1 highlighted the progress of SHG formation under DAY-NULM for the year 2016-17 and 2017-18 in terms of number of SHG formed disabled member, women and urban poor out of the total member. It also highlighted number of Area Level Federation and City Level Federation already formed in the country as a whole as on 30.11.2017. Besides, the number of book keeper identified & trained as well as the number of Internal Community Resource Persons identified & Trained have been shown in the above table.

Table 3.2 Progress of Universal Financial Inclusion under NULM

Sl No	Monitoring Parameter	2016-17	2017-18*
1	No. of Financial Literacy Camps organised	1853	1101
2	No. of beneficiaries covered	351839	297022
3	No. of Basic service bank deposit Ac opened	423475	68023
4	No. of NULM beneficiaries link with insurance	10570	11177
5	Life insurance (janshree)	107238	5876
6	Health Insurance (RSBY)	17817	6116
7	Micro Finance among minority women	74490	11523

Source: *nulm.gov.in*

*as on 30.11.2017

Achieving universal financial inclusion among the urban poor is one of the most important sub-components of DAY-NULM. As shown in the Table 3.2, the overall achievement under universal financial inclusion has been highlighted for the year 2016-17 and 2017-18 viz. number of Financial Literacy Camps organized in which the urban poor are sensitized in financial literacy for furthering financial inclusion, number of beneficiaries covered under the camp, number of Basic service bank deposit Ac opened for the SHG members, number of NULM beneficiaries link with insurance, Life insurance (janshree) Health Insurance (RSBY), Micro Finance among minority women etc.

3.2.2 AAJEEVIKA-NATIONAL RURAL LIVELIHOODS

MISSION (NRLM): Aajeevika - National Rural Livelihoods Mission (NRLM) was launched by the Ministry of Rural Development (MoRD), Government of India in June 2011. Aided in part through investment support by the World Bank, the Mission aims at creating efficient and effective institutional platforms of the rural poor, enabling them to increase household income through sustainable livelihood enhancements and improved access to financial services.

NRLM set out with an agenda to cover 7 Crore rural poor households, across 600 districts, 6000 blocks, 2.5 lakh Gram Panchayats and 6 lakh villages in the country through self-managed Self Help Groups (SHGs) and federated institutions and support them for livelihoods collectives in a period of 8-10 years.

In addition, the poor would be facilitated to achieve increased access to rights, entitlements and public services, diversified risk and better social indicators of empowerment. DAY-NRLM believes in harnessing the innate capabilities of the poor and complements them with capacities (information, knowledge, skills, tools, finance and collectivization) to participate in the growing economy of the country. In November 2015, the program was renamed Deendayal Antayodaya Yojana (DAY-NRLM).⁹⁸

⁹⁸ <http://aajeevika.gov.in/content/welcome-deendayal-antyodaya-yojana-nrlm>

NRLM (renamed as DAY-NRLM w.e.f. March 29, 2016) is the flagship program of Govt. of India for promoting poverty reduction through building strong institutions of the poor, particularly women, and enabling these institutions to access a range of financial services and livelihoods services. DAY-NRLM is designed to be a highly intensive program and focuses on intensive application of human and material resources in order to mobilize the poor into functionally effective community owned institutions promote their financial inclusion and strengthen their livelihoods.

DAY-NRLM complements these institutional platforms of the poor with services that include financial and capital services, production and productivity enhancement services, technology, knowledge, skills and inputs, market linkage, etc. The community institutions also offer a platform for convergence and partnerships with various stakeholders by building environment for the poor to access their rights and entitlements and public service.⁹⁹

A women's self-help group, coming together on the basis of mutual affinity is the primary building block of the DAY-NRLM community institutional design. It focuses on building, nurturing and strengthening the institutions of the poor women, including the SHGs and their Federations at village and higher levels. In addition, DAY-NRLM will promote livelihoods institutions of rural poor. The mission

⁹⁹ RBI (2016): "Master Circular – Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)" p-1.

will provide a continuous hand-holding support to the institutions of poor for a period of 5-7 years till they come out of abject poverty. The community institutional architecture put in place under DAY-NRLM will provide support for a much longer duration and of a greater intensity.

The support from DAY-NRLM will include all round capacity building of the SHGs ensuring that the group functions effectively on all issues concerning their members, financial management, providing them with initial fund support to address vulnerabilities and high cost indebtedness, formation and nurturing of SHG federations, making the federations evolve as strong support organizations, making livelihoods of the poor sustainable, formation and nurturing of livelihoods organizations, skill development of the rural youth to start their own enterprises or take up jobs in organized sector, enabling these institutions to access their entitlements from the key line departments, etc.¹⁰⁰

NRLM works on both demand and supply sides of financial inclusion. On the demand side, it promotes financial literacy among the poor and provides catalytic capital to the SHGs and their federations. On the supply side, the Mission coordinates with the financial sector and encourages use of Information, Communication & Technology (ICT) based financial technologies, business correspondents and community

¹⁰⁰ RBI (2016): “Master Circular – Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)” p-2

facilitators like ‘Bank Mitras’. It also works towards universal coverage of rural poor against risk of loss of life, health and assets. Further, it works on remittances, especially in areas where migration is endemic.

Table 3.3 NRLM Progress at a Glance (as on 30.11.2017)

Sl No	Indicators	Achievement
	Geographical coverage under NRLM	
1	Number of States/UTs transited to NRLM	34
2	Number of Districts with intensive blocks in NRLM States	577
3	Number of Blocks identified for intensive approach in NRLM States	4321
4	Number of Blocks where intensive implementation has commenced	4241
5	Number of Grampanchayat in which intensive implementation has started	100456
6	Number of villages in which intensive implementation has started	279077
	Progress in Intensive Blocks (includes NRLM- EAP/ State Projects)	
7	Number of households mobilized into SHGs (in Lakh)	446.6
8	Number of SHGs promoted (in Lakh)	37.8
9	Number of Village Organizations promoted	206147
10	Number of SHGs provided Revolving Fund	1231735
11	Amount of Revolving Fund disbursed to SHGs (in Lakh)	162846.3
12	Number of SHGs provided Community Investment Fund (CIF)	688746
13	Amount of CIF disbursed to SHGs(in Rs. Lakh)	361007.4
14	Number of Community Resource Persons developed	230860
15	Amount of credit mobilized through banks (in Rs. Lakh)	56197.8
16	Number of youth provided self-employment training under RSETI (In Lakh)	13.34
17	Number of Mahila Kisans supported under MKSP (in Lakh)	33.54
18	Number of Producer Group promoted	1485
19	Gross cropped area brought under sustainable agriculture under MKSP (in Lakh Acres)	38

Source: *nrlm.gov.in*

Table 3.3 has shown the progress of NRLM in geographical coverage and progress in Intensive Blocks as on 30.11.2017 in which 34 states in the country have been transited to NRLM from SGSY by covering 577 intensive districts and 4241 intensive blocks with 279077 villages covered so far.

Table 3.4 Geographic Wise Achievement under NRLM 2017-18 FY*

SI No	States & UTs	Achievement		
		Total SHGs	Total Disbursement Amt	Total Outstanding Amt
1	Andaman & Nicobar Island	41	101.11	187.00
2	Andhra Pradesh	152148	325218.82	1731252.03
3	Arunachal Pradesh	32	9.05	254.11
4	Assam	9404	7152.79	33614.27
5	Bihar	181184	125085.67	179023.51
6	Chhattisgarh	14532	9195.95	27165.49
7	Dadra & Nagar Haveli	174	66.20	59.91
8	Goa	306	782.34	2506.70
9	Gujarat	19230	13095.72	21331.54
10	Haryana	3394	3085.94	13076.09
11	Himachal Pradesh	2320	2330.95	8820.73
12	J & K	1912	1986.03	4495.67
13	Jharkhand	18731	10281.46	21525.52
14	Karnataka	344776	313614.15	903115.79
15	Kerala	39430	98330.21	278097.99
16	Lakshadweep	0	0.00	3.29
17	Madhya Pradesh	25448	23000.04	40680.14
18	Maharashtra	31591	49463.55	142858.02
19	Manipur	45	22.19	373.96
20	Meghalaya	20	11.06	187.75
21	Mizoram	148	53.03	391.41
22	Nagaland	63	87.27	555.44
23	Odisha	73796	62685.69	184796.84
24	Pondicherry	2091	5547.54	10071.81
25	Punjab	2524	877.50	3970.51
26	Rajasthan	20749	12005.46	43097.72
27	Sikkim	89	57.50	257.87
28	Tamil Nadu	42723	119287.03	492848.64
29	Telangana	89493	204510.63	989580.91
30	Tripura	327	168.67	2005.45
31	Uttarakhand	1059	432.73	3765.18
32	Uttar Pradesh	14597	7423.37	61963.34
33	West Bengal	224015	181575.02	356715.49
34	Unmatched SHGs	30001	53803.60	134341.24
35	Total	1346393	1631348.27	5692991.66

Source: nrlm.gov.in

* (as on 30.11.2017)

Table 3.5 Bank Wise Achievement Report (Rs. in Lakhs)

Sl No	Bank Name	Achievement		
		Total SHGs	Total Disbursement Amt.	Total Outstanding Amt.
1	Public Sector Bank	8, 51,032	9, 74,204.50	38, 26,613.79
2	Regional Rural Bank	4, 73,941	5, 70,349.81	15, 57,436.43
3	Private Sector Bank	40,571	1, 13,666.52	2, 95,415.70
4	Cooperative Banks	4,642	11,260.09	14,671.00
5	Grand Total	13, 70,186	16, 69,480.92	56, 94,136.92

Source: *nrlm.gov.in*

As on 30.11.2017

SHG-Bank Linkage achievement under NRLM has been shown in Table 3.5 in bank wise as on 30.11.2017. The table indicates that Public Sector Banks (PSBs) has disbursed the highest number of credit linked SHGs i.e. 8, 51,032 SHGs have credit linkage with PSBs. Accordingly, Regional Rural Banks have disbursed loans to 4, 73,941 SHGs, Private Sector Bank have also disbursed loans for 40,571 while Cooperative Banks have disbursed loan to 4,642 SHGs as indicated in the table. Similarly, all banks have disbursed loans to 13, 70,186 SHGs across the country with a total disbursement amount of ₹. 16, 69,480.92 and total outstanding amount of ₹ 56, 94,136.92 so far under NRLM.

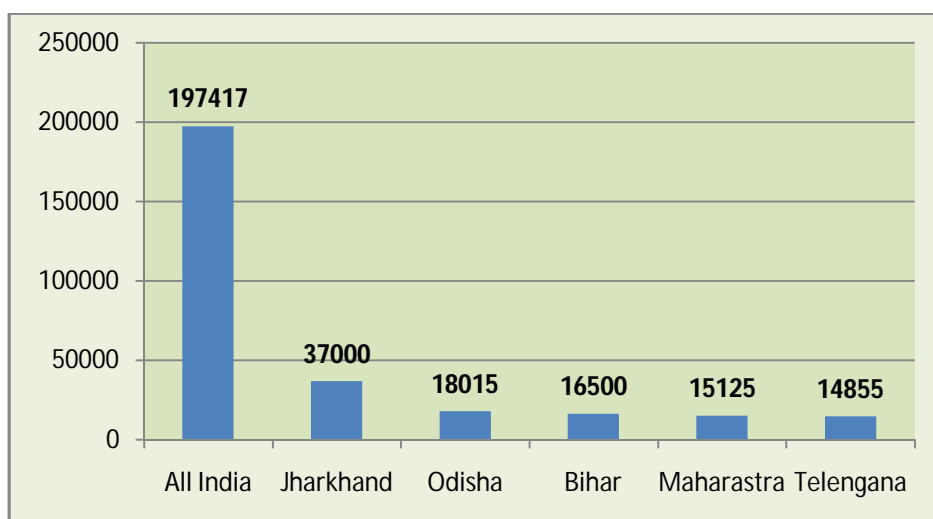
3.2.3 WOMEN SELF HELP GROUPS (WSHG): A scheme for promotion and financing of Women Self Help Groups (WSHG) in association with Government of India is being implemented across 150 backward districts of the country. The scheme is an attempt at having Self Help Promoting Institutes (SHPI) to work not merely as an SHPI for promoting and enabling credit linkage of these groups with banks, but also serving as a banking / business facilitator, tracking, monitoring these groups and also being responsible for loan repayments.

The objective of the scheme is to saturate the districts with viable and self sustainable WSHGs by involving anchor NGOs / support agencies, who shall promote and facilitate credit linkage of these groups with banks, provide continuous handholding support, enable their journey for livelihoods and also take responsibility for loan repayments. NABARD shall provide grant support @ 10,000/- per SHG to these NGOs over a period of three years and also bear the cost of training and other capacity building initiatives. Some of the salient features of the scheme are as below:

- i. An anchor NGO / support agency will be selected by Lead District Manager in consultation with the DDM, NABARD and DLCC in each of the identified districts for implementation of the project.
- ii. The scheme would be implemented through bank branches, having CBS facility.

- iii. The identified bank branch will enter into a MoU with the identified NGO / support agency.
- iv. The identified NGOs will be eligible for grant assistance up to a maximum of ₹.10000 per WSHG.
- v. All loans to new WSHGs promoted shall preferably be under the cash credit mode.
- vi. NABARD will provide need based awareness and capacity development programmes for key stakeholders under the project.
- vii. A Service Charge of 5% per annum on monthly average loan outstanding shall be paid by the participating bank to the respective NGOs / support agencies to meet their administrative, transaction and risk costs.¹⁰¹

Graph: 3.2. Leading States with Sanctioned WSHG

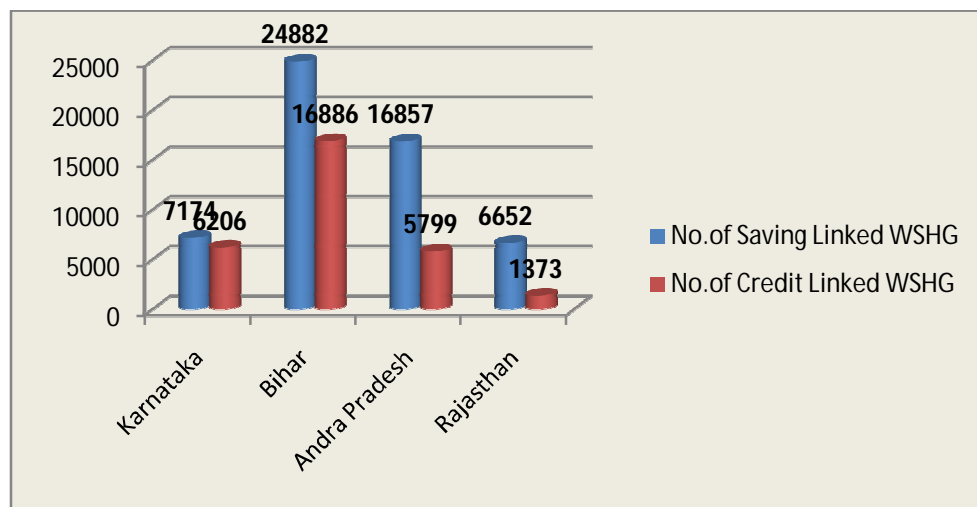


Source: Sa-Dhan (2014); “The Bharat Microfinance 2014”, p- 66

¹⁰¹ www.Nabard.ogr.in

Leading states with Sanctioned WSHG have been shown in the Figure 3.2. At an all India level, the total number of sanctioned WSHGs is 197,417. Jharkhand is leading in terms of sanctioned WSHGs, followed by Odisha, Bihar, Maharashtra and Telangana. Jharkhand alone accounts for around 19% of total sanctioned WSHGs.

Graph: 3.3. Leading States in terms of Savings & Credit Linked WSHG



Source: Sa-Dhan (2014); "The Bharat Microfinance 2014", p- 66

Figure 3.3 depicts the leading state in terms of number of saving linked WSHGs vis-à-vis the no. of credit linked WSHGs. Karnataka is leading the chart, followed by Bihar, Andhra Pradesh and Rajasthan. Bihar has the highest number saving linked WSHG i.e 24882 followed by Andhra Pradesh, Karnataka and Rajasthan. Similarly, credit linked WSHG has been highest in the state of Bihar subsequently followed by Karnataka, Andhra Pradesh and Rajasthan respectively.

3.2.4 NORTH EAST RURAL LIVELIHOOD PROJECT (NERLP):

North East Rural Livelihood Project (NERLP) funded by the World Bank is a multi-state rural poverty alleviation project with the objective to improve rural livelihood especially that of women, unemployed youth and the most disadvantaged in the four North Eastern states of Mizoram, Nagaland, Sikkim and Tripura. The project is being implemented in two districts each of the states of Mizoram, Nagaland, Sikkim and five districts of Tripura.

NERLP is mandated among other services to provide Skill Development Trainings for the youth groups to improve socio-economic conditions of the people in the project villages. It is entrusted to hone the skills of unemployed youths in various sectors so that the youths can earn and sustain individually and also contribute to their family income. The project will support need based trainings to unemployed youth between the age group of 18 to 35 years in different institutes and facilitate them in job placement. The training cost will be borne by the project for gainful employment of the rural youths.

The specific project objectives are to:

A. Create sustainable community institutions around women Self-Help Groups (SHGs), Youth Groups of men and women (YG) and Community Development Groups (CDG).

B. Build capacity of community institutions for self governance, bottom up planning, democratic functioning with transparency and accountability.

C. Increase economic and livelihood opportunities by

- ❖ Managing natural resources and improving agriculture for food security and income enhancement from farming and allied activities
- ❖ Skill development of youth for employability and establishment of self and/or group managed enterprises
- ❖ Establishing backward and forward linkages for economic enterprises
- ❖ Creating access to finance through linkages with banks and other financial institutions
- ❖ Creating critical infrastructures

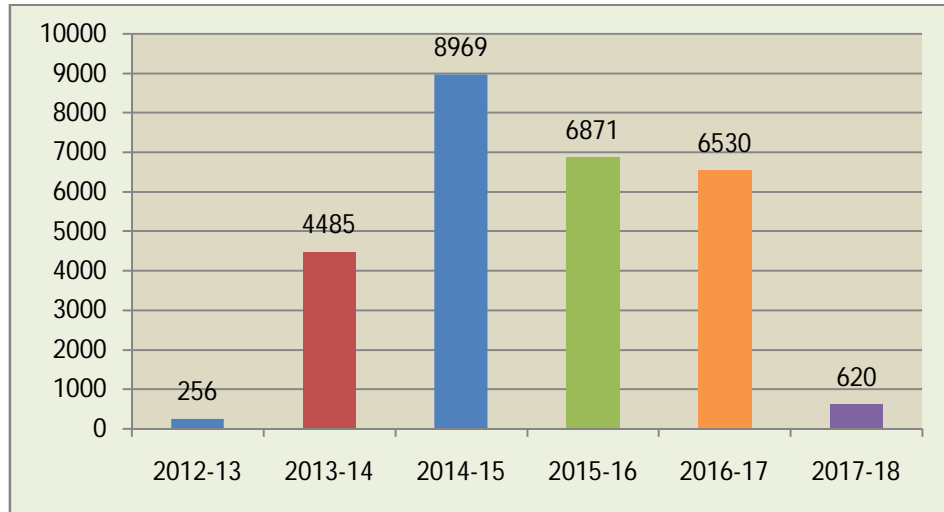
D. Develop partnership of community institutions for natural resource management, microfinance, market linkages, and sectoral economic services.

The project is for a period of five years. It covers two districts each in Mizoram, Nagaland, Sikkim and 5 districts in Tripura. The districts are:

- **Mizoram** - Aizawl and Lunglei
- **Nagaland** - Peren and Tuensang
- **Sikkim** - South Sikkim and West Sikkim

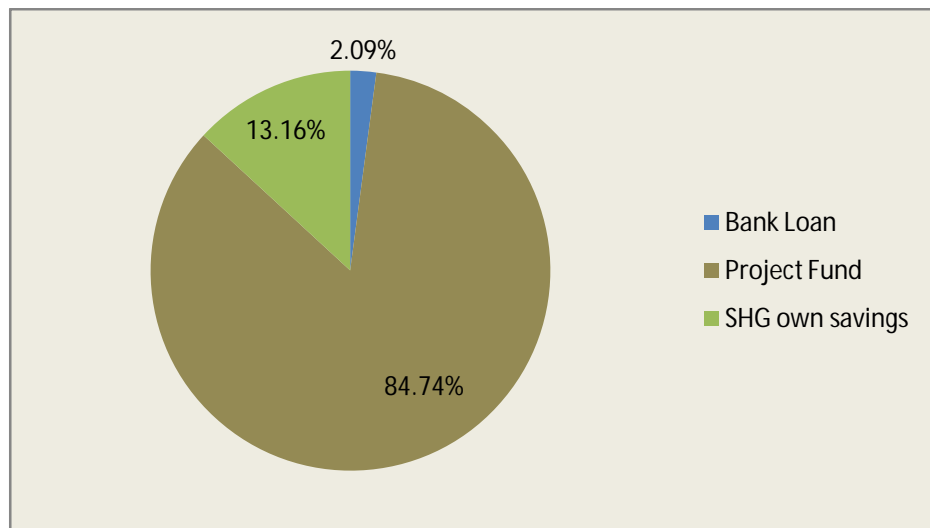
•**Tripura** - West Tripura, Sepahijala, Khowai, Unakoti and North Tripura. The project will cover nearly 300,000 households in 1645 villages of 62 blocks falling in 11 districts of the 4 states.¹⁰²

Graph 3.4 SHG Formations under NERLP (As on 17.01.2018)



Source: <http://www.nerlp-development.in>

Graph 3.5 SHG Capitalisation/SHG-Credit Linkages



Source: <http://www.nerlp-development.in>

¹⁰² nerlp.gov.in

3.2.5 DIGITISATION OF SHGs: Book keeping is one of the most important requirement for success and sustainable progress of SHGs. Maintenance of systematic records of savings, on-lending, loans and its deployment, recovery from members and repayment to lenders, meetings and decisions taken on various issues are the parameters that shows the bench strength of a SHG. The stakeholders take decisions for extending credit and other favourable interventions on the basis of the quality of SHG as exhibited from the records available and maintained by a SHG.

Deficiency of proper records of financial and other major happenings of the SHG is the prime reason for sprouting distrust among members that leads to deterioration and delinquency in a SHG. Though SHGs are required to maintain systematic and updated records of financial and nonfinancial accomplishments of the group on an up to date basis, off late it has been observed that this aspect is being neglected both by the SHPIs and the SHGs. In many cases the SHG members do not have the required capacity of maintaining books on their own and have to depend on SHPIs or others. Further, different SHGs follow different methods and forms of books for maintaining records and there is no uniformity. Moreover, the records of SHGs are accessible only when one approaches the SHG. SHG data on real time basis, which may be highly relevant for policy interventions, is difficult

to get without a survey. Digitization of SHGs is a likely solution to overcome the difficulties pertaining to book keeping of SHGs.

Maintaining digitised information on web makes it more searchable database through the Internet for viewing use and reference by SHGs, SHPIs and Bankers. Digitisation of SHGs 'pan India' can therefore, give a complete picture of the SHGs in the country. When the GOI is contemplating to streamline all the developmental schemes and trying to extend entitlements / benefits directly to the underprivileged sections which incidentally constitute bulk of SHGs, a uniform digitised platform would be of great help. Digitisation of all SHGs in the country may enable basic information of nearly 90 million members. It would ease the transfer of social benefits and facilitate Direct Benefit Transfer (DBT) through Aadhaar linked accounts and convergence with other Government benefits to SHG members.

The core benefit of digitisation of SHGs therefore centers on mainstreaming of SHG members with financial inclusion agenda and enabling the SHGs and its members' access a wider range of financial services. Digitisation of SHG accounts will increase bankers' comfort in credit appraisal and linkage of SHGs. A well-documented and up-to-date information base available digitally for ready reckoning may be appealing for the financing institutions to extend business relation with the SHGs. The banks can assess the financial health of an SHG in real time on the basis of data available online and rate/grade the SHG for

deciding a financial facility to be extended to the group. Keeping in view the above and the need for building an easy searchable database generate MIS by stakeholders and obtaining a macro picture of SHG-BLP, NABARD has launched E-Shakti project on 13 November 2014 for digitization of SHGs in the country.¹⁰³

The broader aim of the programme is to support the flagship programme of the Government of India i.e. Pradhan Mantri Jan-Dhan Yojna (PMJDY) by way of:

- i. Integrating SHG members with the national Financial Inclusion agenda
- ii. Improving the quality of interface between SHG members and Banks for efficient and hassle free delivery of banking services
- iii. Facilitate convergence of delivery system with SHGs using Aadhaar
- iv. The upliftment in economic level of the SHG members, mostly poor rural women, by these measures will facilitate increasing the outreach of PMJDY and financial inclusion in poor households¹⁰⁴

3. 3. SHG-BLP IN INDIA: AN OVERVIEW ANALYSIS.

SHG-Bank Linkage Programme through its innovative model of linking informal SHGs with the formal banking system had brought in a paradigm shift in expanding the credit penetration and financial inclusion of the marginalized and excluded sections in society. The community based microfinance approach under SHG-BLP, which

¹⁰³ The Bharat Microfinance Report 2015 p-82
¹⁰⁴ www.nabard.org

centered on bringing the poor onto the frontline in terms of thrift, credit linkage, livelihood activities, income generation, financial management and overall socio economic empowerment was well accepted by the financial institutions, NGOs, civil society organizations, governments as well as other stakeholders. During the course of its evolution the SHG-BLP programme metamorphed itself to adapt to various socio-geographic situations. In the past more than two decades, many new initiatives within the SHG concept, designing and launching of target driven government programs, efforts to enmesh SHG with Financial Inclusion etc., have taken place. In the process, convergence of institutions, programmes, funds, infrastructure, etc. happened in various spheres.¹⁰⁵

Today, the SHG - Bank Linkage Programme (SHG-BLP) is the largest microfinance programme in the world because of its sheer size and population it touches. What is equally remarkable is that it is also the most widely participated developmental programme in the country and perhaps in the world for the large number of channel partners, their grass root workers, Govt agencies and banking outlets involved.¹⁰⁶

SHG-Bank Linkage Programme has traversed twenty-five years of unabated journey towards empowering the rural poor, in general and rural women in particular. Taking a big leap from a pilot in 1992, SHG

¹⁰⁵ NABARD (2016): “Status of microfinance in India 2015-16”, Micro Credit Innovations Department, National Bank for Agriculture and Rural Development, Mumbai, p, 30

¹⁰⁶ NABARD (2017): “Status of microfinance in India 2016-17”, Micro Credit Innovations Department, National Bank for Agriculture and Rural Development, Mumbai, p, 10

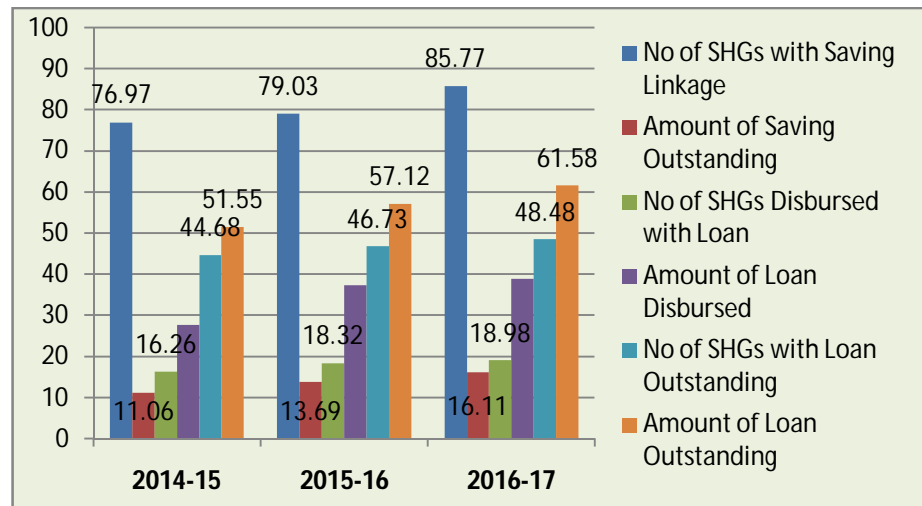
Bank Linkage Programme has now become the largest community based microfinance initiative with 85.77 lakh SHGs as on 31 March 2017 covering more than a hundred million rural households. There was a net addition of 6.73 lakh savings linked SHGs during 2016-17, a major portion (70.4%) from priority States indicating the urge for connecting the poor households in less developed States with the development process through SHG-BLP. Coordinated effort by NABARD and NRLM to enhance the coverage of eligible SHGs under NRLM fold has resulted in a net addition of nearly 2.9 lakh SHGs under its fold during the year. The domain of SHGs consists of 85.4% women groups and is the mainstay programme for empowerment of the poor rural women in the country.¹⁰⁷

SHG-BLP is a strong intervention in economic enablement and financial inclusion for the bottom of the pyramid. A proven platform initially conceived for increasing the outreach of banking services among the poor has since graduated to a programme for promotion of livelihoods and poverty alleviation. All the major parameters viz. the number of SHGs with savings bank accounts, amount of credit disbursed during the year, the bank loans outstanding as well as the quantum of savings outstanding had shown positive growth during the

¹⁰⁷ NABARD (2017): “Status of microfinance in India 2016-17”, Micro Credit Innovations Department, National Bank for Agriculture and Rural Development, Mumbai, p, 17

past three years. The overview of SHG-BLP initiative in the country has been analyzed below.¹⁰⁸

Graph 3.6 Progress of SHG-BLP During Past Three Years
(No.of SHGs in Lakhs, Amount in ₹ 000 crore)



Source: Nabard (2017): “Status of microfinance in India 2016-7”

Rejuvenation of SHG-BLP requires coordinated efforts by all stake-holders to tackle the issues of heavy south concentration, stagnation in growth, multiple membership, lower bank linkage both in number and quantum, rising NPAs, etc. which have been an area of concern in the recent past. The number of SHGs with savings linkage, credit disbursed during the year and bank loans outstanding as well as the quantum of savings outstanding, loan disbursed during the year and total loan outstanding had shown positive growth during the past three years. The Year 2016-17 was particularly positive for the growth of SHG-BLP. As shown in the Figure 3.4 the trends and progress of SHG-bank Linkage in India over the past three years in the context of savings

¹⁰⁸ Ibid

linkage, amount of savings outstanding, amount of loan disbursed have been highlighted.

No. of Savings linked SHGs

The number of savings linked SHGs has shown a huge jump of 8.53% during the year. The increase is highest during this decade. With the expanding coverage of SHG-Bank Linkage Programme in Eastern and North Eastern Regions and other priority States during the last three years, there has been perceptible correction in the Southern bias of the Programme (Figure 3.5). Bihar, Maharashtra, Rajasthan and West Bengal account for 63% of the net addition of SHGs during the year.

The share of Southern Region in terms of number of SHGs declined to 43.4% in 2016-17 from almost half (48.3%) in 2014-15. There was a slight decline in the percentage share of SHGs in Southern Region as well as Central Region during 2016-17 over the previous year in spite of an absolute rise in number of SHGs. Major States like Telangana, Maharashtra, Gujarat, Chhattisgarh, Uttarakhand, West Bengal, Bihar, Jharkhand, and Rajasthan have recorded higher growth rate. Inculcating a habit of saving is essential for SHG to increase their corpus fund which in turn SHG itself as a “mini-bank”.

Graph 3.7 Region wise Distribution of No of SHGs with Savings Linkage

(%)

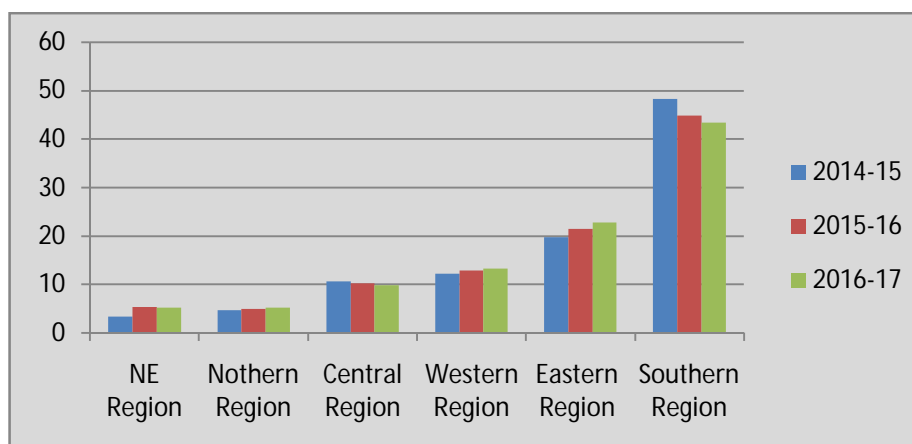
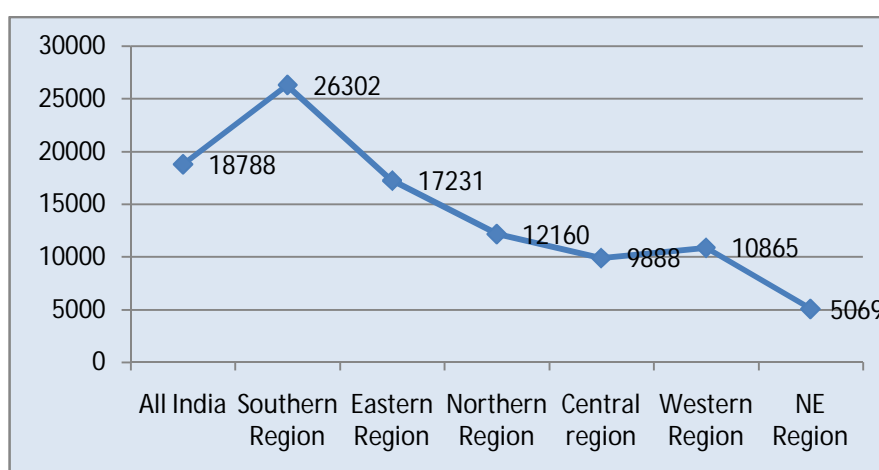


Table 3.6 Region wise Distribution of No of SHGs with Savings Linkage

SI No	Region	2014-15	2015-16	2016-17
1	NE Region	4.34	5.44	5.28
2	Northern Region	4.69	4.98	5.33
3	Central Region	10.62	10.32	9.89
4	Western Region	12.23	12.88	13.30
5	Eastern Region	19.81	21.51	22.77
6	Southern Region	48.32	44.87	43.43

Source: Source: Nabard (2017): “Status of microfinance in India 2016-17”

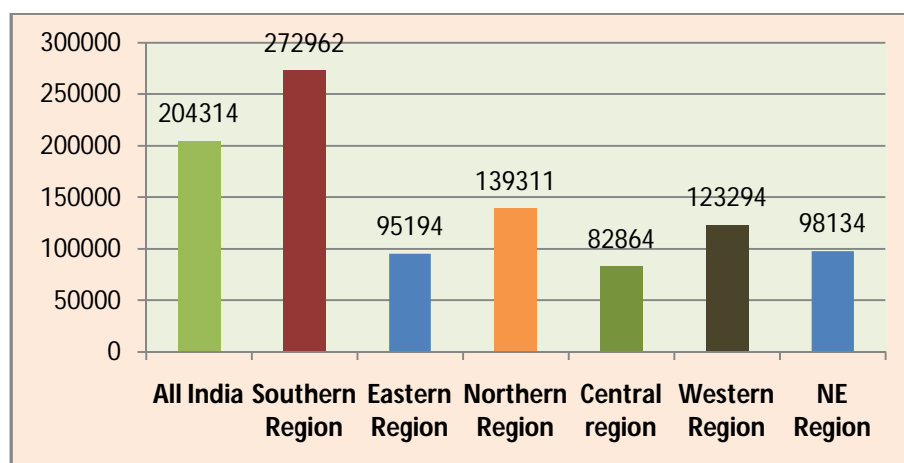
Graph 3.8 Average Savings Outstanding per SHG 2016-17



Source: Nabard (2017): “Status of microfinance in India 2016-17”

The above Table has highlighted Region wise average Savings Outstanding (Rs per SHG) by the SHG in six regions of India including all India. The average savings outstanding per SHG increased by 8% during the year, to ₹ 18, 788 as on 31 March 2017 from ₹ 17, 324 in the previous year. The average savings outstanding was highest in Southern Region and lowest in North Eastern Region (Figure 3.6). Southern States have a sizeable number of matured SHGs that contribute higher amount of monthly savings leading to higher average savings rate, whereas in North Eastern States and other priority States, the average savings are low. States that have added more number of new SHGs during the year have obviously recorded decline in average savings outstanding during the year.

Graph 3.9 Average Loan Disbursements 2016-17 (Rs. per SHG)

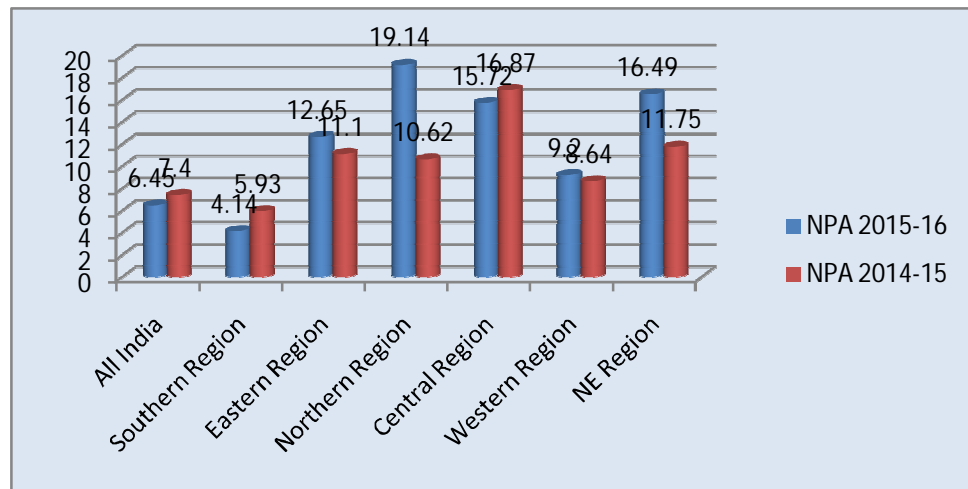


Source: Nabard (2017): “Status of microfinance in India 2016-17”

The average loan disbursement per group during 2016-17 was ₹ 2.04 lakh, a slender rise from ₹ 2.03 lakh during the previous year, against the y-o-y rise of 20% in 2015-16. Southern Region however

continued to have the distinction of having highest per SHG average credit disbursement of ₹ 2.73 lakh with a 5% rise over previous year. North Eastern Region (16%) and Eastern Region (12%) recorded a rise in the average credit disbursement whereas other Regions have witnessed a fall.

Graph 3.10 NPAs in SHG-BLP



Source: Nabard (2016): "Status of microfinance in India 2015-16"

Figure 3.8 has shown Non Performing Assets (NPA) among the SHG in six regions of the county including all India data which clearly revealed that NPA was highest in Northern Region while Southern Region have lowest NPA's in the year 2015-16. Similarly, Central Region has highest NPA's in 2014-15 while Southern Region has the lowest NPA. Prevalence of NPAs among the SHG has been a threat to bankers in credit linkage for SHG which the SHG should try to keep up their credit worthiness.

4.1. INTRODUCTION

Self-Help Group-Bank Linkage (SHG-BL) has been gradually picking up in the State. It was observed that Mizoram made its maiden entry into SHG-Bank linkage in August 2003 by linking first ever SHG in Champhai district. The total number of SHGs deposit linked has increased in the state due to concerted efforts by all the bankers, implementing agencies coupled with NABARD Mizoram Regional Office initiative such as supporting NGOs with grant under its SHPI (Self-Help Promoting Institution) programme, conducting training programmes, meetings, arranging for printing of booklets on SHG etc.¹⁰⁹

Self-Help Groups initiatives in the State of Mizoram have been originated during the days of 1980s when the government of India have implemented DWCRA in the country. This chapter highlights the implementation and present status of SHG formation in Mizoram by various implementing agencies up till now. In fact, SHG formation, nurturing and strengthening by giving a continuous handholding support is one of the recent initiatives undertaken by different agencies such as Mizoram State Rural Livelihoods Mission for rural areas, Mizoram State Urban Livelihoods Mission for urban areas and Northeast Rural Livelihoods Promotion Society, NGO-SHPIs for selected areas etc in term of SHG formation and loan disbursement by banks to start up their micro-enterprise for their sustainable livelihoods in the state of Mizoram

¹⁰⁹ NABARD (2014): *State focus paper for the XII Five Year plan 2012-17*. NABARD, Mizoram Regional Office, Aizawl, p 15

4.2 MIZORAM STATE RURAL LIVELIHOODS MISSION (MZSRLM):

Mizoram State Rural Livelihoods Mission (MzSRLM) has been established on 18th August, 2011 under the umbrella of Rural Development Department, Government of Mizoram to implement the Mission as per operational guidelines of DAY-NRLM among the rural poor in every nook and corner of the rural state. MzSRLM have been implemented in 6 intensive districts out of 8 total districts in the state by covering 10 intensive blocks and 16 non-intensive blocks out of 26 rural development blocks with developing 4 Resources Blocks for replicating the best practices for other non-intensive blocks in the state. Further, 2015 SHGs with a total member of 17228 have been handholding by DAY-NRLM Mizoram by way of reviving existing SHGs and forming new SHG. Moreover, 60 first level federations/Village Organisations (VO) have been formed by 783 SHG so far. (Table 4.1)

Table 4.1 Status of DAY-NRLM, Mizoram

Indicators	Achievement
No of Districts covered	6
No of Intensive Block	10
No of Non-Intensive Block	16
Total No of Block covered	26
No of Resource Block	4
No of SHGs Promoted	2015
No of SHG members	17228
No of VO/First Level Federations promoted	60

Table 4.2 Performance under NRLM of Mizoram in the FY 2017-18

Sl No	Bank Name	Target	Sanctioned No	Sanctioned Amt	Disbursed No	Disbursed Amt
1	SBI	144	0	0	0	0
2	MRB	1685	44	49.20	44	49.20
3	MCAB	7	0	0	0	0
4	Total	1836	44	49.20	44	49.20

Source: SLBC Mizoram

as on 30.09.2017

Table 4.2 has highlighted the performance of NRLM in Mizoram according to SLBC Report for the quarter ended September 2017. It shows that only three banks have been given the target for 2017-18 in which SBI has 144 targets, MRB has 1685 and MCAB has 7 targets. Out of the three banks only Mizoram Rural Banks have sanctioned 44 SHG loan applications with amount of ₹.49.20 lakhs.

Table 4.3 Recovery Position under SGSY/NRLM in the FY 2017-18 (Rs in lakhs)

Sl No	Bank Name	No. of Ac	Total outstanding	Demand raised	Recovery amt	Recovery %
1	SBI	20	24.36	6.75	4.85	72
2	UBI	18	23.00	9.00	3.00	33
3	UCO	37	82.14	40.00	3.00	8
4	MRB	2	3.86	0.12	0.12	100
5	MCAB	4	2.89	0.44	0.44	100
6	Total	81	136.25	56.31	11.41	20

Source: SLBC Mizoram

as on 30.09.2017

The recovery position under SGSY/NRLM has been shown in Table 4.3 for the year 2017-18 according to SLBC data. Six banks that are having loaned outstanding have been highlighted with recovery amount and percentage. There are a total of 81 accounts with ₹.136.25 lakhs loan outstanding under which the banks have raised ₹. 56.31 lakhs with recovery amount of ₹.11.41 lakhs with 20% recovery under NRLM.

4.3 MIZORAM STATE URBAN LIVELIHOODS MISSION

(MzSULM): National Urban Livelihoods Mission (NULM) is a flagship programme of the Ministry of Housing and Urban Poverty Alleviation rolled out on 13th September 2013 with the objective of reducing poverty and vulnerability of the urban poor households by enabling them to access gainful self-employment and skilled wage employment opportunities, resulting in an appreciable improvement in their livelihoods on a sustainable basis through building strong grassroots level institutions of the poor through its various components.

In congruent to the nation, National Urban Livelihoods Mission was also rolled out in the State of Mizoram on 23rd September 2013. As per Operational Guidelines of NULM, the Mizoram State Urban Livelihoods Mission Society (MzSULM) has been registered on 30th October 2014 under the Mizoram Society Registration Act, 2005 having its registration number of Reg. No MSR 607 of 30.10.2014. MzSULM under the umbrella of Urban Development & Poverty Alleviation Department has been implementing the mission with its objective to reduce urban poor in the state of Mizoram in all the 8 District capital and 7 selected census town presently. Further, universal financial inclusion and SHG-Bank Linkage are one of the most important sub-components under the mission to reach unbanked urban poor as well as to provide their credit needs for consumption and production purposes as part of financial inclusion through SHG-Bank Linkage Programme.

Table 4.4 Formation of SHG, ALF & CLF under NULM in Mizoram

Sl No	Name of District	No .of SHG	No. of ALF	No. of CLF
1	Aizawl	555	20	0
2	Champhai	70	4	0
3	Kolasib	73	3	0
4	Lawngtlai	52	4	0
5	Lunglei	119	4	0
6	Mamit	35	2	0
7	Saiha	68	6	0
8	Serchhip	125	3	0
9	Total	1097	46	0

Source: nulm.gov.in

as on 5.12.2017

Table 4.4 shows the progress of SHG formation in Mizoram under National Urban Livelihoods Mission by Urban Development & Poverty Alleviation Department as on 5.12.2017. As indicated in the table, 1,097 SHGs have been formed by the department through community organizer and resource organization (Self-Help Promoting Institutions) from the urban poor among 8 districts in the state. It has been observed from the data that Aizawl District being the largest in terms of population has the highest number of SHGs while Mamit District has the least number of SHGs formed. Moreover, 46 Area Level Federations have already been formed by the department in which Aizawl District has the highest number of ALF while Mamit District has remain the least number of ALF. On the other hand, the third and highest three tier structure federation at City Level Federation is yet to be formed in all cities across the state under Deendayal Antyodaya Yojana- National Urban Livelihoods Mission.

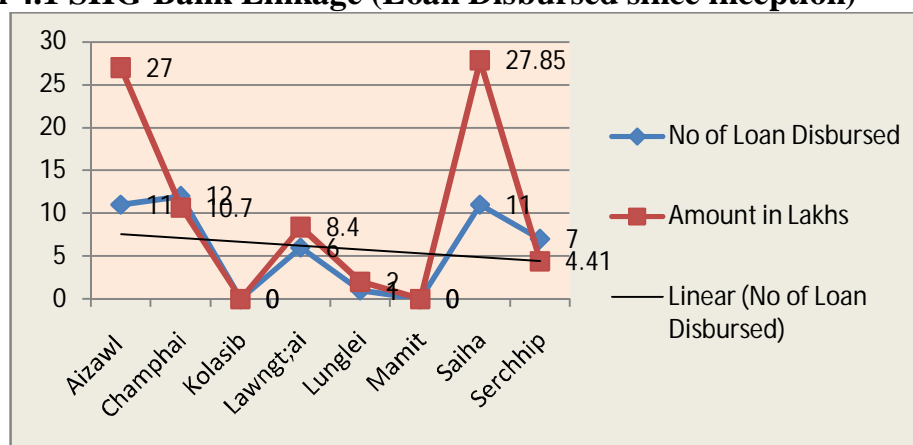
Table 4.5 SHG-Bank Linkage (Loan Disbursed since inception)

Sl No	Name of District	No. of loan disbursed	Loan amount(Rs)
1	Aizawl	11	2700000
2	Champhai	12	1070000
3	Kolasib	0	0
4	Lawngtlai	6	840000
5	Lunglei	1	200000
6	Mamit	0	0
7	Saiha	11	2785000
8	Serchhip	7	441000
9	Total	48	8036000

Source: nulm.gov.in

as on 5.12.2017

Graph 4.1 SHG-Bank Linkage (Loan Disbursed since inception)



The overall achievement of SHG-Bank Linkage under DAY-NULM has been shown in the above Table 4.5 for all the 8 Districts in Mizoram. It shows that number of loan disbursed by banks to the SHG is only 48 with a total amount of ₹ 80.36 lakhs which is very low since more than 1000 SHGs have been formed under the mission. Champhai District has the highest number of credit linked SHG i.e. 12 SHGs which is subsequently followed by Aizawl, Saiha and Serchhip while two Districts were still no credit linkage under SHG-Bank Linkage Programme.

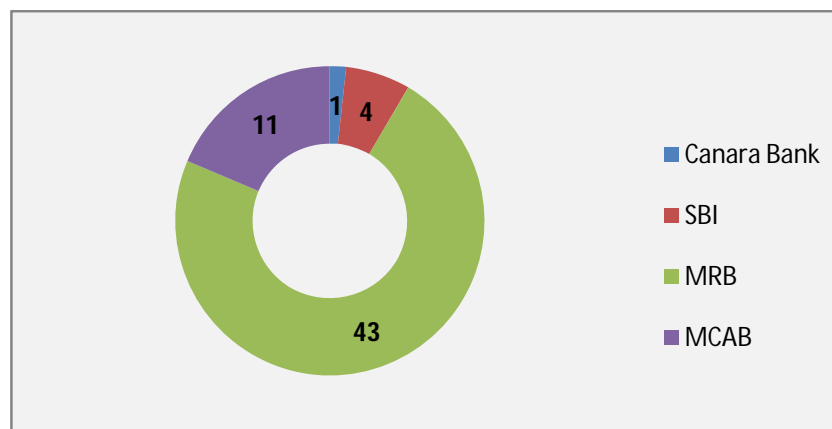
Table 4.6 Bank wise loan sanctioned report under NULM

SI No	Bank Name	No. of loan sanctioned
1	Canara Bank	1
2	State Bank of India	4
3	Mizoram Rural Bank	43
4	MCAB	11
5	Total	59

Source: *nulm.gov.in*

as on 5.12.2017

Graph 4.2 Bank wise loan sanctioned report under NULM



Bank wise loan sanctioned for SHG under DAY-NULM has been shown above as only 4 banks have sanctioned loans for the SHGs while there are 204 bank branches across the State as per SLBC Report. Mizoram Rural Bank (MRB) has sanctioned 43 loans for SHG while Mizoram Cooperative Apex Bank has sanctioned 11, State Bank of India 4 and Canara Bank 1. It can also be observed from the data that MRB is one of the best performance banks in the implementation SHG-Bank Linkage Programme in terms of loan sanctioned not only in NRLM but also under NULM.

4.4 NORTH EAST RURAL LIVELIHOOD PROJECT

(NERLP): NERLP funded by the World Bank is a multi-state rural poverty alleviation project which is being implemented in two districts each of the states of Mizoram, Nagaland, Sikkim and five districts of Tripura. NERLP is mandated among other services to provide Skill Development Trainings for the youth groups to improve socio-economic conditions of the people in the project villages. NERLP is entrusted to hone the skills of unemployed youths in various sectors so that the youths can earn and sustain individually and also contribute to their family income. The project will support need based trainings to unemployed youth between the age group of 18 to 35 years in different institutes and facilitate them in job placement. The training cost will be borne by the project for gainful employment of the rural youths.

The specific project objectives are to:

- A. Create sustainable community institutions around women Self-Help Groups (SHGs), Youth Groups of men and women (YG) and Community Development Groups (CDG).
- B. Build capacity of community institutions for self governance, bottom up planning, democratic functioning with transparency and accountability.
- C. Increase economic and livelihood opportunities by managing natural resources and improving agriculture for food security and income enhancement from farming and allied activities, Skill development of

youth for employability and establishment of self and/or group managed enterprises, Establishing backward and forward linkages for economic enterprises, Creating access to finance through linkages with banks and other financial institutions and Creating critical infrastructures

D. Develop partnership of community institutions for natural resource management, microfinance, market linkages, and sectoral economic services

The project is for a period of five years. It covers two districts each in Mizoram, Nagaland, Sikkim and 5 districts in Tripura. The districts are:

- Mizoram - Aizawl and Lunglei
- Nagaland - Peren and Tuensang
- Sikkim - South Sikkim and West Sikkim
- Tripura - West Tripura, Sepahijala, Khowai, Unakoti and North Tripura

The project will cover nearly 300,000 households in 1645 villages of 62 blocks falling in 11 districts of the 4 states.¹¹⁰

Table 4.7 SHG-Bank Linkage under NERLP in Aizawl District

Sl No	Block Name	Village covered	No. of SHG formed	No of SHG Federation	No of SHG-Credit Linkage	Loan Amount in Lakhs
1	Aibawk	20	270	20	21	35
2	Darlawn	27	361	24	6	6.8
3	Phullen	12	192	12	7	8.5
4	Thingsulthliah	20	579	24	17	37.2
5	Tlangnuam	9	212	9	20	21
9	Total	88	1614	89	71	108.5

Source: NERLP Office, Aizawl

as on 03.01.2018

¹¹⁰ Nerlp.gov.in

Table 4.7 illustrated the overall achievement of SHG-Bank Linkage under NELP in Aizawl District and it covers 5 Rural Development Blocks in the District which comprises of 88 total numbers of villages. Accordingly, 1614 SHGs with a total member of 15958 have already mobilised and 89 village level federations have been formed to reduce rural poverty through a strong community based organizations. Further, 71 SHGs have credit linkage with banks amounting of ₹ 108.5 lakhs to start up their micro enterprise in order to improve their livelihoods.

Table 4.8 SHG-Bank Linkage under NERLP in Lunglei District

Sl No	Block Name	village covered	No. of SHG formed	No of SHG Federation	No of SHG-Credit Linkage	Loan Amount Rs in Lakhs
1	Bunghmun	32	416	29	0	0
2	Hnahthial	25	416	21	12	8.2
3	Lunglei	39	377	40	10	5
4	Lungsen	63	751	44	6	3.2
5	Total	159	1960	144	28	16.4

Source: NERLP Office, Lunglei as on 03.01.2018

SHG-Bank Linkage under NERLP in Lunglei District has been highlighted in Table 4.8 in which 4 RD Blocks viz. Bunghmun, Hnahthial, Lunglei and Lungsen have been covered which comprises of 159 villages. 1,960 SHGs and 28 SHG Federations were formed in the District. Besides, 28 SHGs have sanctioned loan by banks with a total amount of ₹.16.4 lakhs within the district to set up their own micro

enterprise to improve the livelihoods of the rural poor under SHG-Bank Linkage Programme.

4.5 WOMEN SELF-HELP GROUP (WSHG) UNDER NABARD:

In addition of the above, a scheme in association with government of India has been formulated to bring out viable and self-sustainable model for promotion and financing of Women Self-Help Groups (WSHG) by involving an anchor NGO in Left Wing Extremist (LWE) affected and selected backward district of the country. This project is an attempt at having NGO-Self Help Promoting Institutions (SHPI) to work not merely as an SHPI for promoting and enabling credit linkage of these groups with banks, but also serving as a banking/business facilitator, tracking, monitoring these groups and also being responsible for loan repayment. This approach is expected to facilitate sustainable financial inclusion through bank loan, promote livelihood development and deliver social development programs for women through SHG. The scheme is now being implemented in 150 districts of the country.¹¹¹

In the state of Mizoram, two districts Viz. Lawngtlai and Lunglei have been included in the list of backward district. World Vision India (WVI) has been selected to act as the anchor NGO in both the districts. The WVI will cover four blocks viz. Lawngtlai, Bungtlang, Chawngte and Sangau in Lawngtlai district and four blocks viz. Bunglemun,

¹¹¹ *Ibid*

Lungsen, Hnahthial and Lunglei in Lunglei district. The Memorandum of Understanding (MoU) has been signed with SBI and MRB for both the district. the anchor NGO has achieved the target of forming and savings linkage of 500 WSHG in Lawngtlai district and out of that they have credit linked 50 WSHGs and in the case of Lunglei district, 201 WSHGs has been savings linked and out of that 26 WSHGs has been credit linked as on 31 January 2014.¹¹²

¹¹² *Ibid*

5.1 INTRODUCTION

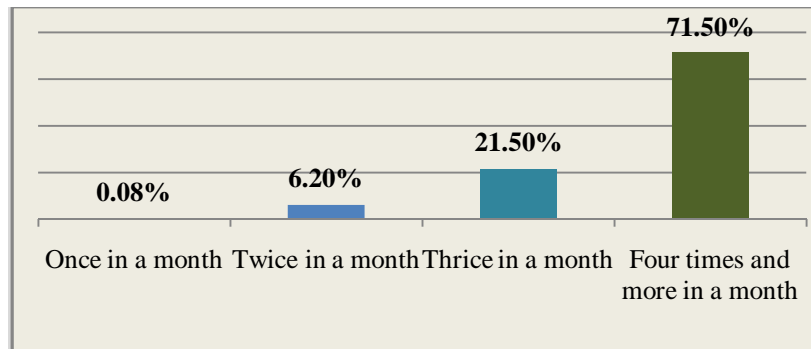
The present chapter highlights the empirical analysis of SHG-Bank Linkage Programme under National Rural Livelihoods Mission implemented by Rural Development Department in Serchhip District of Mizoram by analysing the demand side and supply side perspective in the context of financial inclusion as well as their focusing operational details at the ground level. As elucidated in the research methodology, a canvassing questionnaire has been prepared and adopted to investigate the operational details of selected SHGs and banks in the study area in the context of financial inclusion in terms of opening of savings bank account, savings and thrift, practices of internal lending, loan sanction and disbursement, financial literacy and enrolment under affordable social security schemes etc which have been analysed using Statistical Package for Social Science (SPSS) and illustrated the details below with Table and Graph.

Table 5.1 No of Meeting conducted by SHG in a Month

Sl No	No of meeting in a month	Frequency	Percent
1	Once in a month	1	0.8
2	Twice in a month	8	6.2
3	Thrice in a month	28	21.5
4	Four times and more in a month	93	71.5
5	Total	130	100

Source: Field Survey 2017

Graph 5.1 No of Meeting conducted by SHG in a Month



Source: Field Survey 2017

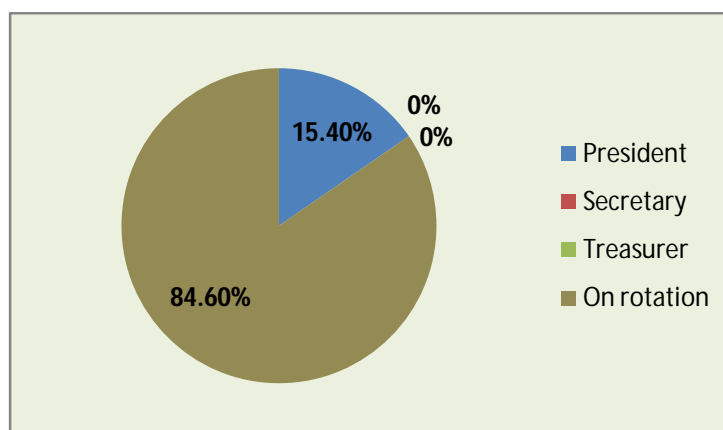
There is a need to organise regular meetings to bring unity and democracy among the SHG member. As cited in the Table 5.1 regarding the number of meeting conducted by SHG within a month, it was learned that 71.5 % of the respondents have conducted meeting four times and more within a month, 21.5 % have conducted thrice in a month, 6.2 % have conducted twice in a month and 0.8% have conducted once in a month. This clearly indicates that a regular meeting of the SHG is prerequisite to ensure effective SHG since most SHGs have conducted regular meeting in the study.

Table 5.2 Convener of SHG Meeting

Sl No	Convener/Chairman	Frequency	Percent
1	President	20	15.4
2	Secretary	0	0
3	Treasurer	0	0
4	On rotation	110	84.6
5	Total	130	100

Source: Field Survey 2017

Graph 5.2 Convener of SHG Meeting



Source: Field Survey 2017

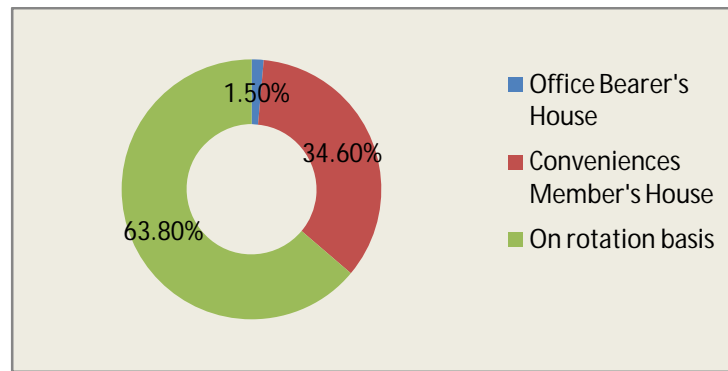
SHGs have been nurturing and facilitated by dedicated staff in all aspects under National Rural Livelihoods Mission in intensive block. Accordingly, Graph 5.2 has highlighted the convener/chairman of the meeting in the SHG. The data clearly shows that all members have the equal responsibility of convening the meeting which promotes equality, transparency and greater participation in the SHG since most of SHGs (84.6%) have followed rotation basis neither than the office bearers nor the selected representatives.

Table 5.3 Place of a Meeting

Sl No	Place	Frequency	Percentage
1	Office Bearer's House	2	1.5
2	Conveniences Member's House	45	34.6
3	On rotation basis	83	63.8
4	Total	130	100.0

Source: Field Survey 2017

Graph 5.3 Place of a Meeting



Source: Field Survey 2017

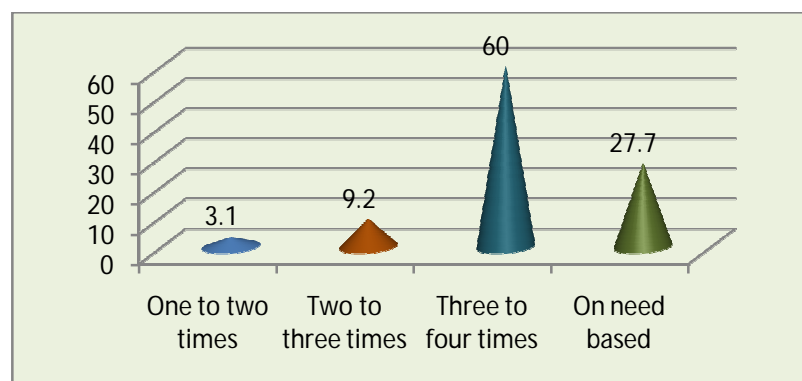
According to graph 5.3 which shows place of a meeting by SHG, the data indicated that 63.8 % of the SHG used to conduct their meeting in the members house on a rotation basis subsequently followed by convenience member's house and office bearer's house.

Table 5.4 Ideal No. of meeting for SHG in a Month

Sl No	No. of meeting to be organised	Frequency	Percentage
1	One to two times	4	3.1
2	Two to three times	12	9.2
3	Three to four times	78	60.0
4	On need based	36	27.7
5	Total	130	100

Source: Field Survey 2017

Graph 5.4 Ideal No. of meeting for SHG in a Month



Source: Field Survey 2017

A questionnaire has been designed to ascertain the most feasible number of meetings to be organised by SHG in the study area since conducting a regular meeting somehow is a major issue in the ground reality as most of the members are house wife who are having household work besides their ordinary duty in the family. However, the study observed that 60% of the SHG preferred to conduct SHG meeting 3-4 times in a month which is also currently being practiced by most SHGs in the study area. Meanwhile, 27.7% would like to conduct a meeting on need based, while 9.2 % preferred 2-3 times and 3.1% suggested 1-2 times meeting in a month.

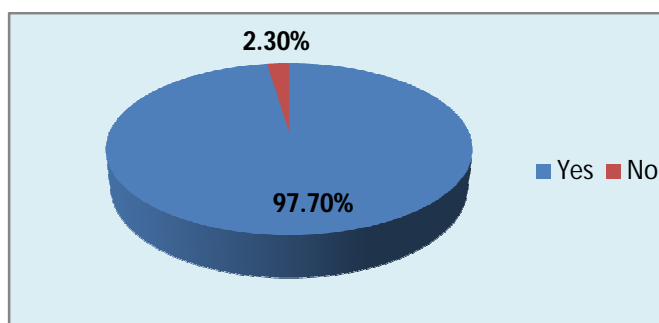
Table 5.5 Effectiveness of Regular Meeting in the SHG

SI No	Regular meeting for sustainable SHG	Frequency	Percentage
1	Effective	121	93.1
2	Not effective	9	6.9
3	Total	130	100.0

Source: Field Survey 2017

Table 5.5 clearly illustrated that 93.1% of the respondents believed that conducting regular meeting is effective and efficient in the SHG for their development and sustainability. Moreover, 6.9% of the SHG members did not agree with effectiveness of regular meeting in the SHG according to the study. In fact, there is a believe that regular meeting brings unity and affinity among the SHG since meeting is the heartbeat of an SHG.

Graph 5.5 Regular Savings of SHG



Source: Field Survey 2017

Inculcation of savings habit among the poor is one the main objectives of SHG since inception. The study also witnessed that more than 97% of the SHG have practiced regular savings in the SHG to increase their corpus fund¹¹³ to be lend between the members again to meet their credit needs as part of internal lending as indicated in graph 5.5. In the meantime, it was also observed that 2.3% of the respondents have not practice regular or timely saving in the SHG due to some pretexts.

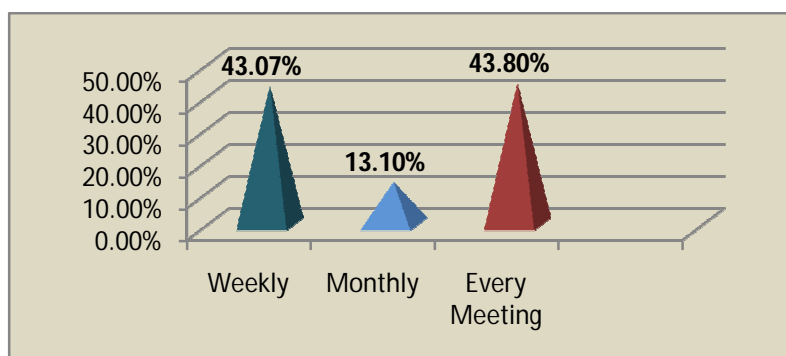
Table 5.6 Savings Pattern of the SHG

SI No	Place	Frequency	Percentage
1	Weekly	56	43.07
2	Monthly	17	13.1
3	Every Meeting	57	43.8
4	Total	130	100.0

Source: Field Survey 2017

¹¹³ According to RBI (2013), Corpus is inclusive of revolving funds, if any, received by that SHG, its own savings and funds from other sources in case of promotion by other institutes/NGOs.

Graph 5.6 Savings Pattern of the SHG



Graph 5.6 illustrated that savings pattern of the SHG in Serchhip District from the selected sample since savings is one of the important activities in the context of financial inclusion. According to the study, it was finding that 43.8 % of the SHGs have collected their savings in every meeting, while 43.7 % of them have collected their savings in a weekly basis and 13.1% have collected their saving in monthly basis.

Table 5.7 Who has decided the Amount of Savings?

Sl No	Who has decided the Amount of savings	Frequency	Percentage
1	Decided by committee	122	93.8
2	Collected as per member's convenience	8	6.2
3	Total	130	100.0

Source: Field Survey 2017

Table 5.7 analysed that how the SHG has decided the amount of savings to be collected or paid by each member on a regular basis as it can affect positively or negative the savings capacity of all members. However, it was observed that most of the SHG have decided the amount of saving by mutual agreement through SHG committee while

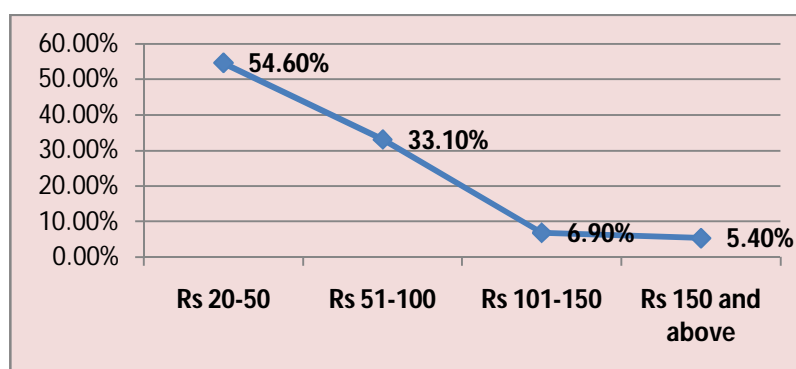
only 6.2 % have collected as per member's convenience as shown in the graph.

Table 5.8 Amount of Saving Per Month by SHG

Sl No	Amount of savings per month	Frequency	Percentage
1	Rs 20-50	71	54.6
2	Rs 51-100	43	33.1
3	Rs 101-150	9	6.9
4	Rs 150 and above	7	5.4
5	Total	130	100.0

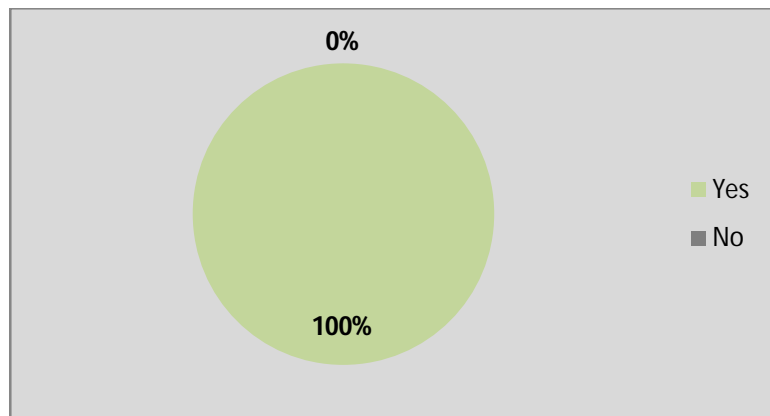
Source: Field Survey 2017

Graph 5.7 Amount of Saving Per Month by SHG



The above data highlighted that the amount of saving by SHG per month in the study area which shows their saving capacity in term of rupees per member. Accordingly, 54.6 % of the SHG members have saved in the range of ₹ 20-50 per month, while 33.1% have saved ₹ 51-100 per month per member and 6.9% have also saved ₹. 101-150 per month while only 5.4% can save ₹150 and above per month per member. The findings indicated that a lower of amount of savings is more realistic in the context of rural SHG rather than higher amount of savings.

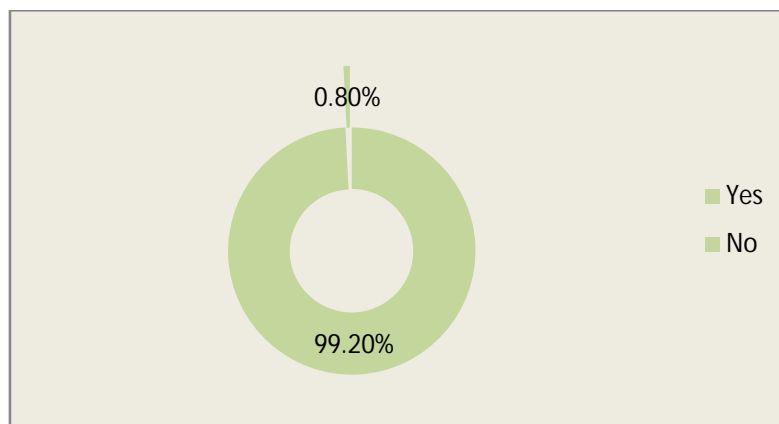
Graph 5.8 Whether Savings increased after joining SHG?



Source: Field Survey 2017

Effectiveness of the SHG model to deliver micro credit has still been an issue especially in the context of hilly and tribal areas among the stakeholders whether it is in the academia or in the implementing agency. It is strongly believed that savings of the rural poor have been gradually increasing day after day through SHG which is backed up by the present study. As shown in the graph 5.8, 100% of the SHG have agreed that their saving has been increased after joining of the SHG.

Graph 5.9 Practices of Internal Lending



Source: Field Survey 2017

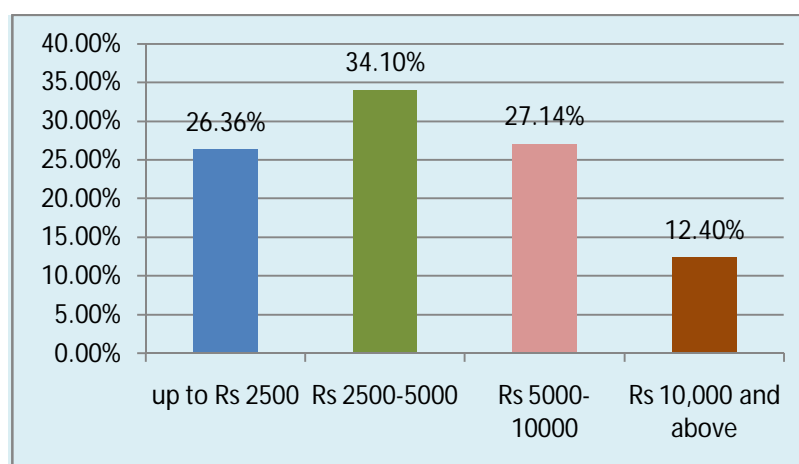
A practice of lending between the members within the group out of their corpus fund is known as internal lending which is usually followed by most SHG across the state. Further, it is one of the most important activities to help themselves by proving their financial requirement at ease with an affordable cost and one of the important parameters for credit linkage in the bank. It was clearly observed from the study that more than 99% of the SHGs have practiced internal lending to meet their basic financial requirement at their doorstep.

Table 5.9 Amount of Internal lending

SI No	Amount of internal lending	Frequency	Percentage
1	up to ₹ 2500	34	26.36
2	₹2500-5000	44	34.10
3	₹ 5000-10000	35	27.14
4	₹ 10,000 and above	16	12.40
5	Total	129	100

Source: Field Survey 2017

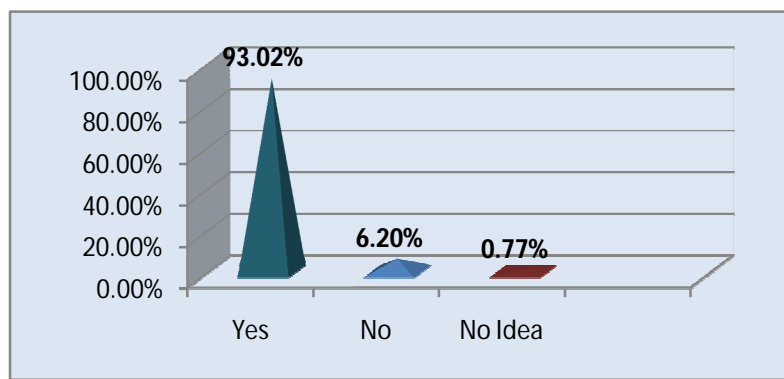
Graph 5.10 Amount of Internal lending



Source: Field Survey 2017

The present study also investigated the amount of internal lending which is shown in the graph 5.10 as 34.1 % of the respondents have lend between ₹. 2,500-5,000 among the group member, 27.14 % of the SHGs have also lent ₹. 5,000-10,000, similarly, 26.36 % have lent their corpus fund up to ₹. 2500 while 12.4% have borrowed the money within the group in the range of ₹ 10,000 and above for internal lending purpose.

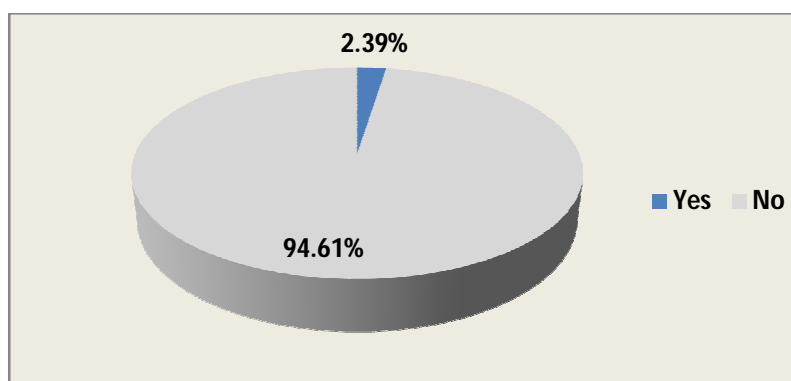
Graph 5.11 Sufficiency of IL for Micro Credit



Source: Field Survey 2017

The study also tried to ascertain whether the internal lending is sufficient or not sufficient to meet the micro credit extended to their members within the group in the present study. According to the empirical investigation, 93.02% of the SHGs have assent that internal lending has sufficient for their micro credit needs while 6.2 % have responded that internal lending has not sufficient for micro credit and 0.77% have no idea in this regard. In fact, SHG used to call as “mini-bank” by practicing internal lending at low rate of interest to help their members to meet their contingency expenses.

Graph 5.12 Have you Practice External Lending?



Source: Field Survey 2017

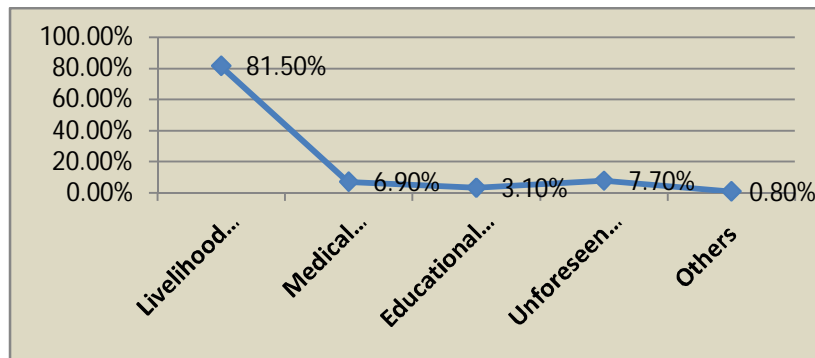
External lending is the opposite of internal lending which may be defined as the practice of lending by SHG to the outside member from their corpus fund with charging interest rate as decided by the group. According to the study, it was observed that some SHGs i.e. (2.39%) have been currently practicing external lending while more than 94% groups have not practice external lending in the study area. In this regard, it may be important to note that, external lending seems to be against the principle of self-help which can become the factor of financial exclusion of the member.

Table 5.10 Purpose of Internal Lending

SI No	Purpose of IL	Frequency	Percentage
1	Livelihoods purpose	106	81.5
2	Medical purpose	9	6.9
3	Educational Purpose	4	3.1
4	Unforeseen contingency	10	7.7
5	Others	1	.8
6	Total	130	100

Source: Field Survey 2017

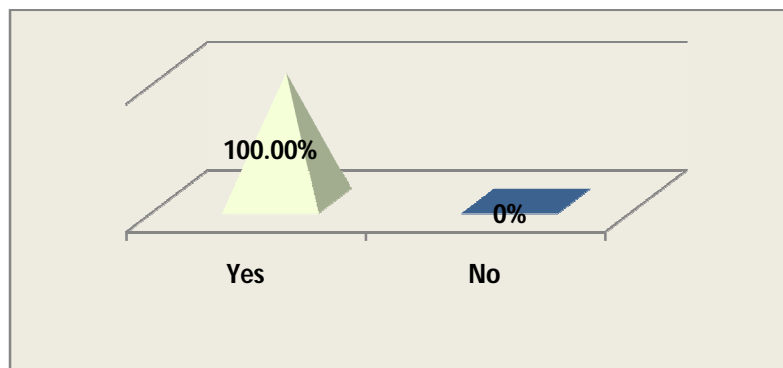
Graph 5.13 Purpose of Internal Lending



Source: Field Survey 2017

The main purpose of internal lending usually practiced by SHG has been divided in to five categories viz. livelihoods purpose, medical purpose, educational Purpose, unforeseen contingency and others in order to analyse the utilisation of internal lending. The study has illustrated that 81.5 % of the internal lending have been utilised for livelihoods development subsequently followed by unforeseen contingency (7.7%), medical expenses (6.9%), educational purpose (3.1) and other (0.8%).

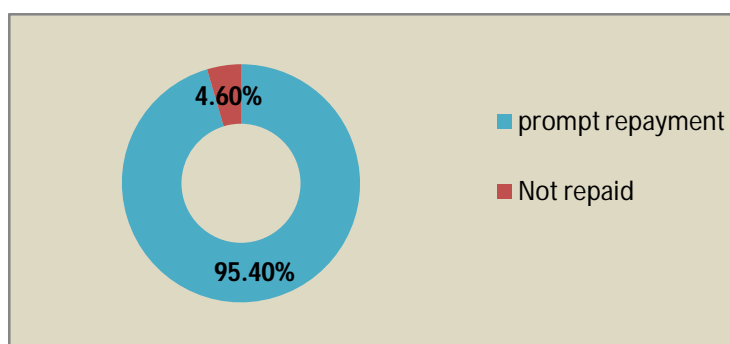
Graph 5.14 Do you think that IL is Important for Development



Source: Field Survey 2017

Graph 5.14 shows the opinion of the respondents regarding internal lending in which 100% of the SHG have assuredly agreed that internal lending plays a crucial role for the economic development of the members. In fact, internal lending is one of the five basic principles under NRLM to be practice by an SHG to become a good SHG.

Graph 5.15 Status of Internal Lending Repayment



Source: Field Survey 2017

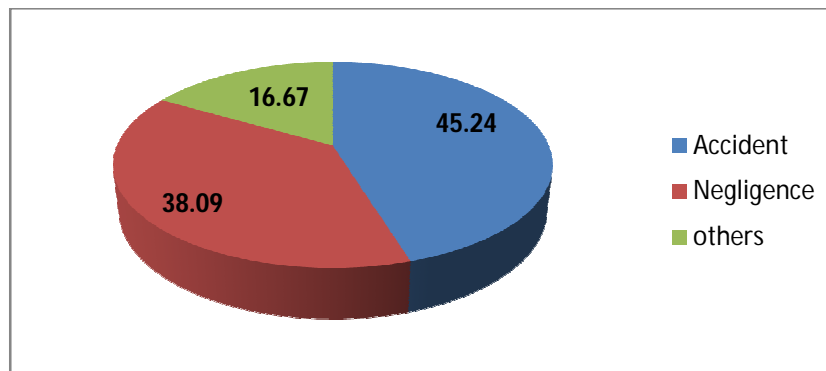
The status of internal lending repayment among the SHG members have been examined in the study area, as highlighted in the above data, 95.4% of the SHG have good repayment within the group while only 4.6% have experienced irregular repayment in the group. The observation also implies the creditworthiness of the SHG from the banker's perspective since internal lending is the first step for the SHG to have credit linkage with banks.

Table 5.11 Reasons of Defaulting Loan in SHG

SI No	Reasons of defaulting Loan in SHG	Frequency	Percentage
1	Accident	19	45.24
2	Negligence	16	38.09
3	others	7	16.67
4	Total	42	100

Source: Field Survey 2017

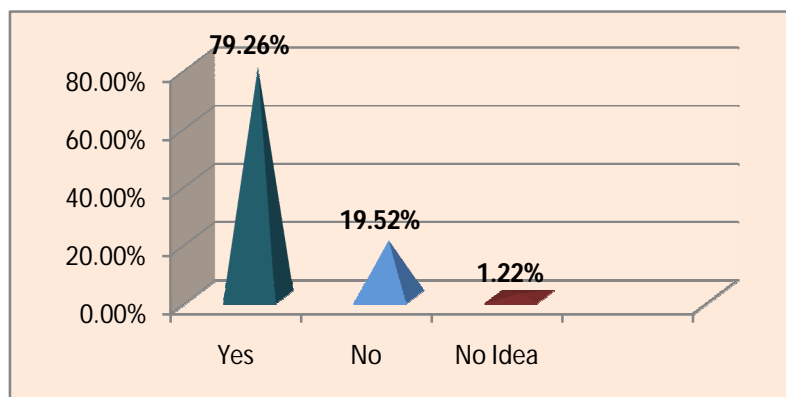
Graph 5.16 Reasons of Defaulting Loan in SHG



Source: Field Survey 2017

It is desirable that willful defaulters may not be financed in the SHG until the outstanding loans are repaid. The above data illustrated the main reasons of loan defaulter in the SHG in case where SHGs have defaulter in the group. Accordingly, 45.24 % respondents have believed that accident/calamities in their livelihoods activity is the main reasons for loan defaulter, while 38.09% have considered that negligence/delinquency of the loanee is the main reason and 16.67 % have opined that another reason in the study.

Graph 5.17 Has a Defaulter Negatively Impact the SHG?



Source: Field Survey 2017

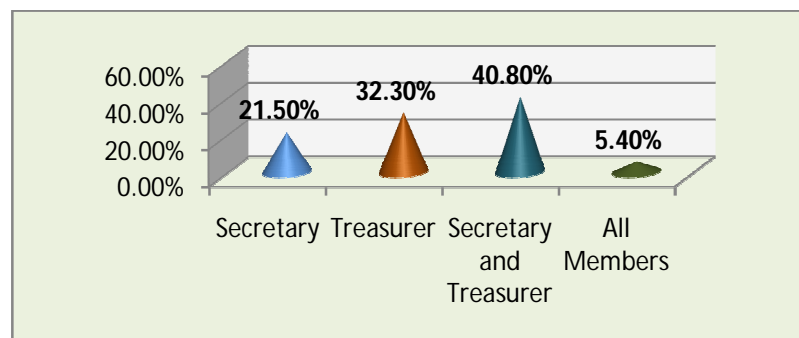
It is also believed that if and when there are defaulters in the group whether it's willful or not will seriously impact the SHG in many contexts. The data clearly indicated that more than 79% have considered that defaulter in the group has negatively affect their SHG while 19.52% did not agree with that and 1.22 % have no idea in this regard.

Table 5.12 Who is mainly responsible for Book Keeping in the SHG

SI No	Book keeper/holder	Frequency	Percentage
1	Secretary	28	21.5
2	Treasurer	42	32.3
3	Secretary and Treasurer	53	40.8
4	All Members	7	5.4
5	Others	130	100.0

Source: Field Survey 2017

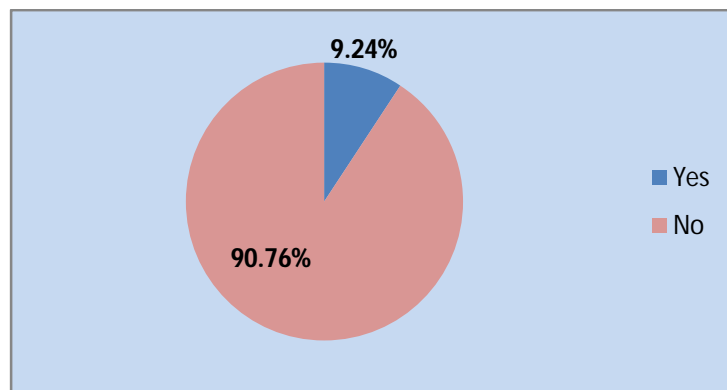
Graph 5.18 Who is mainly responsible for Book Keeping in the SHG



Standard book keeping is prerequisite for SHG to ensure proper maintenance of all their activities both monetary transactions and activity undertaken during their life cycle which includes accounting, by-law making, attendance and writing of meeting minutes etc. However, as shown in the above, secretary and treasurer (40.8%) is the

most responsible person for book keeping in Serchhip district according to the study which is followed by Treasurer (32.3%), Secretary (21.5%) and all members (5.4%). It is also important to mention that a separate book keeper is not hired by all SHGs since most of the members are educated and capable to do all book keeping by themselves.

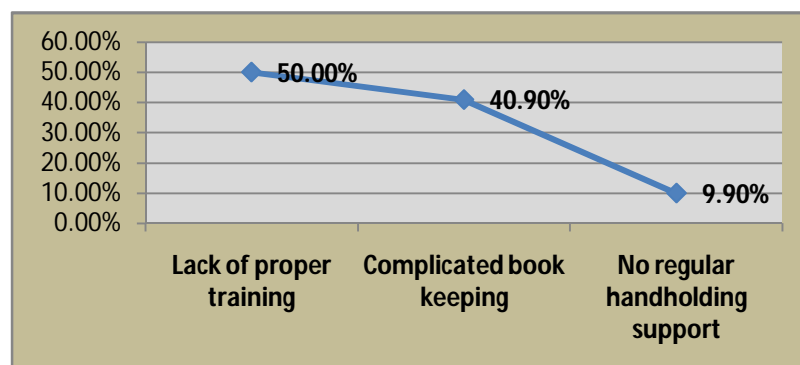
Graph 5.19 Do you face a Problem in Book Keeping



Source: Field Survey 2017

Graph 5.19 shows that the number of SHGs who are having a problem in book keeping in the study area in which more than 90% of the SHG does not have a problem in book keeping while 9.24% have a problem in book keeping which includes all kinds of book of accounts maintained by the group. Indeed, a dedicated professional have also given a handholding support to SHGs under NRLM in all villages.

Graph 5.20 Reasons for Book of Accounts Problems



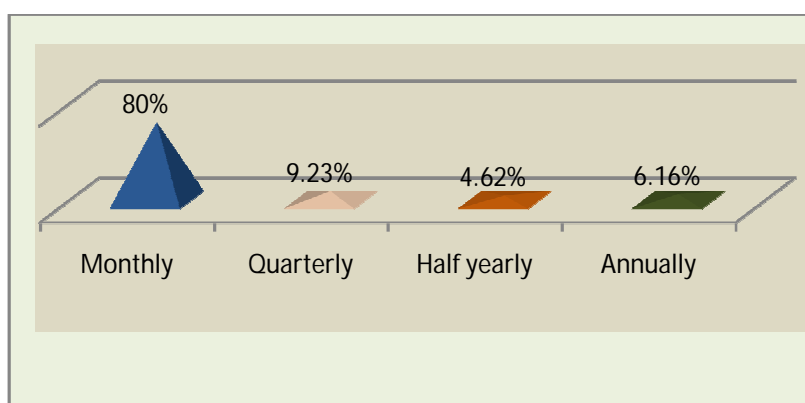
The study has also investigated the main reasons for books of accounts problem being faced by SHGs in Mizoram under NRLM as highlighted above, 50% of the respondents have considered that lack of proper training/capacity building at a grass root level is the main reason for books of accounts problem while 40.9% believed that a very complicated book keeping system is a the main reasons for it and 9.9% have also observed that no regular handholding support is received from the staff.

Table 5.13 Regularity of Audit

Sl No	Regularity of Audit	Frequency	Percentage
1	Monthly	104	80
2	Quarterly	12	9.23
3	Half yearly	6	4.62
4	Annually	8	6.16
5	Total	130	100.0

Source: Field Survey 2017

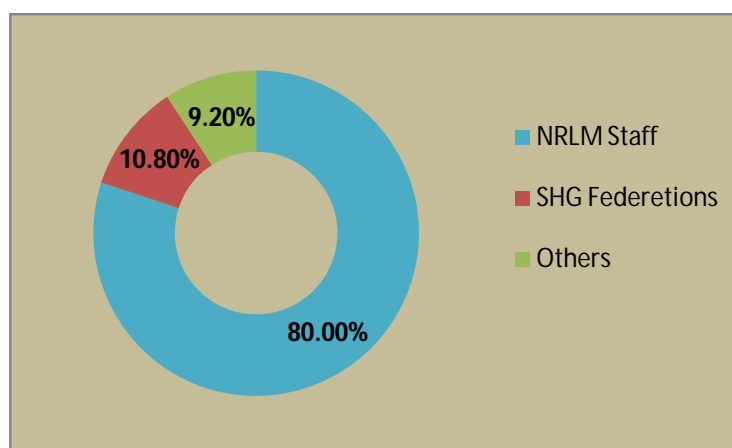
Graph 5.21 Regularity of Audit



Source: Field Survey 2017

Auditing is necessary in the SHG at regular interval to keep up transparency and accountability. The study shows that 80% of the SHG used to audit their books of accounts every month, 9.23% of the SHG audited quarterly, 4.26 % audited half yearly and 6.16% have audited their book of accounts annually.

Graph 5.22 Auditor of SHG



Source: Field Survey 2017

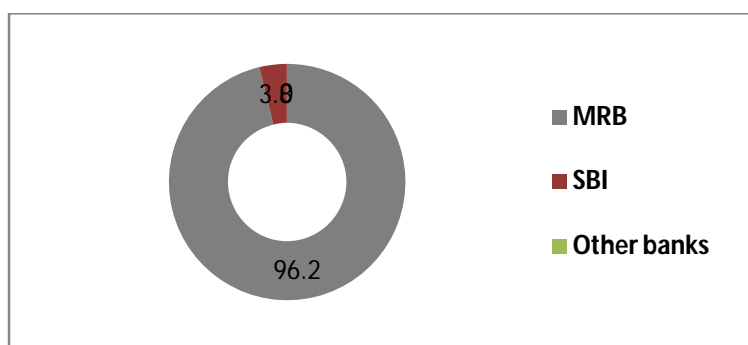
Graph 5.22 shows the auditor of SHG in the District, it is clearly highlighted that most of the books of accounts maintained by the SHGs have been audited by NRLM staff (80%), SHG Federations (10.8%) and others (9.2%) consecutively.

Table 5.14 Opening of SB Account by SHG

Sl No	Ac opening bank	Frequency	Percentage
1	Mizoram Rural Bank	125	96.2
2	State Bank of India	5	3.8
3	Other banks	0	0
4	Total	130	100

Source: Field Survey 2017

Graph 5.23 Opening of SB Account by SHG



Opening of savings bank account is the first linkages between banks and the SHGs in the context of financial inclusion. The present study highlighted the status of opening of saving bank account by SHG in the district, as indicated in the table 5.14 most of the SHG have opened their SB account at Mizoram Rural Bank while only 3.8% have opened their SB account in SBI. This also indicates that MRB plays an important role in SHG-bank Linkage in terms of opening of account as compared with SBI in Mizoram since they have the highest number of savings linked SHG in the study.

Table 5.15 Have you faced Problem in Opening of Ac

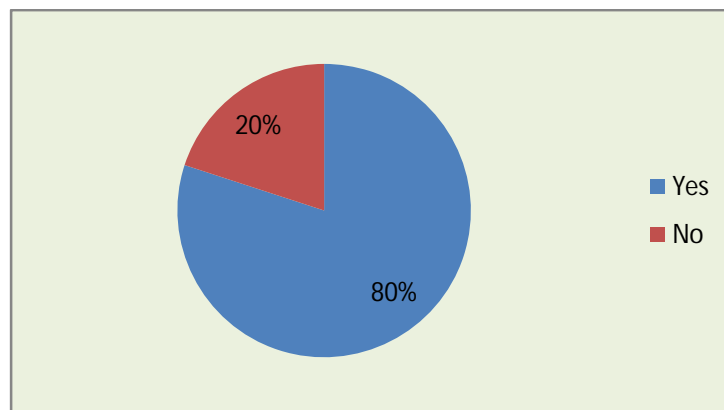
Sl No	Problem in opening of Ac	Frequency	Percentage
1	Yes	10	7.7
2	No	120	92.3
3	Total	130	100.0

Source: Field Survey 2017

Opening of savings bank Account by the poor in rural areas is sometimes not an easy task due to various pretexts such as transportation problem, non-availability of bank branches and especially KYC formalities demanded by banks at the time of opening account as

prescribed by RBI. Table 1.15 also highlighted in this regard that more than 92% of the SHGs does not have any problem for opening of their SB account while 7.7% have some problem in this regard. However, those SHGs who have faced problems in account opening did not specify the reason in this study.

Graph 5.24 Status of SHG Member in Opening of SB Account



Source: Field Survey 2017

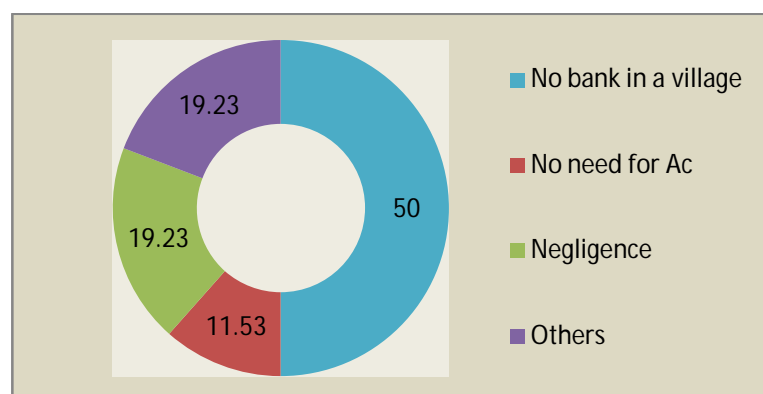
In fact, opening of saving bank account is the first and foremost important steps for financial inclusion so as to ensure access to affordable banking services by the SHG members. The present study illustrated in graph 5.24 about the status of SHG members regarding whether they have open the SB account or not through their SHG. As indicated in the graph, 80% of the selected SHG members have opened SB account which signifies the viability of SHG initiative for universal financial inclusion in term of opening of account especially in the unbanked villages in rural India. It is indeed opening of SB account is a bare minimum requirement to become a member of the SHG.

Table 5.16 Reasons for not Having Account

SI No	Reasons for not having Ac	Frequency	Percentage
1	No bank in a village	13	50
2	No need for Ac	3	11.53
3	Negligence	5	19.23
4	Others	5	19.23
5	Total	26	100.0

Source: Field Survey 2017

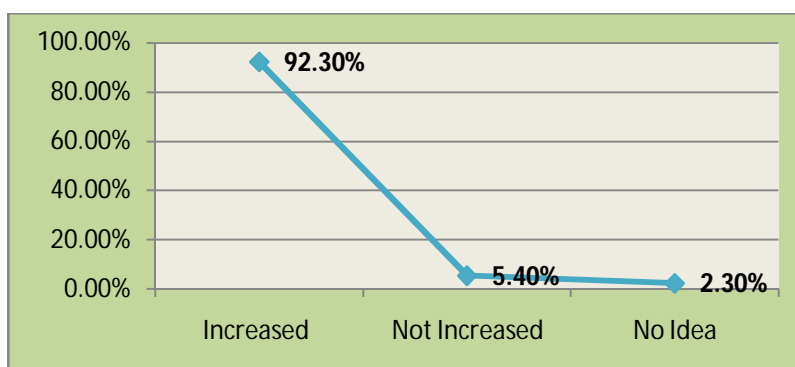
Graph 5.25 Reasons for not Having Account



Source: Field Survey 2017

There are many people who are still devoid of banking services in the world and are known as financial exclusion or financially excluded segments of the society which needs to be promptly addressed by all stakeholders to ensure more inclusive finance and growth. An in depth analysis has been made in this regard as indicted in the above data, among the SHG members those are yet to opened of SB account Non-availability of bank branches (unbanked village) is the main reason according to the study, while no need for opening of account, negligence and other are another important factor from the study.

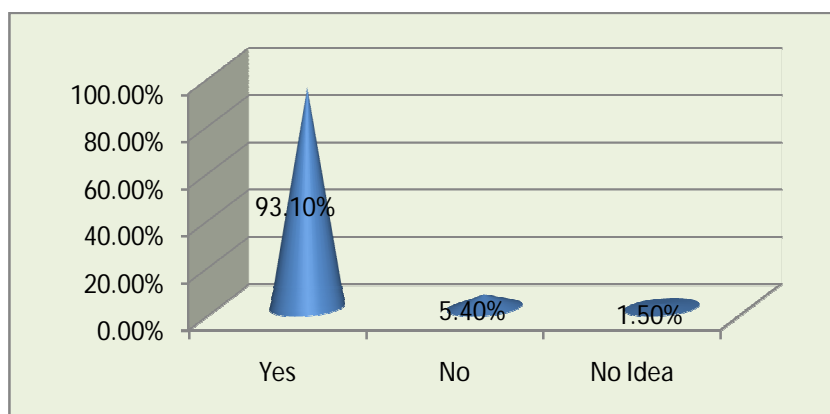
Graph 5.26 Increasing of Banking Habits among the SHG Member



Source: Field Survey 2017

Inculcation of banking habits among the rural poor is another important objective of the mission. It was observed from 5.26 graphical presentations that more than 92% of the SHGs have considered that banking habits have been increased after joining of the SHG while 5.4% not yet increased their banking habits.

Graph 5.27 Financial Literacy Through SHG

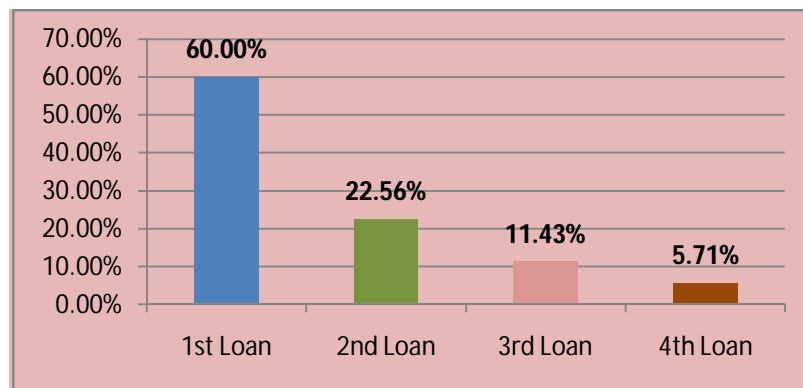


Source: Field Survey 2017

Financial literacy is the people's understanding about financial services which is also one of the important tools for financial inclusion. The present study also attempts to analyse the impact of SHG among the rural poor in terms of financial services through financial literacy mostly

conducted by banks. As indicated above, more than 93% of the SHGs have considered that financial literacy (financial education) have been increased among the members after they joined the SHG which clearly signifies that SHG is one of the cost effective platform for financial literacy campaign in the rural areas.

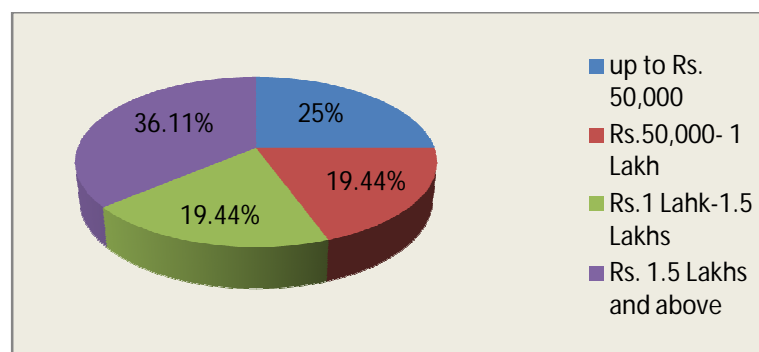
Graph 5.28 Status of SHG-Credit Linkage



Source: Field Survey 2017

Graph 5.28 examined the status of loan disbursed by banks among the credit linked SHG in which it can be seen that 60% of the credit linked SHGs have taken their loan for the first time, it is their second loans for 22.56%, third loans for 11.43% and fourth loans for 5.71% of the SHG according to the data in the study area.

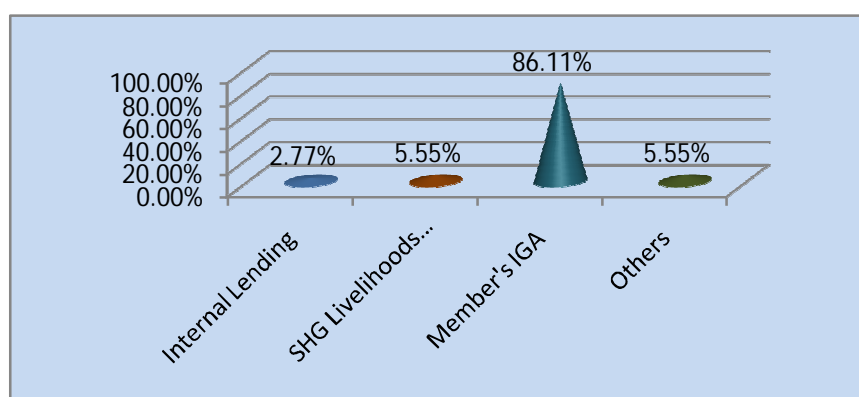
Graph 5.29 Amount of Loan Sanctioned by Banks for SHG



Source: Field Survey 2017

The average amount of loan sanctioned by banks for SHG in the study area has been shown in the graph 5.29. According to the data, 36.11% SHGs have been sanctioned loan amounting of ₹. 1.5 Lakhs and above, while 19.44% each of the SHGs have sanctioned ₹. 50,000- 1 Lakh and ₹.1 Lakh-1.5 Lakhs respectively, similarly, 25% of the SHGs have sanctioned loan amounting of ₹. 50,000 by banks in an average.

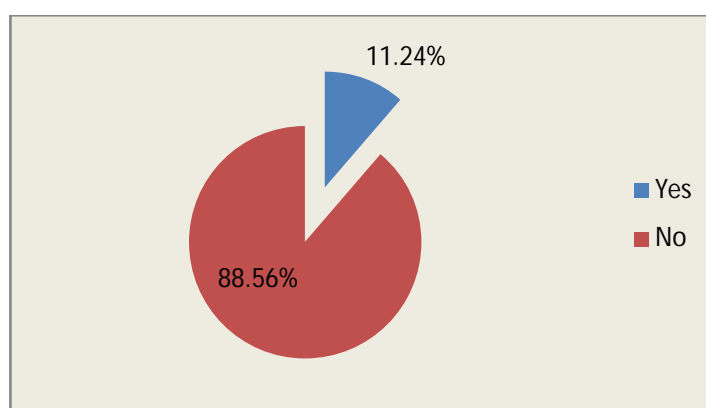
Graph 5.30 Purpose of Bank Loan by SHG



Source: Field Survey 2017

The main purpose of bank loan taken by SHGs has also been enquired in the study as indicated in graph 5.30 to observe the utilisation. The data shows that more than 86% of the SHGs have utilised their loan for development of income generating activities (IGA) of the SHG member which is followed by livelihoods development of the SHG (5.55%), others (5.55%) and internal lending (2.77%).

Graph 5.31 Status of Loan Repayment by SHG



Source: Field Survey 2017

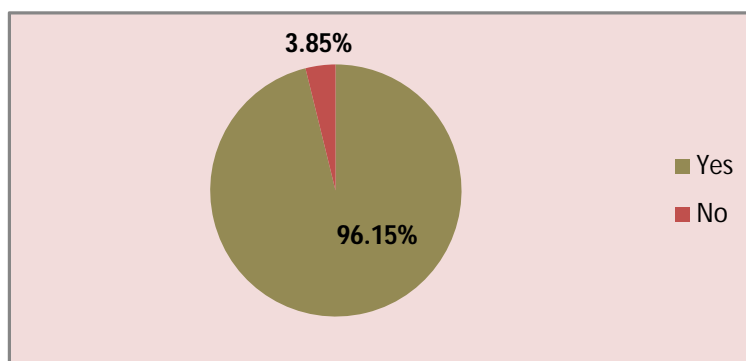
Loan recovery problem is another important issue in SHG-Bank Linkage programme across the country from the demand side as well as the supply side of financial inclusion. Nevertheless, the recovery position of the SHG is quite impressive from the data as shown in graph 5.31 in the study area which further signifies the viability of SHG-bank linkage programme for financial inclusion.

Table 5.17 Status of SHG Revolving Fund

Sl No	Have you received RF?	Frequency	Percentage
1	Yes	125	96.15
2	No	5	3.85
3	Total	130	100.0

Source: Field Survey 2017

Graph 5.32 Status of SHG Revolving Fund



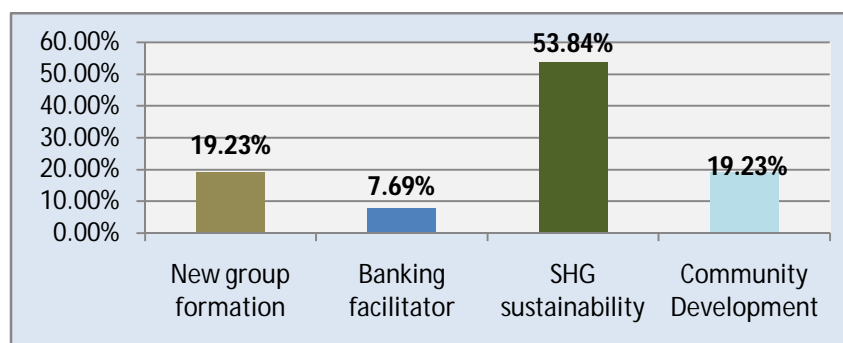
Revolving fund is a grand in aid usually given by the Nodal agency or department to eligible SHGs after grading conducted for their internal lending purposes. According to the present study, most of the SHGs i.e. 96.15 % have already received revolving fund from the nodal department while only 3.85 are yet to be received.

Table 5.18 Role of SHG Federation

SI No	Role of SHG federations	Frequency	Percentage
1	New group formation	25	19.23
2	Banking facilitator	10	7.69
3	SHG sustainability	70	53.84
4	Community Development	25	19.23
5	Total	130	100

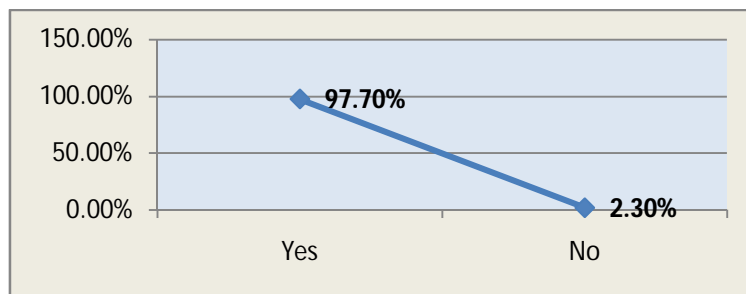
Source: Field Survey 2017

Graph 5.33 Role of SHG Federation



NRLM focuses on building, nurturing and strengthening the institutions of the poor women, including the SHGs and their Federations at village and higher levels to ensure strong community institutions for poverty alleviation. Even though SHG federation is a new concept in the state, the role to be played by federation has been analysed and 53.84% have considered SHG sustainability should be the main role of federation, while 19.23% considered that formation of new group and community development will be the main responsibility and 7.69 believed that banking facilitation should be the main responsibility.

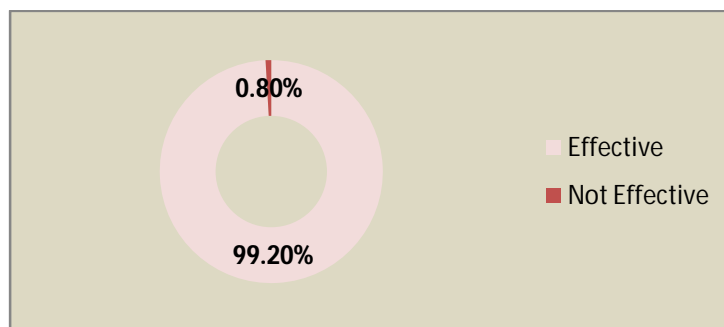
Graph 5.34 Significant of Federation for SHG



Source: Field Survey 2017

Graph 5.34 illustrated that significant of federation for SHG in the study area in which more than 97% of the SHG have believed that SHG federations will be effective for sustainable SHGs in Mizoram.

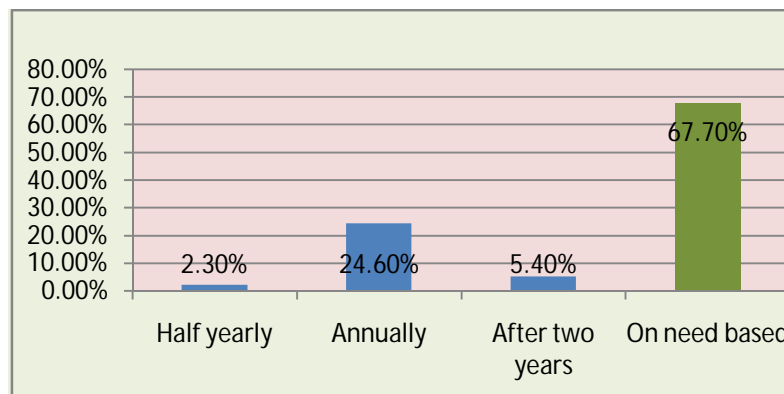
Graph 5.35 Effectiveness of SHG Bye-Law



Source: Field Survey 2017

It is necessary for SHGs to have a set of bye-laws governing the structure and functioning with delineated norms as well as set of roles and responsibilities for its members. It is clearly observed from the empirical investigation that more than 99% of the SHGs have agreed that their bye-law has effective for the group as indicated above.

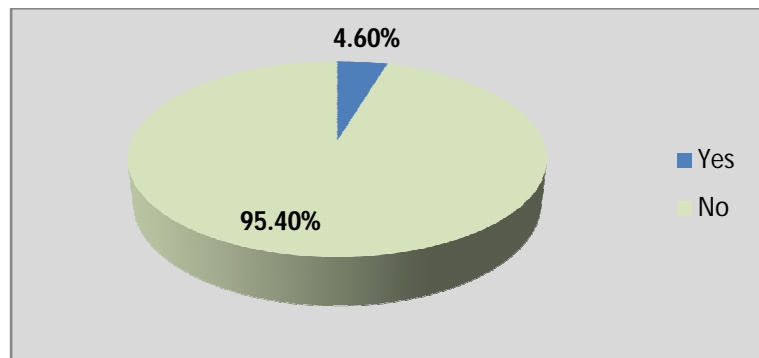
Graph 5.36 Revision of Bye-Law



Source: Field Survey 2017

It is also believed that SHG bye-law needs to be revised from time to time since SHGs have been facing different stages in their life cycle. According to the present study, 67.7% SHGs have revised their bye-law on need based, 24.6% have revised annually while 5.4% have revised after two years and 2.3% have revised their bye-law half yearly as illustrated in graph 5.36.

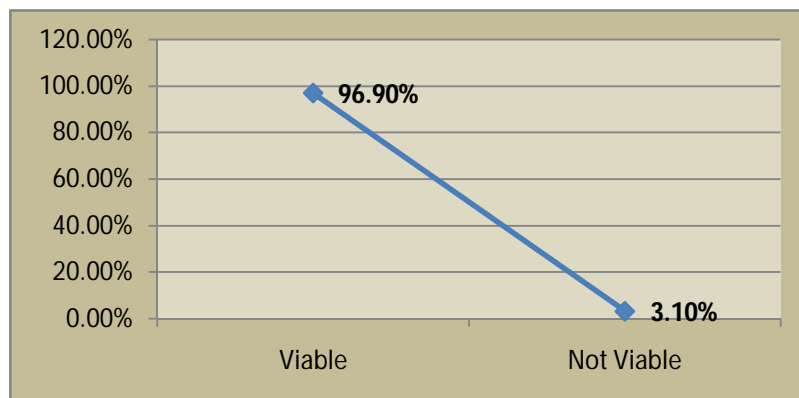
Graph 5.37 Inclusion of Disable Member in the SHG



Source: Field Survey 2017

Universal social inclusion is a precondition to ensure inclusive growth as envisaged by policy makers and stakeholders in various development schemes implemented in the country. The present study also attempts to ascertain status of inclusion of disabled members in the SHG from the study area. It can be seen from the graph 5.37 that 4.6% of the sample SHG has included differently able peoples in their group which implies SHG as community platform to include differently able peoples in the society.

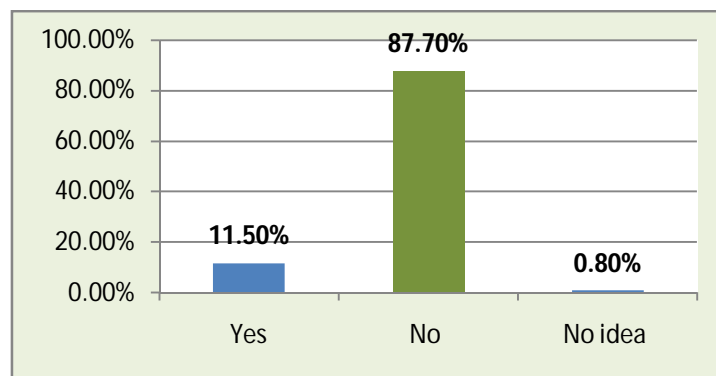
Graph 5.38 SHG for Poverty Alleviation in Rural Areas.



Source: Field Survey 2017

Indeed, SHG has proved to be an effective tool for poverty alleviation and women empowerment in India according to many studies since 1990s. An attempt has also been made in this study to reflect in this regard which is highlighted in the graph 5.41 where more than 96% of the respondents considered that SHG initiative is effective for development and poverty alleviation in rural areas.

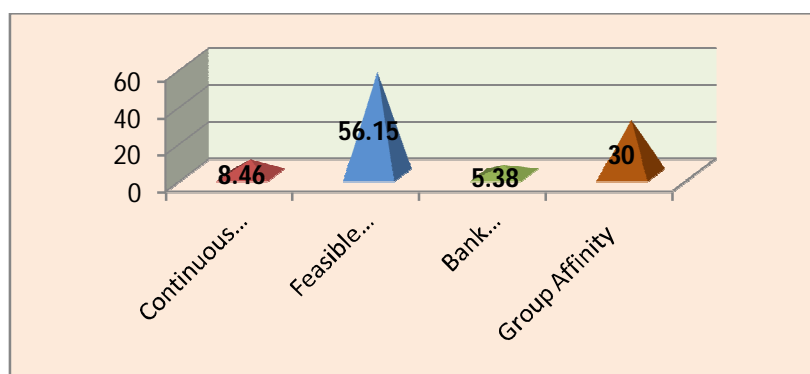
Graph 5.39 Have you faced Problems from Male Counterpart



Source: Field Survey 2017

Although SHG literature is not new in the micro finance as far as SHG is concerned even at the grass root level. Moreover, many studies and stakeholders sometimes overlooked the importance of male counterpart in the family as well as in the society in the context of SHG as Mizo society is following patriarchal system since immemorial time. It was highlighted in graph 5.39 around 11% of the SHGs have being faced hindrances from the male counterpart which can be addressed by making more sensitisation of the male counterparts.

Graph 5.40 Most important for Sustainable SHG



Source: Field Survey 2017

Finally, the study also tries to identify the needs of the SHG for their development and sustainability in the long period both in terms of poverty alleviation and financial inclusion. Graph 5.40 shows that feasible economic activity is the most important (56.15%) for sustainable SHG according to the respondents followed by group affinity (30%), continuous handholding support (8.46%) and bank loan/credit linkage (5.38%).

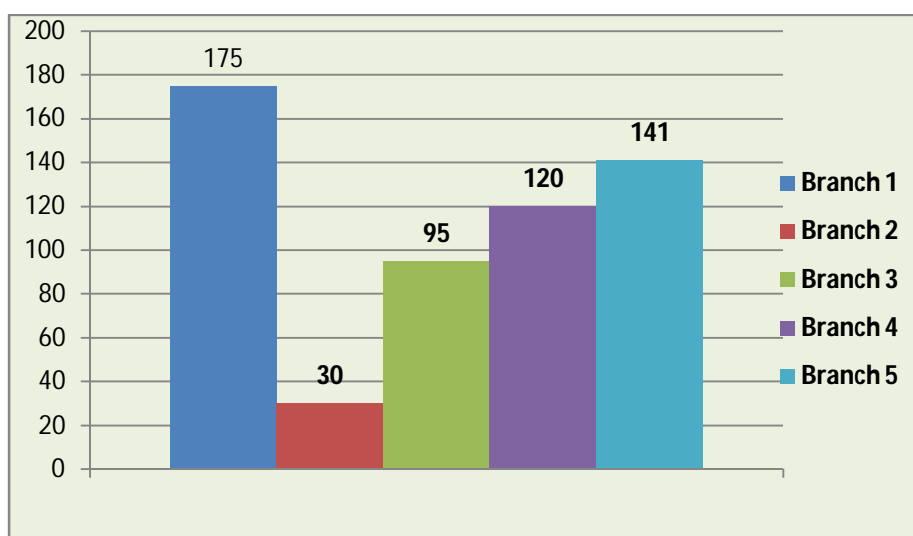
5.2 In addition of the above analysis from the demand side aspect, the supply side aspect of financial inclusion in the context of SHG-Bank Linkage such as low level of financial literacy, less outreach, poor banking infrastructure and under staff, chronic Non-performing assets, capacity building and bankers sensitization etc in the study area have been empirically analysed and presented below by taking Bank Managers of Mizoram Rural Bank as selected sample as cited in the research methodology:

Table 5.19 No of SHGs Having SB Account

SI No	Bank Branch	No of SHGs opening SB Account
1	Branch 1	175
2	Branch 2	30
3	Branch 3	95
4	Branch 4	120
5	Branch 5	141
6	Grand Total	561

Source: Field Survey 2017

Graph 5.41 No of SHGs Having SB Account



Opening of SB Account (Saving Bank Account) in a Bank is the first and foremost important steps for financial inclusion. Graph 5.41 reveals the number of SHGs opening their SB Account in Mizoram Rural Bank (MRB) in which five Bank branches have opened SB Account for SHGs in their operational area in the range of 30-175 SHGs. According to the data collected from the Bank Managers, the average number of SHGs opening SB Account per Bank Branch is 112 SHGs. Consequently, there are 561 SHGs who have maintained their SB Account in MRB as per the survey in the selected District which shows banking services in terms of opening of SB Account for SHG has been quite spectacular.

Table 5.20: SHG-Credit Linkage and NPA Loan

Sl No	Bank Branch	No of SHG Credit Linkage	No of NPA Loan
1	Branch 1	5	0
2	Branch 2	4	0
3	Branch 3	47	3
4	Branch 4	5	1
5	Branch 5	6	0
6	Grand Total	67	4

Source: Field Survey 2017

Graph 5.42 SHG-Credit Linkages and NPA Loan

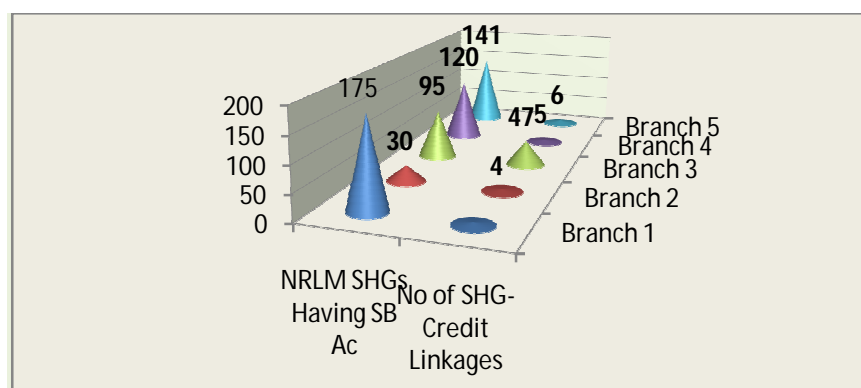
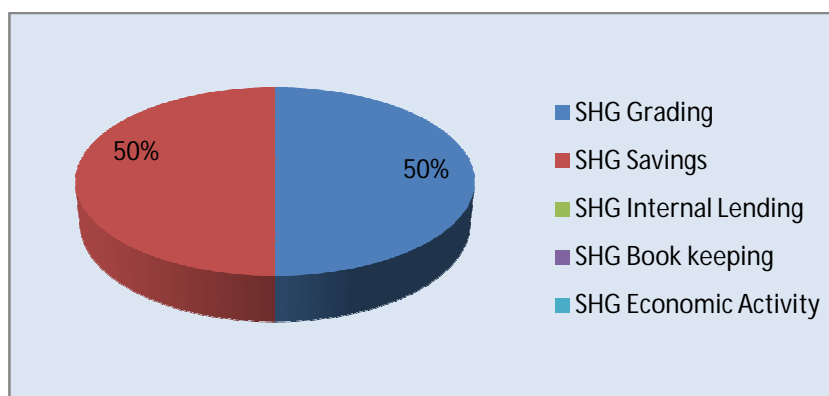


Table 5.20 illustrated the status of SHG-Credit Linkage and Non Performing Assets (NPA¹¹⁴) Loan in the District in which 67 SHGs have been financed by Banks and the average number of SHG financed per Bank Branch comes to 13 SHGs in the range with a minimum of 4 SHGs and a maximum of 47 SHGs as per the survey. Furthermore, NPA loan within the District have also been highlighted as there are only 4 (i.e. 5.97 % NPA) NPA loan which is very low in the present context. However, it may be important to note that NPA loan should not be overlooked by all stakeholders in order to maintain the creditworthiness of the SHG in the future.

Graph 5.43 Criteria Prioritised by Banks for SHG-Credit Linkage

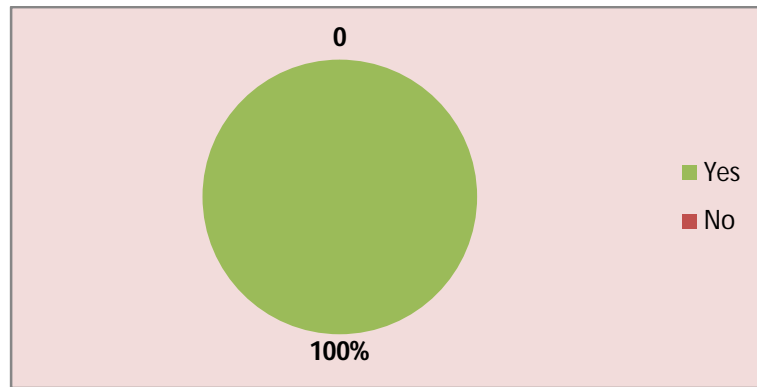


It is prerequisite for Banks to ascertain the creditworthiness of the prospective SHG by specific criteria before sanctioning of loan. In the present study, the questionnaire was designed to identify the main important criteria for SHG adopted by banks before sanctioning of the loan as shown in the above viz. SHG Grading, SHG Savings, SHG

¹¹⁴A Non –Performing Assets (NPA) was defined by RBI as a credit facility in respect of which the interest and /or installment of principal has remained ‘past due’ for a specified period of time.

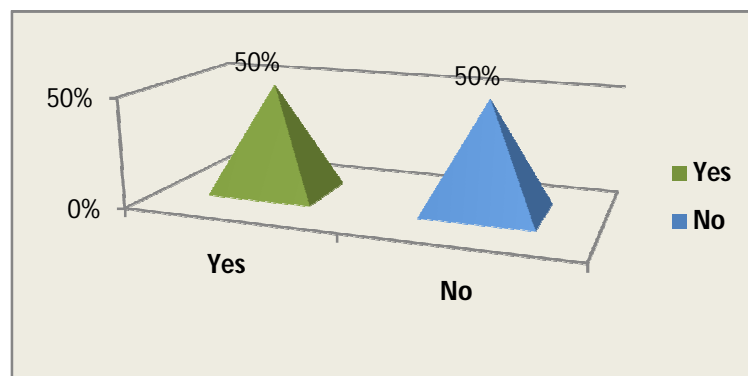
Internal Lending, SHG Book keeping and SHG Economic Activity. The study reveals that SHG grading and saving are the two important criteria preferred by banks for credit linkage out of the five common criteria frequently adopted by banks.

Graph 5.44 Whether Savings of the SHG increases or not after opening of SB Ac.



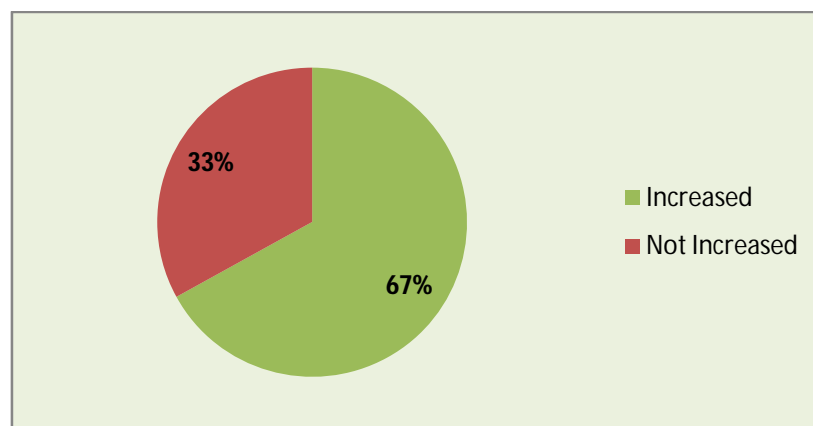
A practice of regular savings by the SHG is an important activity in their Life cycle. In this regard, the study clearly shows that savings of all the SHGs (i.e. 100%) have been increased after opening of SB Ac in Banks. This also reflects that savings habit have been tremendously encouraged among the rural poor after joining SHG.

Graph 5.45 Increasing in opening of SB Ac among the Members after joining SHG



Every citizen of the country should have an account in any bank which is the ultimate goal of the government of India to ensure universal financial inclusion as a bare minimum needs. However, the present study shows that 50% of the Branch Managers considered that opening of SB Ac has increased among the SHG members after joining of SHG and similarly another 50% of the Branch Managers responded that opening of SB Ac have not increased or remain the same among the members after joining SHG.

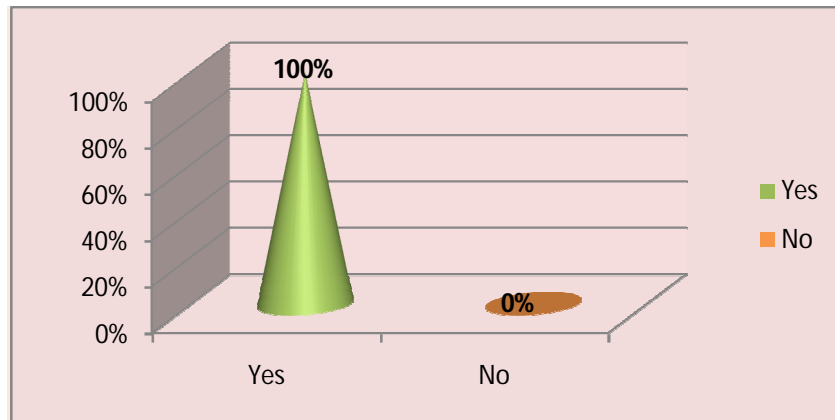
Graph 5.46 Enrollment in various Social Security Schemes among SHG Members



Ensuring maximum coverage of the rural poor as well as financially and socially excluded segments of the society within the ambit of affordable social security schemes for their safety nets under universal financial inclusion is an important initiative taken up by banks and implementing agencies in India in the recent years through SHGs and their Federations. Graph 5.46 reveals enrollment status of SHG members in various Social Security Schemes such as Rashtriya Swasthya Bima Yojana (RSBY), Pradhan Mantri Jan Dhan Yojana

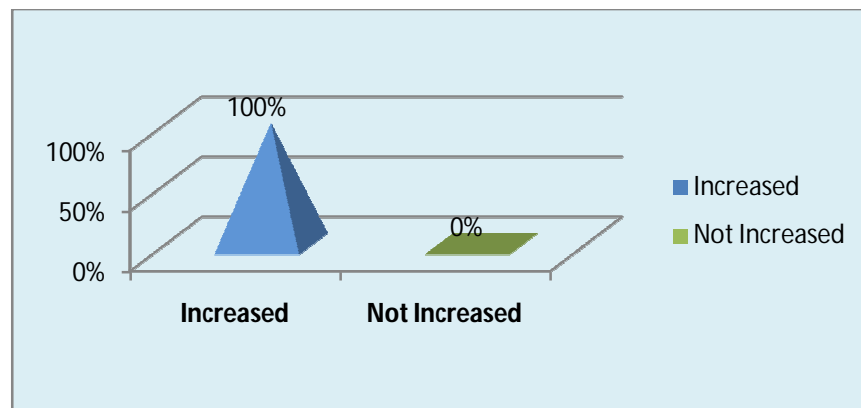
(PMJDY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana (APY) etc in which the study clearly reveals that 67 % of the Bank Manager considered that enrolment of social security has increased in the district among the rural poor after joining the SHG.

Graph 5.47 Increase of Banking Habits after joining of SHG



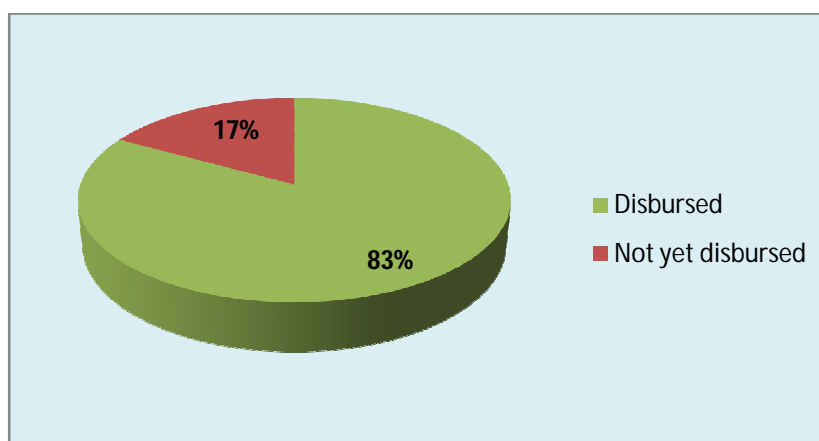
Inculcation of savings and banking habits among the poor is one of the most important objectives of SHG-Bank Linkage Programme in the country since its inception. As highlighted in the above Graph 5.47, the data obviously shows that banking habits have been increasing among the SHG member after joining the group.

Graph 5.48 Awareness of Banking Services among the SHG



The awareness of SHG members in banking services such as opening of SB Ac, Know Your Customer, Saving, affordable credit, insurance and remittance etc have been shown in the graph 5.48. The data provided that 100% of the SHG members became more aware and sensitized the services provided by banks after joining SHG which has positively impact the lives of the rural poor in the context of financial inclusion when the financial literacy of the poor is augmenting.

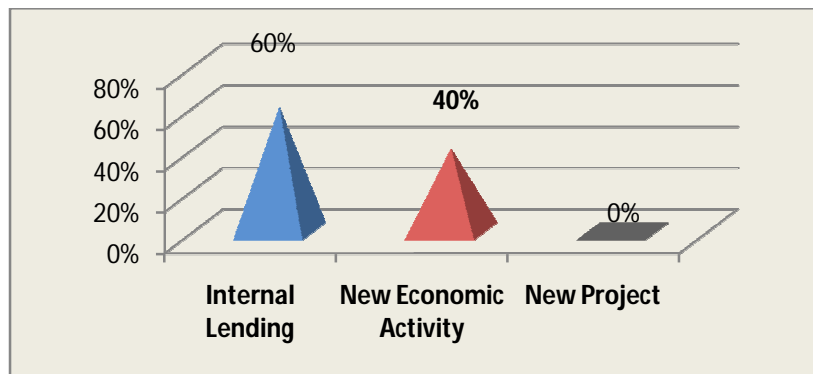
Graph 5.49 Loan Disbursement to SHG by Banks



Source: Field Survey 2017

Timely flow of credit to the SHG is pre-condition for SHGs to start up their economic activity and micro enterprises so as to ensure sustainable livelihoods. Graph 5.49 highlighted the status of loan disbursed by banks in the District. According to the study, 83% of the Bank Branches have already disbursed loans to SHGs while only 17 % of the Bank Branches are not yet disbursed any loan to SHG. Generally, the overall banking performance in the context of loan disbursement in the District is satisfactory as per the survey.

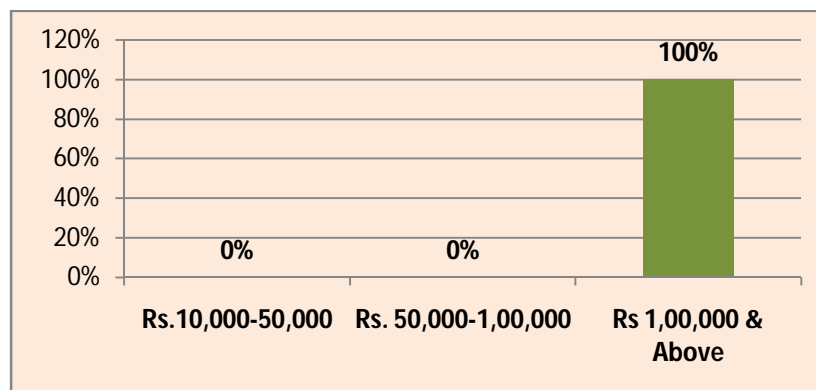
Graph 5.50 Purpose of Loan Disbursed



Source: Field Survey 2017

Graph 5.50 illustrated the main purpose of loan disbursed by banks to SHG. In fact, SHGs may be sanctioned savings linked loans by banks (varying from a saving to loan ratio of 1:1 to 1:4) as per operational guidelines of NABARD for the purpose of internal lending. Accordingly, the present study also highlighted internal lending (60%) and Economic activity (40%) are the two main purpose of loan disbursed to SHG by bank in Serchhip District.

Graph 5.51 Average Amount of Loan Disbursed to SHG

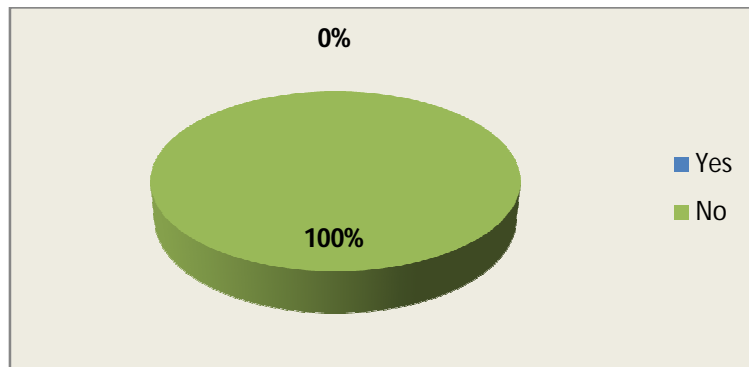


Source: Field Survey 2017

The average amounts of loan disbursed to SHGs have been inquired in the present study so as to reflect the quantum of loan sanctioned and disbursed by bank branches. As shown in the Graph 5.51

the average amount of loan disbursed to SHG comes to ₹.1 Lakh and above even though the SHG can be sanctioned savings linked loans by banks up to four times of their saving as per operational guidelines of NABARD.

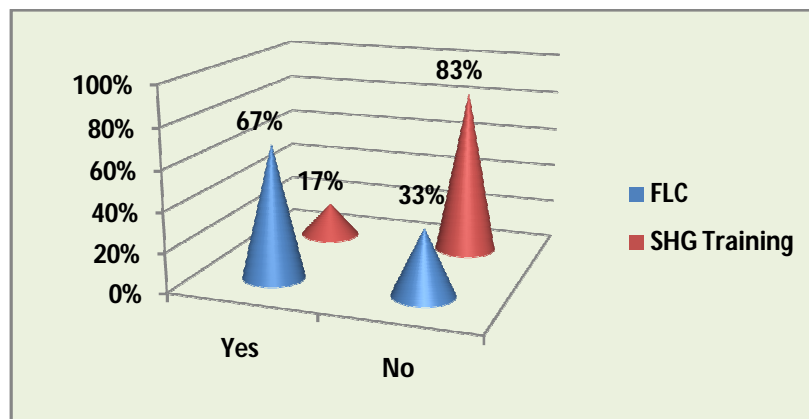
Graph 5.52 Any SHG misused of their Loan.



Source: Field Survey 2017

It is also believed that every SHG should properly utilise their loan in which it was sanctioned for the particular purpose. The present study also shows that 100 % of the credit linked SHGs have properly utilised their loan sanction by banks as shown in the graph 5.52.

Graph 5.53 Financial Literacy Camp (FLC) and SHG Training

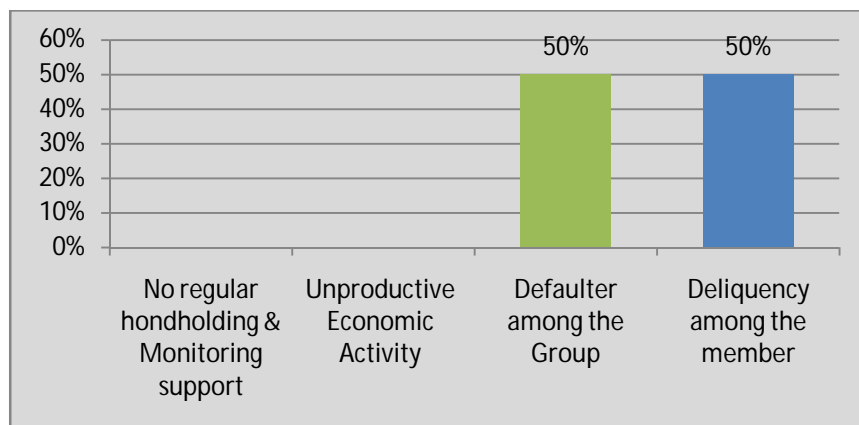


Source: Field Survey 2017

Financial Literacy Camp through Financial Literacy Centres established by banks has been the right platform to educate the people under financial inclusion initiatives. Graph 5.53 illustrated the status of Financial Literacy Camp (FLC) and SHG Training organized by MRB in the District in collaboration with implementing Department. The data explains that 67 % of the bank branches have conducted Financial Literacy Camp with the department for dissemination of financial education among the rural poor through SHG-Bank Linkage Programme while 33% did not conducted FLC.

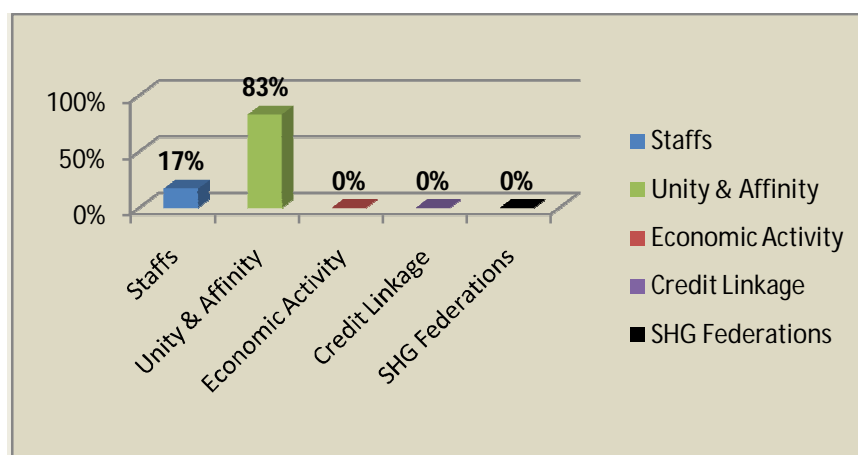
Similarly, 83% of the respondents also conducted SHG training and capacity building in tie up the department whereas 17 % of the respondents not yet conducted SHG training with the department so far. In fact, consistent and continuous capacity building is precondition for nurturing the SHG as part of handholding support by providing technical support viz. Practices of Internal Lending, Book keeping, preparation of Micro Credit Plan (MCP) etc.

Graph 5.54 Main Reasons for Defunct SHG



The problem of defunct SHG is one of the biggest challenges faced by most implementing agencies as well as Self-Help Promoting Institution (SHPI) and Resource Organisation (RO) across the country during the process of SHG formation. In view of the above problem, the bankers were asked that what will be the main reasons for SHG defunct in the present study from the banker's side. Consequently, 50 % of the Branch Managers considered that defaulter among the group is the main reasons for defunct SHG while another 50% believed that delinquency among the SHG member is the main reasons for defunct SHG according to the study.

Graph 5.55 Important for Sustainability of SHG

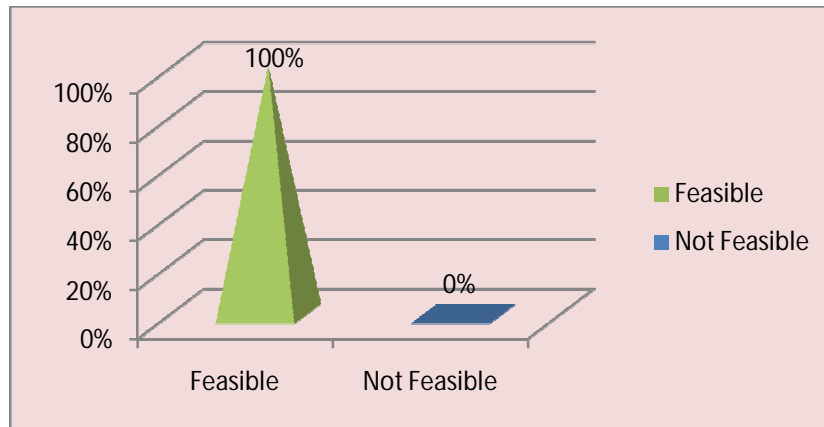


Source: Field Survey 2017

The viability and sustainability of the SHG has been one of the issues to be addressed in the implementation of SHG-Bank Linkage Programme by all stakeholders. As highlighted in the graph 5.55, 83 % of the respondents believed that unity and affinity among the SHG member is one of the most important factors to ensure sustainable SHG

while only 17 % of the respondents agreed that dedicated staffs are the main factor for sustainable SHG who used to give continuous handholding support for SHG as per the study.

Graph 5.56 Feasibility of SHG-BL Programme for Financial Inclusion

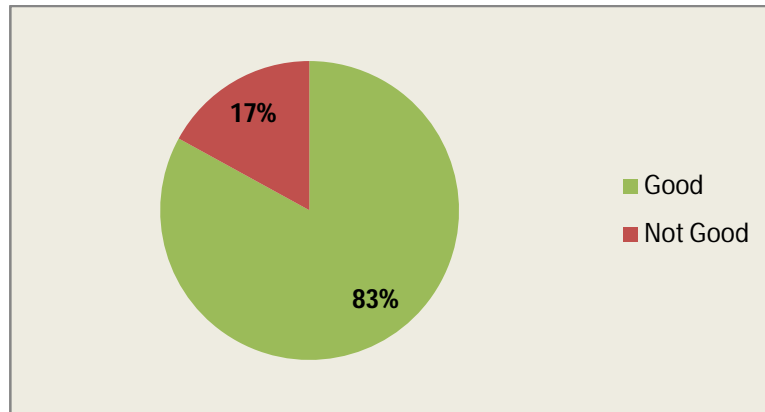


Source: Field Survey 2017

SHG-Bank Linkage Programme has been implemented in India by NABARD since 1991 due to its cost effective model for poverty alleviation in both the rural and urban areas up till now. Accordingly, 100% of the Bank Mangers within Serchhip District have firmly responded that SHG-Bank Linkage is one of the most feasible models for implementation of universal financial inclusion among the rural poor through their own community institution of SHG as shown in the graph 5.56.

Indeed, the success story of SHGs and their Credit Linkage with banks must be replicated to every nook and corner of the country to make our socio-economic development to be more socially and financially inclusive.

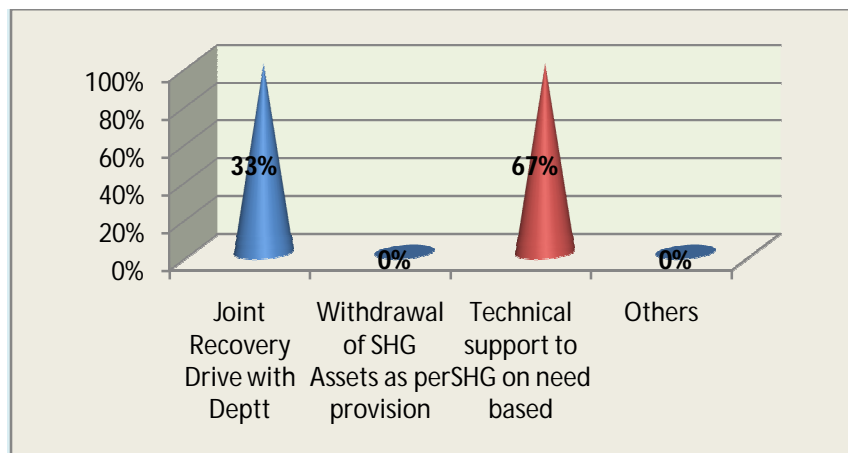
Graph 5.57 Banker’s Sensitisation in the Context of SHG-Bank Linkage



Source: Field Survey 2017

Banker’s sensitization in all aspects of SHG-Bank Linkage Programme is prerequisite for the success of the programme since they are the key players in the area. Hence, Banker’s sensitisation in the context of SHG-Bank Linkage has been illustrated above in which 83 % of the respondents considered that banker’s sensitization are good while 17% considered bankers sensitisation is not up to the mark.

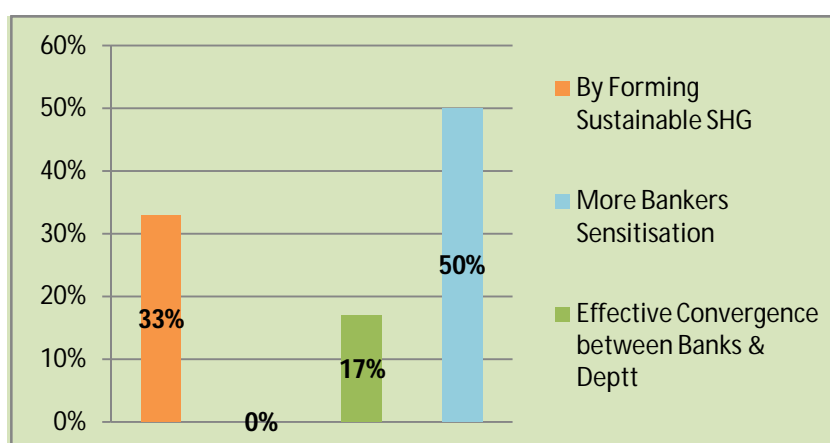
Graph 5.58 Management of NPA Loan



Source: Field Survey 2017

Non-Performing Assets (NPA) is major concern and the most recurring problem being faced by all banks which needs to be specifically addressed. The present study also highlighted the banker's perception regarding the management of NPA loan if any in regard to SHG-Bank Linkage. According to the data, 67 % of the bankers agreed that technical assistance should be given to the NPA SHGs by identifying their problems in a need based to overcome the problem of NPA, while 33 % of the respondent believed that conducting joint recovery drive with the Department would be the one of the most effective in the management of NPA loan in the implementation of SHG-Bank Linkage. In fact, there is a negative correlation between high rates of NPA loan with SHG-Credit Linkage which was experienced in the past by both stakeholders.

Graph 5.59 Strategy for Effective Implementation of SHG-BLP



Source: Field Survey 2017

Although, the Government of India, NABARD and RBI have been taking a major initiatives in the formation and nurturing of SHG

through the length and breadth of the country in both of the rural and urban areas. However, the best strategy for effective implementation of SHG-Bank Linkage Programme still needs to be explored which has been highlighted in the present study as above. Accordingly, 50% of the bankers considered that promotion of Income Generating Activities (IGA) would be the most important strategy for effective implementation of SHG-BLP which was subsequently followed by forming of sustainable SHG (33%) and effective convergence between banks and the implementing agencies.

As cited in the above data, it is necessary to promote and upgrading of Income generating activities viz. Micro Credit Plan (MCP), Livelihoods Development Plan which suited to the local conditions to keep up the SHG-Bank Linkage.

MAIN FINDINGS

The study of financial inclusion in the context of SHG-Bank Linkage Programme in Serchhip District of Mizoram reveals its socio-economic impact, viability issues, problems faced in the implementation, the significance of financial inclusion for the upliftment and the development of the rural area through self-help group and credit linkage from the demand side and supply side. The main findings from the empirical investigation have been highlighted below:

1. There is a need to organise regular meeting to bring unity and democracy among the SHG members. The study observed that more than 70% of the SHGs have conducted regular meeting i.e. four times in a month in each of the member's house on a rotation basis. Besides, 93.1% of the respondents believed that conducting regular meeting is effective and efficient for their development and sustainability since meeting is the heartbeat of the SHG.
2. The study shows that SHG is the right platform for the poor community in rural areas for implementation of financial inclusion as all banks (100%) have opened SB Account for all SHGs and most of their members which is the first and foremost important steps for financial inclusion.
3. According to the study, it was observed that 100% of the SHGs have increased their monthly savings after joining of the SHG which clearly reveals the viability of SHG for the rural poor to

ensure savings at their doorstep. This finding reflects the research question regarding increasing of savings through SHG. Further, more than 54 % of the SHG member's have saved ₹. 20-50 per month.

4. A practice of lending between the members within the group out of their corpus fund is known as internal lending which is usually followed by most SHG across the state. Similarly, more than 99% of the SHGs have practiced internal lending to meet their basic financial requirement. Besides, 93.02% of the SHGs have agreed that internal lending is sufficient to meet their micro credit needs.
5. The study reveals that most of the SHG members (95.4%) have prompt repayment for their internal lending which shows the credibility of the members. Nevertheless, the data clearly indicated that more than 79% have considered that defaulter in the group has negatively affect their SHG.
6. Standard book keeping is a pre-condition for SHG to ensure proper maintenance of all their books of accounts. The study finds that there is no separate "Book Keeper" hired from outside the members as 87% of the groups are literate members. In addition, it was also observed that 90% of the SHG does not have a problem in book keeping.

7. The study shows that 80% of the SHG have audited their books of accounts every month since auditing is necessary in the SHG at regular interval to keep up transparency and accountability.
8. According to the present study, more than 96% of the SHGs have opened their Savings Bank account in Mizoram Rural Bank which clearly indicated that MRB is at the forefronts in the District in terms of SHG-Bank Linkage Programme as compared with other commercial banks. Further, more than 92% of the SHGs did not face any problem regarding opening of their SB account.
9. An in depth analysis has been made among the SHG members those who are not yet opening of SB account in the study area. Definitely, Non-availability of bank branches in the village (unbanked village) is the main reason for not opening of account in the district which signifies the importance to reach the unbanked villages by means of SHG-Bank Linkage Programme. This finding corresponds to the research objective of identifying the hindrances in the implementation of financial inclusion.
10. The study indicates that Credit linked SHGs (11.95%) were minimal due to its initial stages in credit linkage while Non-Performing Assets (NPA) level was very low (5.97 %). Further, the empirical analysis shows that more than 86% of the SHGs

have utilised their loan for development of income generating activities (IGA) of the SHG member.

11. It is needless to say that SHG grading is necessary to monitor and evaluate their overall performance constantly. In fact, SHG credit linkage grading mostly conducted by nodal department and savings are the two most important criteria preferred by Banks for SHG- credit linkage according to the study.
12. The study also confirmed that enrolment in various affordable social security schemes among the rural poor has been increased (67 %) in the district after joining of the SHG.
13. The present study also attempts to ascertain status of inclusion of disable members in the SHG from the study area. It shows that 4.6% of the sample SHG has included differently able peoples in their group which implies SHG as community platform to include differently able peoples in the society towards achieving social inclusion.
14. The empirical data obviously shows that banking habits and awareness of banking services have been increasing tremendously (100 %) among the rural poor through SHG-Bank Linkage Programme. This finding also supports the research question of increasing financial inclusion among the SHG members through SHG-BLP.

15. The average amount of loan disbursed to SHG by bank was ₹.1 Lakh and above in which there was no misused of loan by the SHG according to the study.
16. Financial Literacy Camp (FLC) for financial education and SHG Training for capacity building of the rural poor have been conducted by banks in tie up with the Department to speed up the initiative. Besides, more than 93% of the SHGs have considered that financial literacy have been increased among the members after they joined the SHG which clearly signifies that SHG is one of the cost effective platform for financial literacy campaign in the rural areas.
17. Defaulter (50%) and delinquency (50 %) among the SHG member is the main reasons for defunct SHG whereas unity and affinity among (83%) the SHG member is are the most important factors to ensure sustainable SHG according to the study.
18. The study clearly illustrated (100%) that SHG-Bank Linkage Programme is one of the most viable models for the successful implementation of Universal Financial Inclusion (UFI) among the rural poor through their own community institution of SHG. This conclusion is in line with respondents from both sides of the aspect.

19. It was also found that providing technical assistance to the SHGs by identifying their problem and organizing joint recovery drive with the Nodal Department would be the one of the most effective strategy in the management of NPA loan in the implementation of SHG-Bank Linkage.
20. According to the present study, development of Income Generating Activities (50%), formation of sustainable SHG (33%) and effective convergence and coordination (17%) between banks and the implementing agencies would be the most important approach for effective implementation of SHG-BL.
21. According to focus group discussion, some bankers were hesitant in sanctioning of loans for the SHG due to negative experience viz. chronic NPA, defunct group etc. in the past (SGSY period) from the supply side perspective.
22. NRLM focuses on building, nurturing and strengthening the institutions of the poor women, including the SHGs and their Federations at village and higher levels to ensure strong community institutions for poverty alleviation. Indeed, it was observed that 53.84% of the respondents have considered that SHG sustainability should be the main role of federation in which more than 97% of the SHG have believed that SHG federations will be effective for sustainable SHGs in Mizoram.

SUGGESTIONS

Access to finance, especially by the poor and vulnerable groups is a prerequisite for employment, economic growth, poverty reduction and social cohesion. The following points have been suggested from the present study in order to ensure universal financial inclusion among the rural poor through SHG-Bank Linkage Programme not only in the study area but also the country as a whole.

1. It is strongly suggested to intensify SHG-Bank Linkage Programme within the district and the state of Mizoram to reach out the unbanked and excluded hitherto populations as the empirical observation has shown that SHG-Bank Linkage is a cost effective and flexible approach for financial inclusion.
2. Timely flow of credit to the prospective SHGs should be encouraged by banks in the supply side of financial inclusion whereas good recovery and minimal NPA is experienced among the credit link SHGs in the study.
3. The study also recommended that SHG Grading and Savings should be vibrantly promoted from the supply side perspective among the SHG in order to ensure creditworthiness and timely flow of credit to the SHG as it is the utmost important criteria adopted by banks to sanction loans to the SHG according to the study.

4. Indeed, holding a bank account itself confers a sense of identity, status and empowerment and provides access to the formal financial system. Consequently, it is also advised that SHG-Bank Linkage Programme may be effectively utilised by all stakeholders to achieve universal financial inclusion as ascertained in the study.
5. The study suggested all banks and the nodal agency may carry on the efficacy of SHG-Bank Linkage Programme to ensure universal social inclusion in order to maximise enrolment of rural poor and vulnerable sections of the society in affordable social security schemes which has been a priority of the Government of India in the era of inclusive growth for their safety nets.
6. It is also suggested that Quality SHG should be promoted by the nodal agencies or Self-Help Promoting Institutions (SHPIs) rather than quantity and target based SHG which in turn will positively impact the supply side perspective and will also minimise hesitation of banks in sanctioning of new loans.
7. It is also evident that Financial Literacy Campaign (FLC) can be productively organised through SHG-Bank Linkage Programme. In fact, financial literacy means building awareness, imparting knowledge and upgrade skills among the people to make financial decisions about savings, investments, borrowings and expenditure in an informed manner which is a primary step for

financial inclusion since introspection changes behavior which in turn makes people seek and receive financial services and products.

8. It is also suggested that more capacity building and training may be conducted by banks to some extent as the study shows SHG training conducted by banks is very poor. Indeed, there is also need to strengthen the capabilities of the poor for bringing them into mainstream of development as active partners from the banker's side to ensure sustainable and effective implementation of SHG-BL in the District.
9. According to focus group discussion held during the survey, SHG-Bank Linkage Programme should be based on the best interest of the community by promoting agriculture based livelihoods activity connected with proper market linkages as the cornerstone to realise its full potential.
10. Unbanked villages in rural areas may be covered by using Bank Mitra Model selected from active SHGs or Business Correspondent Model advocated by Reserve Bank of India to intensify SHG movement as well as SHG-Bank Linkage in rural areas.
11. Block Level Bankers Committee already set up by RBI under Lead Bank Scheme since 2014 may be effectively implemented in Mizoram since it is a forum for achieving coordination

between credit institutions on one hand and field level development agencies on the other as well as to review the trends and progress banking at the block level under the chairmanship of the respective Lead District Manager.

12. Finally, active involvement and bankers' will is a precondition for easy and timely flow of credit to the prospective SHG for the success of the Self-Help Group Bank Linkage Programme not only in the District and the state of Mizoram, but also in the country as a whole.

CONCLUSION

The main objective of Financial Inclusion is to extend affordable financial services to the large hitherto un-served population of the country to unlock its growth potential. Indeed, a meaningful financial inclusion is not feasible without government as it is an important priority of the Government since inception.

The journey of the Self Help Group-Bank Linkage Programme which is the largest micro finance model in the world from linking a pilot of 500 SHGs of rural poor has completed 25 years of experience. According to NABARD, it touches 10 crore households through more than 85 lakh SHGs with deposits of about ₹.16, 114 crore and annual loan off take of ₹.38, 800 crore and loan outstanding of nearly ₹. 61,600 crore in 2017

As aforesaid, the state is in its initial and nascent stage in the context of financial inclusion especially in the Self Help Group-Bank Linkage Model initiative although there has been some progress in the District.

To conclude, the task of financial inclusion through SHG-Bank Linkage Programme is herculean, but is, by no means, insurmountable. It is hoped that the study will provide an inputs and ideas for policymakers as well as major stakeholders to drive forward the financial inclusion agenda to make us a more financially included society.

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Appendix I: Canvassing Questionnaire for SHG

A. Group Profile:

1. SHG Name:
2. No of SHG Members
3. Date of Formation:
4. Date of opening of SB Account:
5. Whether all women:
6. No of illiterate Member:
7. Amount of Corpus Fund:
8. Village:
9. Block:
10. District:

B. Questionnaire on SHG Meeting:

1. Number of meeting conducted in a month?
 - i) Once in a month
 - ii) Twice in a month
 - iii) Thrice in a month
 - iv) Four times in a month

2. Who used to convene a meeting?
 - i) President
 - ii) Secretary
 - iii) Treasurer
 - iv) On rotation basis

3. Where do you conduct a meeting?
 - i) Office Bearer's house
 - ii) Members house
 - iii) On rotation basis

4. Number of meeting to be conducted during a month for sustainable SHG?

- i) 1-2 times
- ii) 2-3 times
- iii) 3-4 times
- iv) To be conducted on need based

5. Do you think that regular meeting is important for unity and sustainably of SHG?

- i) Yes
- ii) No

C. Questionnaire on SHG Savings:

1. Have you practice regular savings?

- i) Yes
- ii) No

2. If yes, what is your saving's frequency?

- i) Weekly
- ii) Monthly
- iii) Every Committee

3. How did you fix the amount of savings per member?

- i) Decided by the committee
- ii) As per member's convenience

4. What is the average amount of savings per member per month?

- i) ₹. 20-50
- ii) ₹. 51-100
- iii) ₹. 101-150
- iv) ₹. 150 and above

5. Whether savings of the SHG has increase after joining of the group?
- i) Yes
 - ii) No

D. Questionnaire on SHG Internal Lending and loan repayment:

1. Have you practice internal lending?
- i) Yes
 - ii) No
2. If yes, what is the average amount of internal lending?
- i) ₹. 2500
 - ii) ₹. 2500-5000
 - iii) ₹. 5000-10,000
 - iv) ₹. 10,000 and above
3. Has the internal lending sufficient for micro credit needs of the members?
- i) Yes
 - ii) No
4. Have you practice external lending from corpus fund?
- i) Yes
 - ii) No
5. What is the main purpose of internal lending?
- i) Medical purpose
 - ii) Education purpose
 - iii) Livelihood purpose
 - iv) Emergency need
6. Do you think that internal lending is important for SHG development?

i) Yes

ii) No

7. Has the borrower repaid her loan on time?

i) Yes

ii) No

8. What is the main reason for bad repayment of loan in the SHG, if any?

i) Unviable activity

ii) Negligence/delinquency

iii) Others

9. Has the defaulter member negatively affected the group?

i) Yes

ii) No

E. Questionnaire on SHG Book Keeping:

1. Who is responsible for maintaining SHG Books of Accounts?

i) Secretary

ii) Treasurer

iii) Secretary & Treasures

iv) All members

2. Have you faced a problem in book keeping?

i) Yes

ii) No

3. If yes, what is your main problem in book keeping?

i) Complicated book keeping

ii) Improper training

iii) No regular handholding support

4. What is the frequency of auditing SHG cash Book?

i) Monthly

ii) Quarterly

iii) Half yearly

iv) Annually

5. Who used to audit your cash book?

i) NRLM Staff

ii) SHG Federation

iii) Others

F. Questionnaire on Financial Inclusion:

1. Where did you open your SB Account?

i) Mizoram Rural Bank

ii) State Bank of India

iii) Mizoram Cooperative Apex Bank

iv) Others

2. Did you face a problem in opening of Account?

i) Yes

ii) No

3. If yes, what is your main problem in opening of Account?

i) KYC/Document

ii) SHG Account holder

iii) Bank staff

iv) Others

4. Whether all members of the group have opened their SB Account?
 - i) Yes
 - ii) No

5. If no, what is the main reason for not opening of Account?
 - i) Non-availability of bank in the village/unbanked village
 - ii) Negligence
 - iii) Others

6. Has your banking habit increase after joining of the SHG
 - i) Yes
 - ii) No

7. Whether financial literacy of the SHG members has increased after joining of the group?
 - i) Yes
 - ii) No

8. Do you think that SHG is cost effective for financial literacy among the members?
 - i) Yes
 - ii) No

9. Do you avail bank loan? If yes, how many times?
 - i) 1st time
 - ii) 2nd time
 - iii) 3rd time
 - iv) 4th time

10. What is the average amount of loan taken by your group?
 - i) ₹. 50,000

- ii) ₹. 50,000-1 Lakh
- iii) ₹. 1 lakh-1.5 lakh
- iv) ₹. 1.5 lakhs and above

11. What is the main purpose of bank loan?

- i) Internal lending
- ii) Livelihood development
- iii) Members Income Generating Activity
- iv) Other purpose

12. Have you faced repayment problem in bank loan?

- i) Yes
- ii) No

13. If yes, what is the main reason of your repayment problem?

- i) Unviable activity
- ii) Natural calamities
- iii) Negligence
- iv) Others

14. Have you receive interest subsidy on bank loan from the nodal department?

- i) Yes
- ii) No

G. Questionnaire on Revolving Fund, Federation and others:

1. Have you received Revolving Fund (RF)? If yes, amount of RF?

- i) ₹. 10,000
- ii) ₹. 15,000

2. What is the main purpose of Revolving Fund (RF)?

- i) Internal lending
 - ii) Group activity
 - iii) Members Income generating activity
 - iv) Others
3. Have you join SHG Federation? If yes, what is the level of Federation?
- i) Village Organisation/Primary Level Federation
 - ii) Cluster Level Federation
 - iii) Block Level Federation
 - iv) All Federations
4. What is the main responsibility of SHG Federation in the development of SHG?
- i) New group formation
 - ii) Financial Inclusion & Bank Linkage
 - iii) SHG sustainability
 - iv) Community Development
5. Has the SHG Federation effective for successful implementation of SHG-Bank Linkage Programme in the District?
- i) Yes
 - ii) No
6. Whether the SHG-by law is effective?
- i) Yes
 - ii) No
7. How do you revise SHG by-law?
- i) Half yearly
 - ii) Annually
 - iii) After two years

iv) On a need based

8. Do you have person with disability (PwD) member in the group?

i) Yes

ii) No

9. Do you think that SHG-Bank Linkage Programme is effective for poverty alleviation in rural areas?

i) Yes

ii) No

10. Have you face a problem from male counterpart in regard to SHG?

i) Yes

ii) No

11. What is the most needed by SHG at the present moment?

i) Continuous handholding support

ii) Viable Economic Activity

iii) Bank Loan

iv) Group affinity

Remarks (if Any)

Appendix II: Canvassing Questionnaire for Bank Manager

1. What is the most important criteria for SHG-Credit linkage at the time of sanctioning of loan?
 - i) SHG Grading
 - ii) SHG Savings
 - iii) SHG Internal Lending
 - iv) SHG Book Keeping
 - v) SHG livelihoods Project/Economic Activity

2. Whether savings of the SHG has increased after opening of SB Account in your Bank?
 - i) Yes
 - ii) No

3. Whether opening of SB Account has increased among the members after joining of the SHG?
 - i) Yes
 - ii) No

4. Has the enrolment under affordable social security schemes have been increased among the members after joining of the SHG?
 - i) Yes
 - ii) No

5. Do you think that banking habits/frequency have been increased among the poor through SHG?
 - i) Yes
 - ii) No

6. Whether the financial literacy/education of the SHG members has increased after joining of the SHG?
- i) Yes
 - ii) No
7. Have you disbursed loan to SHG?
- i) Yes
 - ii) No
 - iii) Processing
8. If yes, what is the main purpose of loan?
- i) Internal Lending
 - ii) Livelihoods development
 - iii) New Project
9. What is the average amount of loan disbursed?
- i) ₹. 10,000-50,000
 - ii) ₹. 50,000-1,00,000
 - iii) ₹.1 Lakh and above
10. Is there any SHG who have misused their loan?
- i) Yes
 - ii) No
11. If you did not sanction any loan to SHG, what is the main reason?
- i) Guarantor & Mortgage
 - ii) Unviable activity/project
 - iii) Irregular loan repayment of the previous SHG
 - iv) others

12. Have you organized Financial Literacy Camp in tie up with the Nodal Department for SHG members?

- i) Yes
- ii) No

13. Have you conducted capacity building/training for SHG members in collaboration with the Nodal Department?

- i) Yes
- ii) No

14. What is the main reason for defunct SHG from the bankers' point of view?

- i) Uncompleted handholding support
- ii) Unviable Economic Activity
- iii) Defaulter Members
- iv) No unity and affinity in the SHG

15. What will be the main important factor for sustainability of SHG?

- i) Regular handholding support
- ii) Unity and affinity
- iii) Feasible Economic Activity
- iv) Credit Linkage
- v) SHG Federations

16. Do you think that SHG-Bank Linkage Programme is viable for successful implementation of financial inclusion among the rural poor?

- i) Yes
- ii) No

17. Has the convergence effective between Banks and Department in the implementation of SHG-Bank Linkage Programme?

- i) Yes
- ii) No

18. Whether the bankers' sensitization in the context of SHG-Bank Linkage (Interest subsidy, free collateral etc) is good?

- i) Yes
- ii) No

19. What will be the most effective strategy for management of NPA loan in the SHG?

- i) Joint recovery drive with the Department
- ii) Withdrawal of SHG assets as per provision
- iii) Technical support to SHG on need based

20. How shall we effectively implement SHG-Bank Linkage in the District?

- i) By forming sustainable SHG
- ii) More bankers sensitization
- iii) Effective convergence between Banks and Department
- iv) Promotion of Income Generating Activity (IGA)

INTRODUCTION

Linking of SHGs with banks have been emphasised in the Monetary policy of Reserve Bank of India and Union Budget announcements from time to time and various guidelines in this regard have been issued by the Reserve Bank of India (RBI) to banks. To scale up the SHGs linkage programme and make it sustainable, banks have been advised to consider lending to SHGs as part of their mainstream credit operations both at policy and implementation level.¹

Despite the vast expansion of the formal credit system in the country, dependence of the rural poor on moneylenders somehow continued in many areas, especially for meeting unforeseen requirements. Such dependence was pronounced in the case of marginal farmers, landless labourers, petty traders and rural artisans belonging to socially and economically backward classes and tribes whose propensity to save is limited or too small to be mopped up by the banks. For various reasons, credit to these sections of the population has not been institutionalised to the extent desired. Studies conducted by NABARD, APRACA and ILO on the informal groups promoted by Non-Governmental Organizations (NGOs) brought out that Self-Help Savings and Credit Groups had the potential to bring together the formal banking structure and the rural poor for mutual benefit and that their working had been encouraging.²

Access to finance, especially by the poor and vulnerable groups is a prerequisite for employment, economic growth, poverty reduction and social cohesion. Further, access to finance will empower the vulnerable groups by giving them an opportunity to have a bank

¹ RBI (2017): “Master Circular – DeendayalAntyodayaYojana -National Urban Livelihoods Mission (DAY-NULM)” Financial Inclusion and Development Department, Mumbai.

²RBI (2017): “Master Circular on SHG-Bank Linkage Programme” Financial Inclusion and Development Department, Mumbai.

account, to save and invest, to insure their homes or to partake of credit, thereby facilitating them to break the chain of poverty.

The beginning of the micro finance movement in India could be traced to the Self-Help Group Bank Linkage Programme (SHG-BLP) started as a pilot project in 1992 by National Bank for Agricultural and Rural Development (NABARD). This programme not only proved to be very successful, but has also emerged as the most popular model of micro finance in India.³

In the Indian context, both supply-side and demand side barriers have both been recognized as responsible for low level of access to financial services. Supply side constraints like poor banking infrastructure, low resource base of credit purveying institutions, security based lending procedures, lengthy and cumbersome formalities, low level of financial literacy, etc., are still dominant in the sector. Scores of demand side factors such as inadequate human capital, skewed distribution of land including lack of proper land reforms, presence of large section of landless labourers, poor state of physical infrastructure (road, bridges, irrigation structures, market-yards, cold storages), underdeveloped social capital (gram panchayat, local administration, commodity cooperatives, etc), low productivity leading to low level of profitability, poor linkages, poor risk mitigation mechanism, etc., in the country have adverse effects on the expansion of coverage of institutional credit.

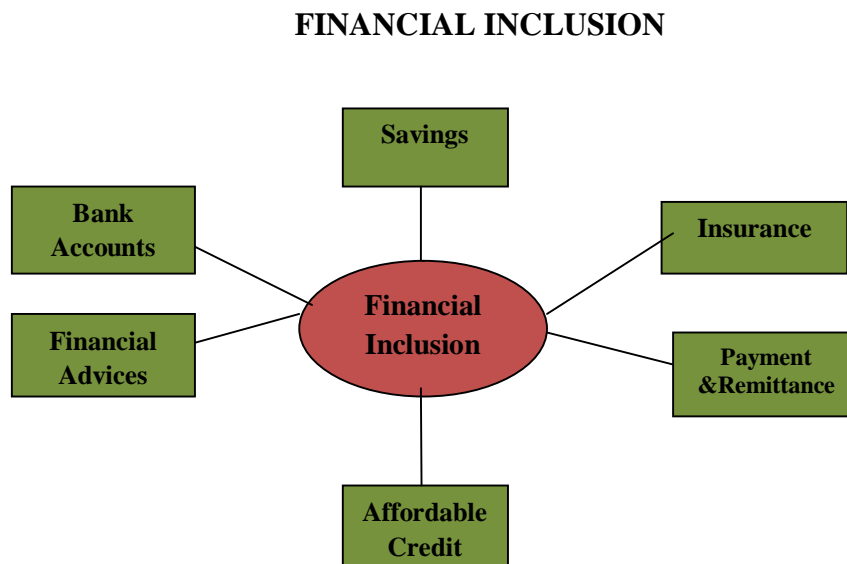
The present study has attempted to examine the current status and implementation of financial inclusion in Mizoram with focusing on Self-Help Group -Bank Linkage Programme as a component of financial inclusion in rural areas. Further, it has also highlighted the supply side and demand side of financial inclusion in the context of SHG-Bank Linkage implemented by Rural Development (RD) Department through

³ RBI (2008): "Report on Trend and Progress of Banking in India, 2007-08" p 196.

National Rural Livelihoods Mission (NRLM). Indeed, NRLM a poverty alleviation project implemented by RD Department, perhaps is the largest poverty reduction initiative, the largest programme for women, in the world with its goal of reaching nearly 70 million rural households. Under NRLM, Mizoram State Rural Livelihoods Mission (MzSRLM) has been established on 18th August, 2011 and at present 6 Districts have been covered under the scheme out of 8 District in Mizoram.

CONCEPT OF FINANCIAL INCLUSION

The objective of Financial Inclusion is to extend financial services to the large hitherto un-served population of the country to unlock its growth potential. Financial inclusion or inclusive financing is the delivery of financial services, at affordable costs, to sections of disadvantaged and low income segments of the society. The term "financial inclusion" has gained importance since the early 2000s, and is a result of findings about financial exclusion and its direct correlation to poverty.



Source: Rangarajan, C. (2008). Report of the committee on financial inclusion, GoI

Rangarajan. C (2008), the then Chairman of the Committee on Financial Inclusion has defined financial inclusion as *the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost*. Meanwhile, according to Raghuram Rajan Committee (2008), financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.⁴

CONCEPT OF SELF-HELP GROUP (SHG)

The concept of SHG services the principle, *'by the women, of the women and for the women'*. Self-Help Groups are voluntary associations of people with common interests formed to achieve collective social and economic goals. The origin of Self-Groups (SHGs) is the brainchild of Grameen Bank of Bangladesh, founded by Prof. Mohammed Yunus in 1975, who tried out a new approach to rural credit in Bangladesh. Grameen gave loans without asking borrowers either to provide collateral or engage in paper work. In India NABARD initiated SHGs in the year 1986-87 but the real effort was taken after 1991-92 from the linkage of SHGs with the banks.

The term 'self-help group' can be used to describe a wide range of financial and non-financial associations. A large number of informal and formal groups of various types, largely unregistered, are to be found in villages and cities throughout the world. These groups are engaged in financial, non-financial, social, cultural and economic activities. Of particular interest has been the role of such informal groups in the

⁴Rangarajan, C. (2008). Report of the committee on financial inclusion, GOI

effective provision of enhanced financial services to their members by relying on social rather than physical collateral.⁵

According to the Planning Commission of India, a Self-Help Group (SHG) is: (i) a self-governed, peer-controlled, small and informal association of the poor, with an average size of 15/20 people, usually from socio-economically homogeneous families, organized around savings and credit activities. (ii) Members of the SHGs meet weekly or monthly to discuss their common problems and share information to arrive at a solution. (iii) Group members make efforts to rectify their economic and social problems through mutual assistance and encouraged to make voluntary monetary contributions on a regular basis.

SHG - BANK LINKAGE PROGRAMME

The SHG-Bank Linkage Programme was started as an Action Research Project in 1989 which was the offshoot of a NABARD initiative during 1987 through sanctioning ₹.10 lakh to MYRADA as seed money assistance for experimenting Credit Management Groups. In the same year the Ministry of Rural Development provided PRADAN with support to establish self-help groups in Rajasthan.

The experiences of these early efforts led to the approval of a pilot project by NABARD in 1992. The pilot project was designed as a partnership model between three agencies, viz., the SHGs, banks and NGOs. This was reviewed by a working group in 1995 that led to the evolution of a streamlined set of RBI approved guidelines to banks to enable SHGs to open bank accounts, based on a simple “inter se” agreement. This was coupled with a commitment by NABARD to

⁵Tankha, A, (2012): “Banking on Self Help Groups: Twenty Years On”, Sage Publications India Pvt Ltd & ACCESS Development Services, New Delhi

provide refinance and promotional support to banks for the SHG - Bank Linkage Programme.⁶

The programme, which started as an outreach programme has not only aimed at promoting thrift and credit, but also contributed immensely towards the empowerment of the rural women. The following three different models have emerged under SHG -Bank Linkage Programme:

Model I: SHGs promoted guided and financed by banks.

Model II: SHGs promoted by NGOs/Government agencies and financed by banks.

Model III: SHGs promoted by NGOs and financed by banks using NGOs/formal agencies as financial intermediaries.

Model II has emerged as the most popular model under the SHG-Bank Linkage Programme. Commercial banks, co-operative banks and the regional rural banks have been actively participating in the SHG-Bank Linkage Programme.⁷

OVERVIEW OF FINANCIAL INCLUSION AND SHG-BANK LINKAGE IN MIZORAM

The state is in its initial and nascent stage in the context of financial inclusion especially in the Self Help Group-Bank Linkage initiative. There are 8 Districts in the State including 26 Rural Development (RD) Blocks in the state. All Blocks are covered with bank branches and hence there is no unbanked Block in the state. Banks have already covered all the villages having a population of 5000 and above in the first phase of financial inclusion drive and 2000 and above in the second phase. In the third phase phase,76 villages having population of above 1000 and up to 1999 are being covered by Mach 2014 and the

⁶Rangarajan, C (2008): "Report of the committee on financial inclusion", p 77

⁷ RBI (2008): "Report on Trend and Progress of Banking in India, 2007-08" p 199

villages having population of 0 to 999 have also been allotted to banks. Most of the banks in the state have already issued necessary guidelines for implementing the revised KCC scheme with immediate effect. Rupay KCCs are also being issued in the state.⁸

Further, all the 704 villages were divided into 91 Sub Service Area (SSAs) and allotted to 16 banks functioning in the State. Population wise, 660 villages are having less than 2000 population, 43 villages are having population of 2000 to less than 5000 and 2 villages are having population of 5000 and above. With the launch of PMJDY in August 2014, the focus is on each household to have at least one bank account. To achieve this, SSA approach is been adopted in the State. There are 91 SSAs in rural areas. These 91 SSAs along with 194 Urban Wards has already allotted amongst the banks for opening of at least one account in each household. With the active support of the State Government, all the 223549 households (both rural and urban) have been covered with at least one bank account.⁹

There are a total of 204 Bank Branches in Mizoram as on 31st March, 2017 comprising branches of Public Sector Bank, Regional Rural Bank branches, State Cooperative Apex Bank branches as well as Private Sector Banks. The population (as per 2011 census) served per branch comes to 5378 as on 31st march, 2017 while the national average is about 15,000. However the location of branches in the State has been skewed in cities and urban centres. There are still many villages devoid of banking services even with a radius of 80-100 kms. The main reason is setting up of scattered village with small number of households which makes branch banking unviable.

⁸ NABARD (2014): *State focus paper for the XII Five Year plan 2012-17*. NABARD, Mizoram Regional Office, Aizawl, p 2

⁹ NABARD (2017): *State Focus Paper: 2017-18 Mizoram State*. NABARD, Mizoram Regional Office, Aizawl, p 14

The Hon'ble Prime Minister launched a national mission on 28 August 2014 for comprehensive financial inclusion. The banks have made significant impact by conducting household level survey in the mapped 91 sub service areas and 194 urban wards. As on 11 January 2017, 185765 accounts (70822 numbers of rural accounts and 114943 numbers of urban accounts) were opened with a deposit of ₹. 29.95 crore. Out of these, 415535 numbers of accounts were Aadhaar Seeded, 114061 numbers were Zero Balance Accounts and 93592 numbers of RuPay Cards were issued.¹⁰

Bank branches in the State are covering these social security schemes for the savings bank accounts holders on ongoing basis. Besides, through financial literacy camps banks are trying to popularise these schemes as well as on-spot opening of saving bank accounts and insurances during these camps. Through DBT mechanism, the bank branches are providing scholarships to the eligible school students as well as subsidy is being credited to the bank accounts of the LPG subscribers.¹¹

In addition, The Credit Deposit (CD) ratio generally gives an idea about the extent to which deposit resources have been locally deployed to propel the economy. Though, in itself, it has its own limitations, nevertheless it gives a clue regarding the credit absorption capacity of the local economy provided other things remain favorable. There is an increase of aggregate deposits of ₹ 623.29 crores during March Quarter 2017 while there has been a slight decrease in CD Ratio from 41.61% in December, 2016 to 39.88% in the last quarter of the FY 2016-17.¹²

¹⁰ NABARD (2017): *State Focus Paper: 2017-18 Mizoram State*. NABARD, Mizoram Regional Office, Aizawl, p 14

¹¹ *Ibid*

¹² SLBC (2017): Agenda Notes for the Quarter ended March 2017, SBI, Lead Bank Office, Mizoram

SHG-Bank Linkage is slowly picking up in the State. Mizoram made its maiden entry into SHG-Bank linkage in August 2003 by linking first ever SHG in Champhai district. Both the government and bankers in the State are giving priority to step up SHG-Bank Linkage programme. During 2015 -16, 215 SHGs were linked by banks with loan amount of ₹.190.13 lakh and the cumulative position of SHG credit linked is 2167 nos. with loan amounts of ₹.2209.57 lakh. The SHG deposit linkage number during 2015-16 is 230 with deposit amount of ₹.12.58 lakh. The cumulative total number of SHGs deposit linked has increased to 2287 with deposit amounting to ₹. 1634.87 as on March 2016. The gradual uptake in SHG-Bank linkage may be due to the concerted efforts by all the bankers coupled with Mizoram RO's initiatives such as supporting NGOs with grant support under its SHPI programme, conducting training programmes, meetings, arranging for printing of booklets on SHGs etc.

In addition of the above, a scheme in association with Govt. of India has been formulated to bring out a viable and self-sustainable model for promotion and financing of Women Self-Help Groups by involving an anchor NGO in Left Wing Extremist (LWE) affected and selected backward districts of the country. The scheme is now being implemented in 150 districts of the country. In the State of Mizoram, two districts viz. Lawngtlai and Lunglei have been included in the list of backward districts. World Vision India (WVI) has been selected to act as the anchor NGO in both the districts. The WVI will cover four blocks viz. Lawngtlai, Bungtlang, Chawngte and Sangau in Lawngtlai District and four blocks viz. Bunglei, Lungsen, Hnahthial and Lunglei in Lunglei district.

NABARD Mizoram RO has sanctioned for Lawngtlai district for promotion of 600 WSHGs and another 850 WSHGs in Lunglei district. As on March 2016, 875 nos of SHGs have been formed and 128 SHGs credit linked with the banks in Lunglei district. In Lawngtlai district, the

anchor NGO has achieved the target of forming and savings linkage of 600 WSHGs in Lawngtlai District and out of that, they have credit linked 84 WSHGs.¹³ Further, Aizawl and Lunglei districts are covered under World Bank funded North East Rural Livelihood Project (NERLP).

The DeenDayal Antyodaya Yojana–National Rural Livelihoods Mission (DAY-NRLM) a flagship programme of the Government of India is making a difference to the lives and livelihoods of over 3.6 crore households from where women have joined Self-Groups (SHGs). The collectives of women under SHGs, Village Organisations (VOs) and Cluster Level Federations (CLFs) has evolved transformational social capital that is changing gender relations, access to services and participation in Gram Sabhas and Panchayati Raj Institutions (PRIs). The programme has given confidence to women to seek Bank loans for economic activity after developing skills and competencies through a sustained Community Resource Person (CRP) led handholding for livelihood diversification. 1.50 lakh women Community Resource Persons (CRPs) who have themselves come out of poverty are today the greatest agents of change in promoting sustainable agriculture, providing Banking services, developing a cadre of Para Vets for animal care, Book keepers and Accountants to women’s collectives, and most importantly an agent for social transformation of villages.¹⁴

Similarly, Mizoram State Rural Livelihoods Mission (MzSRLM) was launched on 22nd April 2013 by Hon’ble Chief Minister, Shri Lal Thanhawla. The mission was initiated in two intensive Districts i.e., Serchhip and Kolasib Districts and four blocks under these two Districts ; viz., Bilkhawhtlir RD block, Thingdawl RD Block, Serchhip RD

¹³ NABARD (2017): *State Focus Paper: 2017-18 Mizoram State*. NABARD, Mizoram Regional Office, Aizawl, p 14

¹⁴ <http://pib.nic.in/newsite/PrintRelease.aspx?relid=160572>

Block and E. Lungdar RD Block were selected for Resource Block. The main objective of Resource Block is to capacitate the SHG members and the community to provide resource to other Community or Blocks. The Mission has expanded to four new intensive Districts Viz. Mamit, Champhai, Lawngtlai and Saiha during FY 2016-17 covering Khawbung and Champhai Block under Champhai District, Tipa Block under Siaha District, Sangau Block under Lawngtlai District, West phaileng and Zawlnuam Block under Mamit District. ¹⁵

Furthermore, National Urban Livelihoods Mission(NULM) a twin mission of DAY-NRLM is a flagship programme of the Ministry of Housing and Urban Poverty Alleviation rolled out on 13th September 2013 with the objective of reducing poverty and vulnerability of the urban poor households by enabling them to access gainful self-employment and skilled wage employment opportunities, resulting in an appreciable improvement in their livelihoods on a sustainable basis through building strong grassroots level institutions of the poor. The Mission with enhanced scope was renamed as “Deendayal Antyodaya Yojana -National Urban Livelihoods Mission (DAY-NULM)” on February, 2016.

In Mizoram, all components of DAY-NULM viz. Social Mobilisation & Institution Development (SM&ID), Employment through Skills Training & Placement (EST&P), Self Employment Programme (SEP), Support to Urban Street Vendors (SUSV) and Scheme of Shelter for Urban Homeless (SUH) is being implemented by Urban Development & Poverty Alleviation Department in all District Capital under which Self-Help Groups of urban poor have been formed by Community Organisers and Resource Organisation. A continuous handholding support has been given by the Department to ensure strong

¹⁵ <http://www.srlm.mizoram.gov.in/page/home.html>

Building Community Institutions – SHGs and their Federations viz. SHG at the grass root level, Area Level Federation (ALF) at the ward level and City Level Federation (CLF) at the city level. The programme also supports Self-Help Groups (SHGs) of urban poor to access easy credit from bank and avail interest subsidy (over and above 7%) on SHG loans under SHG-Bank Linkage of SEP.

The entire state is geographically in isolated location with the land characterised by difficult terrains sparsely populated by a small population of 10, 91, 014, according to 2011 Census. As understood there are many villages not having access to the banking facilities, it has been observed that to make growth more inclusive, financial inclusion is one of the most crucial issue to be addressed by policy makers. The efforts and initiatives made by Government of India, RBI, NABARD, Commercial Banks and Regional Rural Banks need to be strengthened. For this purpose, grassroots level institutions like local bodies, civil society groups, self-help groups need to be mobilized in the most effective manner and financial inclusion should be made a movement for empowerment and greater participatory initiatives.

REVIEW OF LITERATURE

Das (2003) has explained in his article “*Self-Help Groups and Micro Credit Synergic Integration*” that the inability of the credit institutions to deal with the credit requirements of the poor effectively has led to the emergence of micro-finance or micro-credit system as an alternative credit system for the poor. He has also mentioned that in rural India, it can be seen that the poorer sections of the society and destitute cannot avail the credit from banks and other formal institutions due to their inability to deposit collateral security and mortgage property. At this point of view, micro-financing or group lending is

being looked upon as the instrument that can be considered as the golden stick for poverty alleviation *vis-a-vis* rural development.¹⁶

Nagayya (2006) in his article, '*Micro-finance for Self-Help Group*' has stated that the bank and Self-Help Group linkages through financing agencies helps to empower the poor and mobilizing collective strength to make them self-reliant. He has also stated that government intervention will not be able to bring a change in intrinsic attitude of the communities so as make efficient use of credit sanctioned.¹⁷

Rangarajan (2008) cited that the success of the SHG-Bank linkage programme has motivated the Government to borrow its design features and incorporate them in their poverty alleviation programme. The SHG - Bank Linkage Programme is a major plank of the strategy for delivering financial services to the poor in a sustainable manner. The search for such alternatives started with internal introspection regarding the innovations which the poor had been traditionally making, to meet their financial service's needs. It was observed that the poor tended to come together in a variety of informal ways for pooling their savings and dispensing small and unsecured loans at varying costs to group members on the basis of need.¹⁸

Kumar and Golait (2009) in their article "*Bank Penetration and SHG-Bank Linkage Programme: A Critique*" observed that SHG-Bank linkage model is the indigenous model of micro-credit evolved in India and has been widely acclaimed as a successful model. SHG-Bank linkage programme is considered a promising approach to reach the poor

¹⁶ Sabyasachi Das (2003), 'Self Help Groups and Micro Credit-Synergic Integration', *Kurukshetra*, August 2003, Vol. 51, No. 10, pp. 25-30.

¹⁷ D. Nagayya, 'Micro-finance for Self-Help Group', *Kurukshetra*, 2006, Vol. 48, No. 11, p. 10.

¹⁸ Rangarajan, C.(2008): "*Report of the Committee on Financial Inclusion*", *GoI*, pp, 77

and has since its inception made rapid strides exhibiting considerable democratic functioning and group dynamism.¹⁹

Ajay Tankha (2012) observed that the innovation of SHG–bank linkage as a means of enabling access of the poor to financial services attracted NGOs as well as national and international donors. Many NGOs started promoting SHGs and facilitating SHG–bank linkage. Some NGOs had viewed SHG promotion as a means to enable access of poor households to the formal banking system. Other NGOs, who had earlier formed SHGs and similar groups as community organizations for supporting livelihoods of the poor and facilitating empowerment of women too came forward to participate in the SBLP. Many NGOs, in addition, promoted activities such as marketing of SHG products, training and technical counseling apart from grant of credits to enable SHGs promoted by them to augment the income of their members.²⁰

Mohanty (2015) states that Self-Help Group (SHG)-Bank Linkage Programme (SBLP), which had been at the forefront of the financial inclusion initiatives for the past two decades, continues to hold unique significance even in the current discourse of facilitating individual access to financial services. The SBLP is a group savings-linked programme with its main thrust on the provision of micro-credit. At end-March 2015 it had a loan portfolio of over Rs.500 billion. However, the success of the SBLP programme has been uneven across the country, with the southern region accounting for over half of the SHGs.²¹

¹⁹ Kumar, P and Golait, R (2009): “Bank Penetration and SHG-Bank Linkage Programme: A Critique” *Reserve Bank of India Occasional Papers* Vol. 29, No.3, 2009

²⁰Tankha, Ajay (2012) “Banking on self-help groups : twenty years on” SAGE Publications India Pvt Ltd, New Delhi

²¹Mohanty, D (2015) “Report of the Committee on Medium-term Path on Financial Inclusion” RBI, Mumbai

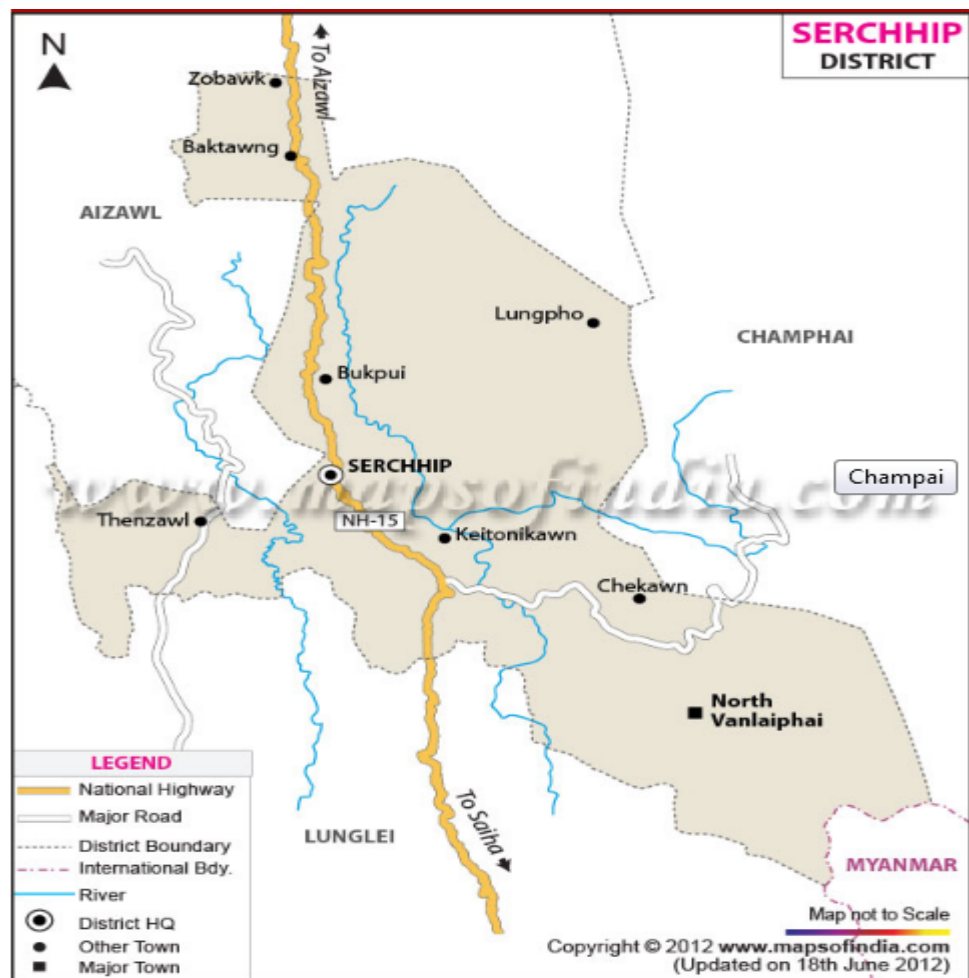
Raghuram Rajan (2017) also states that financial inclusion is about the broadening of financial services to those people who do not have access to financial services sector, the deepening of financial services for people who have minimal financial services and greater financial literacy and consumer protection so that those who are offered the products can make appropriate choices. The imperative for financial inclusion is both moral one as well as one based on economic efficiency.

STUDY AREA

Serchhip District has been selected for the present study as it was identified as an Intensive District out of two Intensive Districts in the state i.e. Serchhip and Kolasib District for the implementation of National Rural Livelihoods Mission in Mizoram. Intensive district is taken up for implementation of NRLM with access to full complement of trained professional staff and cover a whole range of activities of universal and intense social and financial inclusion, livelihoods, partnerships etc. that will be replicated in the non-intensive district in a phase manner. Besides this, Serchhip District is the highest literacy (97.91%) District in India according to 2011 Census as well as SHGs have been formed and nurturing successfully from the period of Development of Women and Children in Rural Areas (DWCRA) to the Swarnjayanti Gram Swarozgar Yojana (SGSY) even today under NRLM. Consequently, Serchhip district has been selected after careful analysis in view of SHG-Bank Linkage Programme for the purpose of the present study.

Serchhip District came into existence to become the smallest (1,421 sq. km) among the eight Districts of Mizoram on 15th September, 1998 in the year when Rural Development Block was created in the state. It has distinguished itself being the most literate among the 640 districts all over India. Geographically, Serchhip District is located in the central part of Mizoram and it can be generalised the

latitude and longitudinal position at 23.3° N 92.83° E. Interestingly, the Tropic of Cancer passed through the District. Serchhip is bordered by Champhai District in the East, Aizawl in the North and North West and Lunglei District in the South. The District is divided into three Sub-Divisions viz. Serchhip Sadar, North Vanlaiphai and Thenzawl. There are two Rural Development Blocks such as Serchhip and East Lungdar RD Blocks. Altogether there are 42 Villages within the District. There is no city or urban agglomeration while Serchhip is notified town and district headquarters. The district is about 112 km from state capital by road.²²



Source: www.mapsofindia.com

²² Baseline Study for Mizoram State Rural Livelihoods Mission 2014, Rural Development Department, Government of Mizoram

STATEMENT OF THE PROBLEM

The SHG - Bank Linkage Programme is a major plank of the strategy for delivering financial services to the poor in a sustainable manner. The financial inclusion attained through SHGs is sustainable and scalable on account of its various positive features. The programme confronts many challenges and for further scaling up, these challenges need to be addressed. SHG-Bank Linkage is slowly picking up in the state of Mizoram as compare with other states. The state is indeed, in its initial and nascent stage in the context of financial inclusion especially in the Self Help Group-Bank Linkage Model initiative. In view of the above, it was felt that there is a need for a critical examination of the SHG-Bank linkage and financial inclusion in order to understand the socio-economic impact, pros and cons for achieving universal financial inclusion in Mizoram.

OBJECTIVES OF THE STUDY

1. To understand and analyse the significance of financial inclusion for the upliftment and the development of the rural area through Self-Help Group.
2. To empirically ascertain the present status of financial inclusion and Self Help Group-Bank Linkage in Mizoram.
3. To find out the viability of Self Help Group-Bank Linkage model in order to ensure universal financial inclusion among the rural poor in Mizoram.
4. To identify the demand side and supply side hindrances in the implementation of financial inclusion and to make suggestions.

RESEARCH QUESTIONS

1. Has the SHG-Bank Linkage Programme increased financial inclusion among the SHG members?
2. Has the SHG increases savings and credit linkage among the rural poor?

RESEARCH METHODOLOGY

The study has examined an insight into the functioning of Self - Help Group-Bank Linkage and its socio-economic impact as well as their operational details in Serchhip District and Mizoram in order to understand and analyse the significance of financial inclusion for upliftment and the development of the rural area through Self-Help Group-Bank Linkage, Its effectiveness, efficiency and sustainability in order to ensure universal financial inclusion in the state of Mizoram in terms of opening of savings bank account, savings and credit linkage, financial literacy etc.

In addition of the above, an in depth analysis has been made to identify the demand side and supply side hindrances in the implementation of financial inclusion as financial inclusion has two aspects; in the demand side hindrances like banking and savings behaviour, financial literacy and rural infrastructure etc among the rural people as well as in the supply side hindrances like bankers (less outreach), human resource constraints, inefficient financial sector and technological backward. The study also focuses the socio-economic viability of SHG-Bank linkage model for implementation of financial inclusion in the village and unbanked areas which is yet to be explored with an empirical investigation. A multi stage purposive random sampling technique has been adopted for the present study as shown below:

1. At the first stage, Serchhip District has selected for the purpose of the study out of 8 districts in the state of Mizoram which was covered under NRLM. It has two RD (Rural Development) Blocks Viz. E.Lungdar and Serchhip RD Block comprising of 42 villages.
2. At the second stage, 130 SHGs have been selected randomly from 13 different villages viz. Chhingchip, Keitum, Bungtlang, Thenzawl, Baktawng, East Lungdar, North Vanlaiphai, Khawlailung, North Mualcheng, Lungchhuan and Chekawn within the two RD blocks, i.e. 130 SHGs sample have been used for the present study.
3. At the third stage, 6 Branch Managers of Mizoram Rural Bank have been selected since there are only 6 branches of MRB within Serchhip District. Besides, focus group discussion was also conducted along with Community Resource Persons, active SHG members, NRLM staffs and Bank Managers for the present study.

COLLECTION OF DATA

The present study is mainly based on primary data by using a canvassing questionnaire collected from Bank Managers, SHGs and their members, Community Resource Persons and NRLM Staff to ensure an insight empirical analysis. Further, Secondary data have been collected from annual reports of Reserve Bank of India, Ministry of Finance, Government of India. National Bank for Agriculture and Rural Development, Regional Rural Banks, State Level Bankers Committee, published and unpublished sources, Magazines, Journals, e-books, websites and other online resources etc. The collected data have been analysed with relevant statistical tools and systematically interpreted.

CHAPTERIZATION

Chapter I	:	Introduction
Chapter II	:	Review of Literature
Chapter III	:	SHG-Bank Linkage in India: An Overview
Chapter IV	:	Self-Help Group in Mizoram: An Overview
Chapter V	:	SHG-Bank Linkage in Mizoram: An Empirical Analysis
Chapter VI	:	Main Findings, Suggestions and Conclusion.
		<i>Bibliography</i>
		<i>Appendices</i>

MAJOR FINDINGS & OBSERVATIONS

1. The study shows that SHG is the right platform for the poor community in rural areas for financial inclusion as all banks (100%) have opened SB Account for all SHGs which is the first and foremost important steps for financial inclusion.
2. According to the study, 100% of the SHGs have considered that their savings have been increased after joining of the SHG which clearly reveals the viability of SHG for the rural poor to ensure savings at their doorstep. This finding corresponds to the research question regarding increasing of savings among the rural poor through SHG.
3. A practice of lending between the members within the group out of their corpus fund is known as internal lending which is usually followed by most SHG across the state. Similarly, more than 99% of the SHGs have practiced internal lending to meet their basic financial requirement. Besides, 93.02% of the SHGs have agreed that internal lending is sufficient to meet their micro credit needs.
4. According to the present study, more than 96% of the SHGs have opened their Savings Bank account in Mizoram Rural Bank which clearly indicated that MRB is at the forefronts in the District in terms of

SHG-Bank Linkage Programme as compared with other commercial banks. Further, more than 92% of the SHGs did not face any problem regarding opening of their SB account.

5. The study indicates that Credit linked SHGs (11.95%) were minimal due to its initial stages in credit linkage while Non-Performing Assets (NPA) level was very low (5.97 %).
6. SHG credit linkage grading mostly conducted by nodal department and savings are the two most important criteria preferred by Banks for SHG-credit linkage according to the study.
7. The study also confirmed that enrolment in various affordable social security schemes among the rural poor has been increased (67 %) in the district after joining of the SHG.
8. The empirical data obviously shows that banking habits and awareness of banking services have been increasing tremendously (100 %) among the rural poor through SHG-Bank Linkage Programme.
9. The average amount of loan disbursed to SHG by banks was ₹.1 Lakh and above in which there was no misused of loan by the SHG according to the study. This finding also supports the research question of increasing of credit linkage among the poor in the study area.
10. Financial Literacy Camp (FLC) for financial education and SHG Training for capacity building of the rural poor have been conducted by banks in tie up with the Department to speed up the initiative. Besides, more than 93% of the SHGs have considered that financial literacy have been increased among the members after they joined the SHG which clearly signifies that SHG is one of the cost effective platform for financial literacy campaign in the rural areas.
11. Defaulter (50%) and delinquency (50 %) among the SHG member is the main reasons for defunct SHG whereas unity and affinity among (83%) the SHG member is one of the most important factors to ensure sustainable SHG according to the study.

12. The study clearly illustrated (100%) that SHG-Bank Linkage Programme is one of the most viable models for the successful implementation of Universal Financial Inclusion (UFI) among the rural poor through their own community institution of SHG.
13. It was also found that providing technical assistance to the SHGs by identifying their problem and organizing joint recovery drive with the Department would be the one of the most effective strategy in the management of NPA loan in the implementation of SHG-Bank Linkage.
14. According to the present study, development of Income Generating Activities (50%), formation of sustainable SHG (33%) and effective convergence and coordination (17%) between banks and the implementing agencies would be the most important approach for effective implementation of SHG-BL.
15. According to focus group discussion, bankers were hesitant in sanctioning of loans for the SHG due to negative experience viz. chronic NPA, defunct group etc. in the past from the supply side perspective. This finding is in line with the research objective of indentifying the problem being faced in the implementation of financial inclusion.

SUGGESTIONS & CONCLUSION

1. It is strongly suggested to intensify SHG-Bank Linkage Programme within the district and the state of Mizoram to reach out the unbaked and excluded hitherto populations as the empirical observation has shown SHG-Bank Linkage is a cost effective and flexible approach for financial inclusion. This conclusion is in support with the main objective of the research regarding the viability of SHG-Bank Linkage Model.
2. Timely flow of credit to the prospective SHGs should be encouraged by banks whereas good recovery and minimal NPA is experienced in the Bank Linkage since access to finance, especially by the poor and vulnerable groups is a pre-condition for employment, economic growth, poverty reduction and social cohesion.

3. The study also recommended that SHG Grading and Savings should be vibrantly promoted from the supply side perspective among the SHG in order to ensure creditworthiness and timely flow of credit to the SHG as it is the utmost important criteria adopted by banks to sanction loans to the SHG according to the study.
4. Indeed, holding a bank account itself confers a sense of identity, status and empowerment and provides access to the formal financial system. Consequently, it is also advised that SHG-Bank Linkage Programme may be effectively utilised by all stakeholders to achieve universal financial inclusion as ascertained in the study.
5. The study suggested all banks and the nodal agency may carry on the efficacy of SHG –Bank Linkage Programme to ensure universal social inclusion in order to maximise enrolment of rural poor and vulnerable sections of the society in affordable social security schemes which has been a priority of the Government of India in the era of inclusive growth for their safety nets.
6. It is also suggested that Quality SHG should be promoted by the nodal agencies or Self-Help Promoting Institutions (SHPIs) rather than quantity and target based SHG which in turn will positively impact the supply side perspective and will also minimise hesitation of banks in sanctioning of new loans.
7. It is also evident that Financial Literacy Campaign (FLC) can be productively organised through SHG –Bank Linkage Programme. In fact, financial literacy means building awareness, imparting knowledge and upgrade skills among the people to make financial decisions about savings, investments, borrowings and expenditure in an informed manner which is a primary step for financial inclusion since introspection changes behavior which in turn makes people seek and receive financial services and products.
8. It is also suggested that more capacity building and training may be conducted by banks to some extent as the study shows SHG training

conducted by banks is very poor. Indeed, there is also need to strengthen the capabilities of the poor for bringing them into mainstream of development as active partners from the banker's side to ensure sustainable and effective implementation of SHG-BL in the District.

9. According to focus group discussion held during the survey, SHG-Bank Linkage Programme should be based on the best interest of the community by promoting agriculture based livelihoods activity connected with proper market linkages as the cornerstone to realise its full potential.
10. Unbanked villages in rural areas may be covered by using Bank Mitra²³ Model selected from active SHGs or Business Correspondent Model advocated by Reserve Bank of India to intensify SHG movement as well as SHG-Bank Linkage in rural areas.
11. Block Level Bankers Committee already set up by RBI under Lead Bank Scheme since 2014 may be effectively implemented in Mizoram since it is a forum for achieving coordination between credit institutions on one hand and field level development agencies on the other as well as to review the trends and progress banking at the block level under the chairmanship of the respective Lead District Manager.
12. Finally, active involvement and bankers' will is a precondition for easy and timely flow of credit to the prospective SHG for the success of the Self-Help Group Bank Linkage Programme not only in the District, but also the country as a whole.

²³ Bank Mitra is also called Customer Service Point who is a representative or agent of banks to provide banking services like account opening; cash deposit acceptance and cash withdrawal etc.