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Self Help Group (SHG) - Bank Linkage Model – A Viable Tool for Financial Inclusion

J.Santosh Rupa [1] Dr. Mousumi Majumdar [2*] Dr. V. Ramanujam[3]
1. Bangalore Management Academy, Outer Ring Road, Bangalore, India
2. Vanguard Business School, 3/A, Hyland Industrial Area, Hosur Road, Bangalore, India
3. BSMED, Bharathiar University, Coimbatore, India
* E-mail of the corresponding author: mousumi@vanguardbschool.com

Abstract
Financial inclusion is a vital factor in eliminating poverty and promoting social empowerment. Despite policy initiatives, the extent of inclusion is very low in rural and semi - urban India. There are still 90 million people who are excluded from the formal banking system for various reasons like lack of knowledge in the rural poor related to banking and banking products, high transaction costs and illiteracy. In this scenario, microfinance, which is defined as the provision of financial services to the low income and vulnerable groups of the society is playing a challenging role in achieving twin goals of financial inclusion and poverty eradication in economically viable manner. SHG- Bank Linkage model of micro finance is playing a critical role in the expansion of banking outreach. The current study is an attempt to throw light on the SHG-Bank linkage model and its role in promoting financial inclusion.
Keywords: Financial inclusion, Microfinance, SHG- Bank Linkage model, poverty

1. Introduction

The Indian economy is the second fastest growing economy in the world with growth rate of 8.2% in 2010-2011. Predominantly the population is concentrated in rural areas. As per the census of 2011, Indian population is 1.21 billion, out of which 70.5% of the population in rural areas. Therefore rural development is a prerequisite for the socio-economic development of the economy. It is vital for inclusive and sustainable growth.

Credit is one of the very important inputs of economic development. The timely availability of credit at an affordable cost has a big role to play in contributing to the well-being of the weaker sections of the society. Availability of financial services at reasonable cost is very much important for the upliftment of the poor. In spite of several attempts to provide basic financial services, rural poor are still in the vicious circle of debt. Proper access to finance by the rural people is a key requisite to employment, economic growth and poverty reduction which are primary tools of economic development. Poverty elimination programs can be successful only if the people and organizations at the grass root level are involved.

Financial Inclusion is a fundamental component of the economic development. The primary goals of development like poverty elimination, economic growth and employment can be achieved by providing timely credit to the rural poor. Despite having a wide network of rural bank branches in India which implemented specific poverty alleviation programmes that sought creation of self-employment opportunities through bank credit, a very large number of the poorest of the poor continued to remain outside the fold of the formal banking systems (NABARD, 1999). There has been appreciable achievement in shifting the commercial banks' focus from 'class banking' to 'mass banking' but the achievement is very poor in taking the commercial banks' focus to the 'poorest of the poor'. The ability of the microfinance sector to penetrate into rural areas in a cost effective manner, makes this sector a viable alternative to promote financial inclusion.

Microfinance has emerged as a powerful tool for bridging the gap between poor and the banks. These are working with the objective of providing financial services to the bottom of the pyramid. These institutions targeted people who were previously excluded by the formal banking sector for the lack of security and various other reasons. According to Micro Finance Institutions Development and Regulation Bill, 2011, it shall be the duty of RBI to promote and ensure orderly growth of micro finance sector in accordance with such measures as it deems fit, for the purpose of promoting financial inclusion. Indian microfinance is dominated by Self Help Groups (SHGs) which are playing a powerful role in promoting financial inclusion. SHGs can give an opportunity to the rural poor to become self-sufficient and obtain financial freedom.

The present paper is an exploratory research study to review the role of SHGs in promoting financial inclusion. The organization of paper is as follows; Section 2 gives a literature review on the role of micro finance and discusses the need for financial inclusion. Section 3 is about the policies on financial inclusion, Section 4 discusses about the microfinance models, Section 5 discusses the SHG bank Linkage model in details, Section 6 is about the current status of SHG Bank Linkage Model, and Section 7 concludes. Only secondary data is used for the study. The data is primarily taken from the NABARD – State of sector report, financial inclusion state of sector report, journals, articles and other websites and then further analyzed using statistical tools.

2. Literature review

The Indian banking sector today is struggling with the issue of financial inclusion. Financial inclusion is defined as the process of ensuring access to timely and adequate credit and financial services by vulnerable groups at an affordable cost (Kamath, 2007).Financial inclusion was envisaged and embedded in Indian credit policies in the earlier decades also, though in a disguised form and without the same nomenclature (Rao, 2007)and emphasis. Increasing access to credit for the poor has always remained at the core ofIndian planning in fighting against the poverty. The 'social banking' policies followed by the country resulted in widening the 'geographical spread and functional reach' of commercial banks in rural area in the period that followed the nationalisation of banks (Shetty, 1997). Starting in the late 1960s, India is home to one of the largest state intervention in the rural credit market (Khandelwal, 2007).

2.1 Need for Financial Inclusion

Rangarajan committee (2008) defined financial inclusion as "financial inclusion may defined 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". Financial services include savings, insurance, loans etc. the objective is to help the poor to come out of the vicious circle of poverty. The index developed by Patrick Honohan to measure the access of financial services in 160 countries clearly proved that the advanced countries have higher indices (Agarwal, 2008). Hence financial inclusion has become a buzzword for the banking sector, especially in the developing countries not only to deal with the problem of poverty but also to foster the growth and development. According to National Sample Survey Organization's (NSSO), 59th Round (2003), only 48.6 % of the total number of cultivator households received credit from both formal and informal sources (financial inclusion in a broader sense) and remaining 51.4 % did not receive any credit (total financial exclusion). The same survey revealed further that 22 % of the cultivator households received credit from informal sources (financial inclusion in a narrow sense). Only 27.6 % of the farmer households had availed credit from the formal institutions like banks, cooperatives and government (Jeromi, 2006).Most of the borrowings are for non-productive purposes such as social events and medical emergencies. Despite several efforts by RBI to increase the outreach in rural areas out of 5165 new branches opened by all the banks only 21.86% are the rural branches (as depicted in Table 1).

The gap between rich and poor is increasing constantly. NC Saxena committee report (2009) says that 50% of the total population is below the poverty line. The reasons for the financial exclusion may be high transaction costs, gender, and ease of informal credit mechanism or the occupational differences (World Bank, 2008). Financial exclusions act as an impediment for the growth and prosperity of the poor. Therefore access to formal institutional finance to all the segments of the society should be on the top priority agenda of the government. In the recent times banking sector had undergone several changes which include channels like ATMs (Automated Teller Machines, internet banking, mobile banking, online transactions etc. along with the traditional branch banking. However such technology may not be accessible by all segments of the society. The objective of financial inclusion is to provide wide range of financial services to every individual and also to educate them about those services. The services include regular financial intermediation, opening of No frill accounts for making and receiving payments, designing saving products suitable for the saving habits of the poor, small loans, micro insurance etc. Despite several efforts by RBI to cater to the financial needs of all the segments of the society through branch expansions and other initiatives the objective is not achieved. Still there are 400 million people not covered by any banks, out of which 280 million are below the poverty line. Out of 600 thousand villages in India only 30000 villages have bank branches. Poor people pay interest rates as high as 40-50% to money lenders leading to suicides and other social evils. Hence financial inclusion is the need of the time not only to shorten the gap between rich and the poor but also to reduce the social evils which are acting as hurdles for development.

2.2 Role of microfinance

Srinivasan and Sriram (2009) viewed microfinance as an effective tool in promoting financial inclusion and thereby eliminating poverty. A discussion has been done about the policy framework in micro Finance sector, exiting MFI models in India and how these models contribute to the growth. Shetty (2008) examined the role of micro finance in promoting financial inclusion and the impact of these programs on the economic and social welfare of the clients. A study was conducted in Karnataka to know the status of the household's pre and post micro finance. It is observed that about 89% of the clients are financially included post microfinance. Barman, et al. (2009) examined the effectiveness of micro finance as an alternate source of formal finance. A comparison has been done between the two microfinance models SHG – Bank linkage model and Grameena bank model. It is observed that microfinance has positively contributed towards financial inclusion. However, the level of indebtedness is higher in microfinance clients than SHG clients. Agarwal (2008)opinioned that because of high cost non – price barriers and behavioral aspects financial inclusion will not happen on its own it needs the support of the policy makers. Sinha (2009) mentioned that if government wants major proportion of low income people to gain access to financial services they should focus both on interest rate controls and create enabling regulations for MFI's. Micro Finance Development and Regulation Bill (2011) highlight the need for the promotion and orderly development of micro finance institution to speed up the process of financial inclusion.

3. Government Initiatives for promotion of Financial Inclusion

Government along with RBI has taken several initiatives since independence to promote financial inclusion. In the year 1955 State Bank of India is created. In the year 1969 and 1980 commercial banks are nationalized. In 1970 lead Bank scheme was introduced. In the year 1975 regional rural banks were started. But it became a very difficult task to reach the poorest, whose credit requirements were very small, frequent and unpredictable. Further, the emphasis was on providing credit rather than financial products and services including savings, insurance, etc. to the poor to meet their simple requirements (Ansari, 2007).

The problems in the beginning of 1990s were two fold i.e. institutional structure was neither profitable in rural lending nor serving the needs of the poorest. In 1992,National Bank for Agriculture and Rural Development (NABARD)launched its pilot phase of the Self Help Group (SHG) Bank Linkage programme. Self-Help Group Bank Linkage program was initiated followed by Kisan Credit Scheme in 2001 and introduction of No- Frill accounts in 2005.The main advantage to the banks of their links with the SHGs is the externalization of a part of the work items of the credit cycle, viz., assessment of credit needs, appraisal, disbursal, supervision and repayment, reduction in the formal paper work involved and a consequent reduction in the transaction costs (Rangarajan, 1996).

In the recent times Government has directed all the banks to provide banking facilities to 73000 villages having population more than 2000 by 2012 and to remaining villages by 2015.Government has set up two funds namely Financial Inclusion Technology Fund (FITF) and Financial Inclusion Fund (FIF) under the supervision of NABARD to encourage the use of technology and to support those institutions with financial assistance. RBI guidelines on branch licensing states, that at least 25% of the branches should be opened in five and six tier rural unbanked areas. As per the latest press reports, RBI is keen on issuing licenses to NBFCs and other business houses to increase the outreach. Banks have now realized that apart from opening No- Frill accounts efforts are needed for sustainable financial inclusion. To achieve this,a variety of technological channels are used like smart cards, Bio-metric ATMs, Mobile ATMs.All these initiatives require not only high initial investment but also recurring investments which increases cost to the customer.

4. Microfinance: A tool for financial inclusion

Microfinance is "the provision of financial services to the low income poor and very poor self-employed people" (Ledgerwood, 1999). Financial services include micro credit, savings insurance and remittance services (Ledgerwood, 1999).Despite several policy initiatives, poor are still considered un-bankable by the formal banking sector. Microfinance successfully caters the financial needs of the poor by providing microcredit without any collateral, and thus helping the poor in wealth creation. The attempt of Mohammad Yunus, the 2006 Nobel Laureate, of Grameena bank is a first step in this process and proved that poor people especially women are not only good in repayment but also pay higher interest rates. MFI's unique Joint liability approach motivates the borrowers for the prompt repayment, globally average repayment rates are as high as 96%. Microfinance initiation started in 1970 though it gained momentum in 1990's.

4.1Classification of Microfinance institutions

Microfinance institutions can be broadly classified as follows:

a) Self Help Group Bank Linkage Model , under the NABARD scheme
b) MFI- Grameena group model
c) Cooperatives, where MFI's operate themselves as cooperatives e.g. SEWA Bank
d) Non-banking finance Companies, such as SKS, Basix, SHARE microfin limited etc.

In this paper, we will specifically discuss about the Self Help Group (SHG) Bank Linkage Model of micro finance institutions and how it has brought about a magnificent change in the financial inclusion status of India.

5. Self Help Group (SHG) Bank Linkage Model

Self Help Groups (SHGs) are the small groups of people, economically homogeneous and affinity group of 15-20 rural poor which comes together to save small amounts regularly, mutually agree to contribute to a common fund, meet their emergency needs, have collective decision making, resolve conflicts through collective leadership and mutual discussion, provide collateral free loans on terms decided by the group at market driven rates. The objective of these groups is to provide timely credit to the financially excluded poor families and to protect them from money lenders. The idea is to combine the access to low-cost financial services with a process of self-management and development. They are usually formed and supported by NGOs or Government agencies.

The SHG-Bank linkage programme in which SHGs are linked to banks in a gradual way-initially through savings and later through loan products- is considered to be an effective strategy to ensure financial inclusion

(Rangappa, et al. 2010).RBI realized the potential of SHG in promoting financial inclusion in rural India and suggested commercial banks, regional rural banks and co-operative banks to consider lending to SHG's as a part of their rural banking programs. The Self-Help Group-Bank Linkage Programme (SBLP), which started as a pilot programme in 1992 has developed with rapid strides over the years. SHG-Bank Linkage Programme was started on the basis of recommendation of S K Kalia Committee.

5.1 Objective behind SHG Bank Linkage programme

The major objectives of this model are to bridge the gap between the banks and the poor by providing credit to the poor people in the rural areas with fewer costs and to combine the flexibility and convenience of the informal system with strengths of the formal banking system. The conceptual thinking behind the SHG philosophy and the Bank Linkage could be summarized as under:

i. Poor can save and are bankable and they not only need credit support but also savings and other services
ii. Small affinity groups of the poor, with initial outside support, can effectively manage and supervise micro credit among their members
iii. Collective wisdom of the group and peer pressure are valuable collateral substitutes
iv. SHG's as client, facilitate wider outreach, lower transaction cost and much lower risk costs

5.2 Models of SHG Bank Linkage

The strategy involved in this model is that of forming small, cohesive and participative groups of the poor, encouraging them to pool their savings regularly and using the pooled savings to make small interest bearing loans to members and, in the process, learning the nuances of financial discipline. Subsequently, bank credit also becomes available to the group to augment its resources for the purpose of lending to its members. The SHG-bank linkage program has proved to be the major supplementary credit delivery system with a wide acceptance by banks, NGOs and various government departments. There are three models of SHG-bank linkages that have evolved over time, especially in India.

5.2.1 Model 1: SHGs promoted and supported by banks

In this model banks play a key role in promoting and supporting the groups by providing bank loans. Banks themselves take up the work of forming and nurturing the groups, opening their savings accounts and providing them bank loans as in figure 1. Up to March 2006, 20% of the total numbers of SHGs financed were from this category. This showed an increase of 61.63 % in bank loan to SHGs over the position as on March 05, reflecting an increased role of banks in promoting and nurturing SHGs (Sadyojathappa, 2011). This paper will discuss only about this model of SHG Bank Linkage Model.

5.2.2. Model 2: SHGs promoted by NGOs but financed by banks

In this model NGOS promote SHGS and also support them with training and credit facilities that are in turn financed by banks as in figure 2. It continues to have the major share, with 74% of the total number of SHGs financed up to 31 March 2006 falling under this category. Here, NGOs and formal agencies in the field of microfinance act only as facilitators. They facilitate organizing, forming and nurturing of groups, and train them in thrift and credit management. Banks give loans directly to these SHGs (Sadyojathappa, 2011).

5.2.3. Model 3: SHGs promoted by NGOs and financed by NGO itself or any formal agency

In this model NGO's not only take the responsibility of promoting SHG's but in majority of the cases financing is also done by them. Banks take sole responsibility for promoting, developing, and financing SHGs as in figure 3. This programme requires considerable effort by the banking staff towards SHG formation. This model is not an encouraging one and only 8% of SHGs follow this model (Sadyojathappa, 2011).

5.3 Advantages of SHG Bank Linkage model

The success of SGH Bank linkage model can be attributed to the communal efforts of the poor, the managerial capabilities of the group intermediary and the financial strength of the banks. The advantages of this system (as depicted in figure 4) can be explained in the following sections:

5.3.1 Peer group monitoring

The group members will monitor timely repayment of loan by each other since the future sanction of loan depends upon the prompt repayments without any default by all the members

5.3.2 Peer Pressures

SHGs use social collateral in the form of peer pressure to ensure the repayment of loan. Usually loans are given to a group consisting of 5 to 8 individuals and if a borrower fails to repay the loan the entire group will be barred from taking any further loans. Pressure positively motivates the members of the group and therefore the repayment rates in this industry are as high as 95%.

5.3.3 Joint Liability

One of the key reasons for the success of this program is the concept of joint liability which holds all the members of the group equally responsible for the repayment of loan.

5.3.4 Homogeneous and affinity in groups

These Groups are formed by the people belonging to same caste, community religion etc. ensuring more solidarity among the members of the group.

5.3.5 Compulsory Saving Mobilization

SHGs encourage the saving habit which indirectly enhances the financial ability of the members and ensures prompt repayment. This is a very good substitute for the collateral insisted by the traditional bankers.

Among the different models of linkage, the most cost-effective transaction is the instance where banks use the SHGs as financial intermediaries (Puhazendhi, 1995). The study estimates that the average transaction cost of lending for the banks per account at 3.68 per cent of the loan amount, if the loan is given directly to the borrower. The inter-mediation of the SHGs helps the banks to reduce this transaction cost to an extent ranging between 21 and 41 per cent.

Mehrotra (1997), states that the Self-Help Groups have promptly repaid 80 per cent to 90 per cent of the finance given to small-scale units by the bank branches. He stresses that the self-help group is a good concept and every effort should be made to ensure its success. He also states that the self-help groups may eventually be the only viable units of source on account of low transaction cost, high percentage of recovery and mobilisation of rural savings through the informal system.

6. Current Status of SHG Bank Linkage Model

SHG Bank Linkage Model was promoted by NABARD to thrust aside the acuity of the bankers that people with no collateral, formal education and low income are un-bankable. SHG – Bank linkage Model is identified as effective tool for providing credit to micro borrowers.

As per NABARD report (2008) SHGS show a decent growth rate of 6.1% per annum. Around 80% of the SHGS clients are women and the poor.60% of these poor are below the poverty line. Average borrowing rate is increasing by 20.5% per annum and their savings are increasing by 14.2%. The groups also improved in terms of social empowerment by 92%. As on 31st March 2010, total savings of SHGs with banks is Rs 61987.1 millions. Out of which savings of exclusive women SHG is Rs 44986.6 million. Total loans disbursed to SHGS during 2009-10 Rs. 144533 million as against 122535.1 million in the previous year thereby registered a growth rate of 16.28%.

Table 3 indicates the client outreach in MFI and SHG-Bank linkage program. During the period 2006-2010 there is 7.18% growth in the clients in SHG- Bank Linkage program and 3.97% in MFI program. The estimated number of families covered upto 31 March 2010 is 970 million. There is a considerable growth as compared to the previous year. (Report of NABARD 2009-10).

On the other hand, the recovery percentage is also very high in case of SHGs. Table 4 indicates the recovery performance of all the SHGs bank wise. Among 25 public commercial banks which have reported the recovery data 8 banks have recovery more than 95%, 10 banks have recovery between 80- 94% and 6 banks have recovery between 50-79% and there are no banks with zero recovery. Nine private commercial banks have reported the recovery data of which six have recovery more than 95% 3 have recovery between 80-94% and there are no banks with recovery less than 70%. Similarly the recovery in RRB and cooperative banks is also good. However, recovery performance of bank loans disbursed to SHGs is higher in cooperative banks when compared to commercial banks and Regional Rural Banks.

Table 5 indicates the overall progress under microfinance during the last three years. During the Year 2008-09 there is 22.2% increase in the number of SHGs and the amount of savings increased by 46.5%.in the year 2009-10 there is 13.6% increase in the number of SHGs and 11.8% increase in the amount of savings. Loan disbursed under SHG model in the year 2009-10 increased by 89.4% and Loan outstanding increased by 33.4% in SHG model.

Table 6 indicates the bank loan provided to MFIs during 2008- 2010. During the year 2008-2009 both private and public commercial banks have disbursed loans to 522 MFIs amounting to 37189.3 million and in the year 2010 they have disbursed loans to 645 MFIs amounting to Rs 80386.1 million and the percentage of recovery is above 70% in both the cases. In the year 2008-2009 RRB have disbursed loans to 59 MFIs amounting to 134 million and in the year 2010 loans are disbursed to 153 MFIs amounting to 312 million and the recovery range is between 87-100%. In the year 2009 -2010 RRBs provided loans to 46 MFIs amount to 24.14% and in the year 2010 loans are provided to 103 MFIs amounting to 522.2 million and the recovery rate is 100%.

The tables above show the acceptance of the SHG-bank linkage model. The client outreach and also the recovery percentage both together supports the fact that SHG- bank linkage model should be supported and promoted to improve on financial inclusion in a country like India.

6.1 Self – Help Group and Financial Inclusion

We have witnessed in the past that the impact of Co-operative banks, Regional Rural Banks, Microfinance Institutions had been greater than the impact of commercial banks. MFI model is one of the significant strategies to promote financial inclusion in the country. As discussed, SHG Linkage program has established its efficacy in linking the financially excluded poor to the formal banking system. The impact of SHG –Bank linkage model on the rural poor has been phenomenal. On 26th February 2012 this program has completed 20 years of progress and uplifted the lives of more than 80millionrural poor all over India. Therefore Microfinance through its SHG

Linkage model is considered as a potential alternative for extending the financial services to the poor for various reasons like the ability of these institutions in providing credit and other financial services to the poor and the weaker sections, help them in overcoming financial shocks, support them in venturing into profitable entrepreneurial activities and encourage small savings. They also provide other financial services like Micro Insurance and transfer of funds. Since most of the Indian population is concentrated in rural India, sustainable rural development is the key to economic development. Poverty elimination programs initiated by Microfinance institutions are the first steps to inclusive and sustainable growth.

6.2 Success factor behind the SHG Bank Linkage Model

The success of SHG – Bank Linkage model in promoting financial inclusion can be attributed to the collective efforts of groups as well as the banks. SHGs which were successful in penetrating into the rural areas and cater the financial needs of the poor could not serve wider population for lack of finance and banks which are financially sound could not cater the needs of the rural poor as there was a clear bridge between the banks and the poor as the former sector insisted on cumbersome procedures and collateral which was not welcomed by the latter. SHG - Bank Linkage model combines the strengths of both the segments to overcome the weaknesses and became successful.

In the figure 5, it is explained that to achieve success the groups should nurture and form homogenous groups to promote financial discipline and affinity among the members. Banks should also insist on grading the SHGs based on parameters like group dynamics, regularity in savings, internal lending, level of participation etc. and lend only after stabilizing savings. Banks have realized that with simple, low risk and cost effective operations it is viable to cater the needs of the poor and achieve the goal of financial inclusion.

7. Policy Recommendations and Conclusion

The major issue with the SHG bank Linkage model is that there are regional imbalances in its growth process. The quality of SHGs is very subjective, which differs extensively. The following are the recommendations for the growth and development of SHGs

a) Promotion of SHGS in tribal and poor regions
b) Stakeholders like NGOs, Government, Banks, etc should take initiative in building capacity
c) Banks can promote, nurture and train SHGS
d) SHG members should be encouraged towards entrepreneurial activities
e) Should focus on sustainability
f) Raw materials should be provided at reasonable cost
g) Provide assistance in marketing the product

Rural development can be viewed as an ultimate objective to fight against social evils like poverty and unemployment. Poor people are deprived of financial services from both formal and semi formal sources of credit. As a result, dependence on money lenders and other informal sources of finance is increasing. The immense growth of banking sector in the past two decades has not solved the problems of financial exclusion especially in rural areas. SHG model of microfinance has been identified as an alternative program to provide financial services to the poor. SHGs surely have the potential to make financial inclusion reality in rural India.

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Table 1: Banking sector in India

Sl. No	Particulars	March 2010	March 2011
1	Total No. of Branches	69995	75160
2	Total No. of rural branches	21554	22683
3	Total No. of urban Branches	48441	52477
4	Total New Branches		5165
5	New rural branches		1129
6	New urban Branches		4036

Source: RBI- Financial Inclusion State of Sector Report 2011

Table 2: SHG status in India

SHG growth rate in India	6.1% per annum
Growth of average borrowing rate	20.5% per annum

Source: NABARD report (2008)

Table 3: Client outreach (in millions)

Segment	**2006-07**	**2007-08**	**2009-10**	**Growth in outreach**
Banking System (SHGS)	38.02	45.20	---	7.18
MFIs	10.04	14.01	----	3.97
Total	48.06	59.21	97	48.94

Source: Micro Finance – State of Sector Report 2008 and NABARD report 2010

Table 4: Recovery performance Bank wise (all SHGs)

Banks	No. of bank reported recovery data	Number of banks based on %distribution of recovery performance of bank loans to SHGs as on 31st March 2010			
		<=95%	80-94	50-79	<50%
Commercial Banks (public)	24	8	10	6	0
Commercial Banks (private)	9	6	3	0	0
Regional Rural Bank	70	17	28	21	4
Co-operative Banks	199	72	59	43	25
Total	302	103	100	70	29
% of Banks		34.1	33.1	23.2	9.6

Source: Micro Finance – State of Sector Report 2008 and NABARD report 2010

Table 5: Overall progress under microfinance for the last three years (In Rs. million)

Details	*2007-08*		*(%) Growth rate 2008-10*		*(%) Growth rate 2009-10*	
SHG Bank Linkage Model	***No of SHGs***	***Amount***	***No of SHGs***	***Amount***	***No of SHGs***	***Amount***
Savings Linked to SHGs	5009794	37853.9	22.2	465	13.6	118
Loan disbursed	1227770	88492.6	31.1	385	-1.4	179
Loan outstanding	3625941	169999	16.5	334	14.8	236

Source: Micro Finance – State of Sector Report 2008 and NABARD report 2010

Table 6: Bank Loan provided to MFIs (In Rs. Million)

Banks	Year	Amount of loan disbursed to NGOs/ MFIs		Loan outstanding against NGOs/ MFIs as on 31st March 2010		% recovery of loans range
		No. of MFIs	Amount	No. of MFIs	Amount	
Commercial Banks (public, private and foreign)	2008-2009	522	37189.3	1762	49778.9	70-100
	2009-2010	645	80386.1	1407	100953.2	80-100
Regional Rural Bank	2008-2009	59	134	153	312	87-100
	2009-2010	46	241.4	103	522.2	100
Co-operative Banks	2008-2009	0	0	0	0	NA
	2009-2010	0	0	3	0.07	90
Total	2008-2009	581	37323.3	1915	50090.9	
	2009-2010	691	80627.4	1513	101475.4	

Source: Micro Finance – State of Sector Report 2008 and NABARD Report 2010

Figure1: Model 1

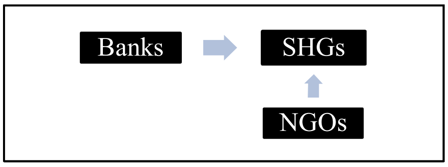


Figure 2: Model 2

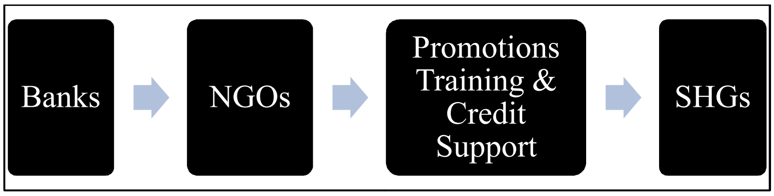


Figure 3: Model 3

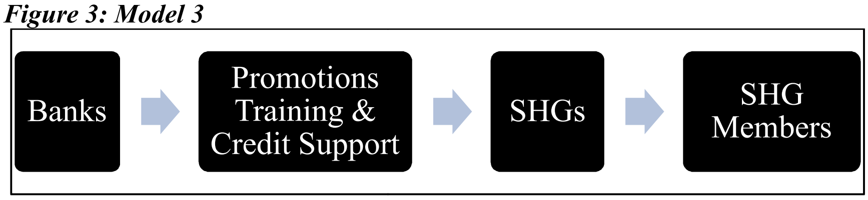


Figure 4: Advantages of SHG Bank Linkage Model

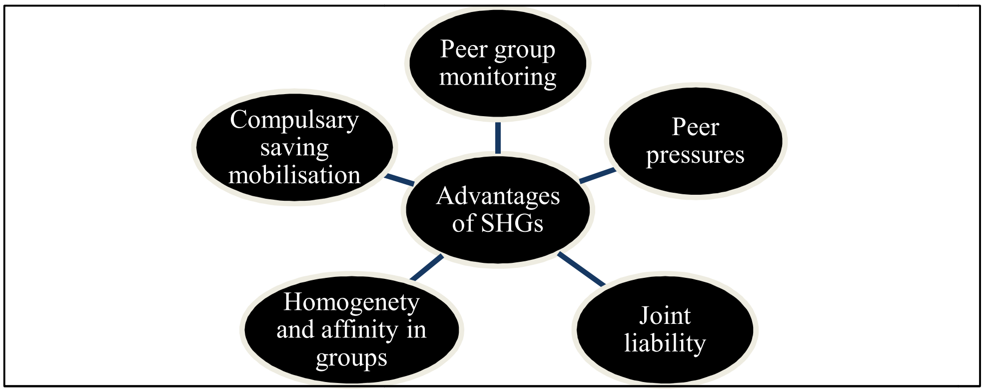
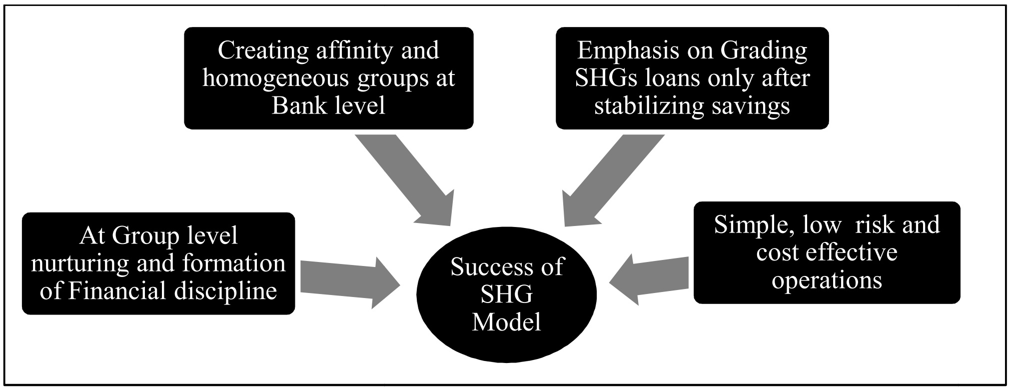


Figure 5: Success factor of SHGs



Source: Model created by the authors