Journal of Rural Development, Vol. 35 No. (3) pp. 341- 375
NIRD&PR, Hyderabad.

MICROFINANCE THROUGH SELF-HELP GROUPS AND FINANCIAL INCLUSION

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ABSTRACT

Microfinance through Self-Help Groups (SHGs) has established itself as a reliable strategy for ensuring the outreach of a variety of benefits for the poor in the country, with a focus on poor women. Different models of savings mobilisation and credit delivery tried out in various regions are presented in this paper. The present classification is in terms of SHG-Bank Linkage Programme (SBLP) model and Micro Finance Institutions (MFIs) - Bank Linkage (MFIBL) model. The paper presents a review of SBLP for the period 2008-16, MFIBL during 2013-16, and brings out the view that microfinance through SHGs is an important strategy for financial inclusion, for which special initiatives have been taken by Government of India and the Reserve Bank of India. The objective of financial inclusion is to provide a holistic set of financial services through multiple delivery channels to the unbanked population to enable them to lead a better quality of life. The study, based on an analysis of published State-wise data on the microfinance programme, and examination of recent literature accessible from various sources, focuses on the linkage between microfinance through self- help groups and financial inclusion.

One important aspect emphasised in the second part of the paper is the role of microfinance beyond savings and credit through a number of products and services. Emphasis is being laid on the convergence of SBLP and NRLM with other related programmes to accelerate the penetration of financial inclusion. The SBLP and MFIBL models should be pursued with greater vigour to play a proactive role for the greater outreach of microfinance with penetration in underserved areas without compromising on the quality of lending.

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Introduction

One notable development in the credit delivery mechanism (or institutions) over the past two decades is the rise of the microfinance model for credit delivery for those at the 'bottom of the pyramid'. 'Microfinance' refers to the entire range of financial and non-financial services including skill upgradation and entrepreneurship development, rendered to the poor for enabling them to overcome poverty. Micro credit has a limited connotation, and refers to credit provided to the poor for self-employment, and other financial and business development services through a collateral substitute such as group approach. The micro finance (MF) movement started in the country with the introduction of the Self-Help Group (SHG)-Bank Linkage Programme (SBLP) from 1992. The SHGs were expected to facilitate collective decision making by the poor, and provide 'doorstep' banks; the banks as wholesalers of credit were to provide the resources while NGOs (non-governmental organisations) were to act as agencies to organise the poor, build their capabilities, and facilitate the process of empowering them. The programme has gained momentum particularly from the year 2000, and has come a long way in catering to the needs of the poorer sections in rural areas, and in a limited way in urban areas. Poor women constitute the focus of SBLP. The programme has proved its efficacy as a mainstream programme for banking with the poor. The activity which started as an outreach programme has not only aimed at promoting thrift and credit, but also contributed immensely towards the empowerment of rural women in particular. Empowerment of women has, thus, become a key rationale for SHG expansion and replication.

In the SBLP model popularised by NABARD, subsidy element is generally not found. Thrift and credit components constitute the base, and revolving fund assistance is given to SHGs in a few cases. Importance is given to savings of the members, and loan is obtained from banks in the ratio of 1:4 or higher multiples of savings. SHG approach followed in the context of SGSY (Swarnjayanti Gram Swarozgar Yojana) implemented by the Rural Development Department has the subsidy component. From 2006-07, NABARD in its publications, has been presenting data on total bank loans to SHGs agency-wise, and State -wise, including advances under SGSY. In addition, data for SHGs under SGSY, and for women are shown separately; apart from loan disbursement to SHGs during the year, and total loan outstanding at the end of the year. Cumulative picture of savings of SHGs with banks is presented agency-wise and State-wise. Operations of MFIs' (micro finance institutions) - Bank Linkage (MFIBL), and support from apex micro finance facilitating organisations are also covered in detail. From 2011, National Rural Livelihood Mission (NRLM) has replaced SGSY. Hence SGSY categorisation from 2011 includes NRLM beneficiary groups apart from SGSY, and other government programmes. From 2014, operations of groups covered under National Urban Livelihood Mission (NULM) through bank linkage are also shown separately.

The micro finance sector has traversed a long journey from micro savings to micro credit, and then to micro enterprises, and has now entered the field of micro insurance, micro remittance, micro pension, and financial inclusion.This gradual and evolutionary growth process has given a great opportunity to the rural poor in the country to attain reasonable economic, social and cultural empowerment, leading to better living standards and quality of life for the participating households.

Financial Inclusion - Concept and Scope

Financial Inclusion is 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" (C. Rangarajan Committee on Financial Inclusion, 2008). The objective of Comprehensive Financial Inclusion would be to provide a holistic set of services through multiple delivery channels. Financial Inclusion has emerged as a key global priority.The World Bank has made universal financial access by 2020 as one of its goals, and reports that more than 50 countries are actively developing financial inclusion plans and policies. Governments and businesses can be more efficient, and unbanked population will find a better quality of life if financial products are extended to them.

Significant progress has been achieved in account opening after launching Prime Minister's Jan Dhan Yojana (PMJDY) (a national financial inclusion programme), and associated insurance schemes from August 2014. Lot more serious efforts need to be made in the direction of availing of other financial services from the formal sector. Access to technology-enabled banking instruments, and usage of technology products will accelerate the process.The JAM Trinity (Jan Dhan Yojana, Aadhaar, and Mobile numbers) are being linked for transfer of payments to individual beneficiaries. The rapid pace at which bank accounts have been opened reveals that this is clearly a demand-driven approach. By the end of January 2015, 12.31 crore no-frills bank accounts were opened in a period of five months, of which 60 per cent were in rural areas, and 40 per cent were in urban areas. 67.5 per cent of these savings accounts were with zero balance.The number of new accounts opened increased to 21.7 crore by end- April 2016. Basic savings bank deposit accounts (BSBDAs) reached the figure of 39.8 crore at the end of March 2015, and 44.1 crore by the end of September 2015. Total number of banking outlets in the country went up from 553,713 at end-March 2015 to 567,530 at end-September 2015. 91.2 per cent of them were in branchless modes, and only 8.8 per cent were branches of banks. State Level Bankers Committee Convenor Banks have been advised by RBI to identify villages with above 5,000 population not having a scheduled commercial bank branch, and

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pursue the task of opening bank branches in these locations by the end of March 2017. (Source: Economic Survey 2015-16, Ministry of Finance, GoI)

Recent developments include (i) pushing direct benefit transfer (DBT) into the accounts of the beneficiaries such as MGNREGS, and Government to Customer (G2C) payment in subsidy given for cooking gas, and similar efforts in relation to other Centrally sponsored schemes. These will make customers utilise bank accounts more frequently. Financial inclusion has become individual centric as compared to sector- based approach adopted earlier. Apart from regular forms of financial intermediation, financial inclusion may include a basic no-frills bank account, savings products to suit cash flows of poor households, money transfer facilities, small loans and insurance (life and non-life). Information Technology (IT) has made it possible to enable payments with ease, and to reduce transaction costs.

In the revised guidelines on Priority Sector Advances issued by RBI in April 2015, a few provisions make particular reference to financial inclusion.

(i) Within the agriculture target of advances of 18 per cent of adjusted net bank credit (ANBC), a separate target of 8 per cent for small and marginal farmers.

(ii) As part of small and medium enterprise sector advances, 7.5 per cent for micro enterprises, have been prescribed to be achieved in a phased manner by 2017. These targets will be made applicable to foreign banks with 20 branches and above, post-2018, after a review in 2017.

(iii) Priority sector widened to include medium enterprises, social infrastructure, and renewable energy.

(iv) Educational loans (including loans for vocational courses) up to ₹ one million irrespective of the sanctioned amount become eligible for the priority sector.

Methodology

Objectives of the Study: This study based on secondary sources of literature and published data, focuses on the linkage between microfinance through Self-Help Groups and financial inclusion. The specific objectives of the study are as follows:

(i) To highlight the linkage between microfinance through self-help groups, and financial inclusion;

(ii) To examine the performance of microfinance through self-help groups, and pinpoint concerns and approaches to improve the quality of implementation of the programme; and

(iii) To identify and illustrate the role of microfinance through SHGs beyond savings and credit, by developing tie-up arrangements with the relevant specialised institutions in the country.

Sources of Data: The researchers relied heavily on recent literature on the subject such as publications, journal articles, and data on microfinance published by NABARD in its annual publication, 'Status of Microfinance in India 2015-16' and earlier issues. State-wise data analysed are for the periods 2008-16 for SHG - Bank Linkage Programme, and 2013-16 for Micro Finance Institutions - Bank Linkage Programme. Recent publications and journal articles referred to are listed at the end of the paper under references. A few of them are: (a) 'Inclusive Finance India Reports 2014 and 2015', 'Microfinance India - State of the Sector Report 2013', and N. Mani's publication (2015), 'Financial Inclusion in India-Policies and Programmes'. The websites referred to are (a) www.nabard.org for NABARD, Mumbai, and (b) www.accessdev.org for Access Development Services, New Delhi. The researchers presented their observations and experiences on various aspects covered in the study, particularly on perspectives of the programmes, and role of microfinance beyond savings and credit, through various field studies undertaken in the Southern States in particular.

Literature Review: The specialised publications on microfinance and financial inclusion released annually are briefly referred to here.

(i) Status of Microfinance in India 2015-16 released by the Micro Credit Innovations Department of NABARD (2016) - this is referred to as MF - Status 2016;

(ii) Microfinance India - State of the Sector Report 2013, authored by Tara S. Nair and Ajay Tankha (2014), referred to as MF - SoS Report 2013;

(iii) Inclusive Finance India Report 2014, authored by Tara S. Nair and Ajay Tankha (2015), referred to as IFI Report 2014;

(iv) Inclusive Finance India Report 2015, authored by M.S. Sriram (2016), referred to as IFI Report 2015.

From 2006 to 2013, Access Development Services, New Delhi brought out the MF-SoS Reports annually covering a wide range of issues in microfinance. During 2014 and 2015, inclusive finance was adopted as the overall theme, and microfinance has been covered as one of the sub-themes contributing to inclusive finance. These volumes have attempted to survey the financial services sector in India through the lens of inclusion. This marks a shift in focus as compared to its eight predecessor volumes from 2006 that strictly limited their scope to analysing the growth trends, policy changes, and institutional architecture in the microfinance sector. The recent reports bring together the varying perspectives, policy prescriptions, and practices around financial inclusion as implemented through various institutions in the country in recent years beginning from 2005, along with a critical appraisal of the emerging financial inclusion architecture in India. The 2014 volume presented the theme under the following heads: (i) Inclusive finance - definitions, perspectives, and extent; (ii) Financial inclusion in India - plans, innovation and challenges; (iii) Agents of financial inclusion - business correspondents and technology-led banking models; (iv) Building an inclusive finance sector in India - status and contribution of microfinance; and (v) Inclusive financing - policy direction and future prospects; and (vi) Looking ahead.

The 2015 volume examined the review, policy changes and perspectives, category of institution-wise under the following heads: (i) Introduction; (ii) A review of the banking system; (iii) Regional rural banks and local area banks; (iv) A review of Pradhan Mantri Jan Dhan Yojana (PMJDY); (v) Technology and the last mile architecture; (vi) Urban cooperative banks; (vii) India Post and the inclusion agenda; (viii) Review of self-help group (SHG)-bank linkage programme; (ix) Review of microfinance - covering microfinance institutions (x) New institutional initiatives; and (xi) Interview with the RBI Governor covering a number of topics concerning financial inclusion. The PMJDY in its first and second phases is the largest effort in financial inclusion globally seeking to bring universal access to finance in a country where 21 per cent of the world's and two-thirds of South Asia's unbanked population reside. With the Government of India and Reserve Bank of India taking several bold initiatives for financial inclusion in the country, these developments have been critically examined in the report.

Mani, N. (2015) in his publication, 'Financial Inclusion in India - Policies and Programmes', covers a wide range of initiatives taken by Government of India, Reserve Bank of India, and other institutions, institution-group-wise, and presents the historical background with a focus on financial inclusion. Microfinance and SHGs, mutual funds, pension funds, Pradhan Mantri Jan Dhan Yojana, and role of technology in financial inclusion are covered in considerable depth, apart from the brick-and-mortar banking architecture in the country. Exclusion of large segments of the society from financial services adversely affects the overall economic growth of the country. Apart from rural areas, there is a significant degree of financial exclusion in urban areas as well among the weaker sections and informal sector workers. The cost of financial exclusion is recognised to be enormous for the society as well as for individuals, particularly in terms of inability to realise the full potential of people due to financial constraints. The challenge is to introduce innovations in risk assessment, reduce transaction costs, devise new credit delivery channels, and use information technology to make financial inclusion a viable model. Looking to the immense potential lying ahead, rapid progress of financial inclusion efforts is envisaged through the concerted efforts of all stakeholders.

Raja Reddy, K. et al. (2015) in their article, 'Quality and Sustainability of Self-Help Groups in Bihar and Odisha - a Comparative Analysis', examined the performance of SHG-Bank Linkage Programme in Bihar and Odisha through field studies spread over eight districts, four from each State. The number of SHGs savings linked with banks is almost double in Odisha when compared to Bihar. The government and NGOs are the major SHPIs (self-help promotional institutions) in both the States. With regard to access to bank linkage and impact, the SHGs in Odisha seem to have fared better as compared to Bihar SHGs. The most urgent need is to focus on consolidating the efforts to improve the quality of the SHGs, and strengthening the SHG federation system in line with the NRLM (National Rural Livelihood Mission) implementation strategy.

The impact of SHGs is visible at various levels such as "groups, institutional, village, household, and individual assets creation. The majority of SHGs reported significant increase in credit sources, group corpus, co-operation among the members, etc. The impact is substantially higher in Odisha as the SHGs there are much older, and the SHG movement has achieved significant progress in the State. The linkages between SHGs and the institutions at the village level have increased moderately.

Progress of SHG-Bank Linkage Programme and Delivery Models

At present there are two main models of microfinance delivery in the country; the SHG-Bank Linkage Programme (SBLP) model and the Micro Finance Institution (MFI) - Bank Linkage (MFIBL) model.

The SBLP model has emerged as the dominant model in terms of number of borrowers, savings mobilised, loans disbursed, and loans outstanding. Under the facilitator role, the Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD), and Small Industries Development Bank of India (SIDBI) have played a leading role in strengthening the SBLP and MFIBL, and the related support infrastructure.

Table 1: Operations of SHG-Bank Linkage Programme (SBLP) - All India and Southern Region (2008-16)(Year End-March)

S. No.	Particulars	2009	2014	2015
1	2	3	4	5
1(a-1)	No. of SHGs with outstanding bank loans (million)	4.22	4.47	4.67
		(16.5)	(6.4)	(4.6)
1(a-2)	of which in the southern region (million)	2.28	2.39	2.54
		(22.7)	(7.7)	(6.3)
1(a-3)	Share of the southern region (per cent)	54.1	53.5	54.4
1(a-4)	Incremental groups in loan outstanding (o/s) (million)	0.59	0.27	0.20
1(b-1)	Amount of loan outstanding with banks	226.80	515.46	571.19
	(including repeat loans) (₹ billion)	(33.4)	(20.1)	(10.8)
1(b-2)	of which in the Southern region (₹ billion)	149.12	386.40	431.07
		(44.3)	(21.5)	(11.6)
1(b-3)	Share of the Southern region (per cent)	65.7	75.0	75.5
1(b-4)	Incremental loan outstanding (₹ billion)	56.81	86.18	56.73
2(a-1)	No. of SHGs disbursed loan by banks	1.61	1.63	1.83
	during the year (million)	(30.9)	(19.0)	(12.7)
2(a-2)	of which in the Southern region (million)	1.07	1.01	1.16
		(37.2)	(16.1)	(14.9)
2(a-3)	Share of the Southern region (per cent)	66.4	61.8	63.4
2(b-1)	Amount of loan disbursed by banks during	122.54	275.82	372.87
	the year (including repeat loans) (₹ billion)	(38.5)	(14.8)	(35.2)
2(b-2)	of which in the Southern region (₹ billion)	91.02	14.20	300.12
		(38.9)	(3.9)	(4.0)
2(b-3)	Share of the Southern region (per cent)	74.3	77.6	80.5
2(b-4)	Incremental loan disbursed (₹ billion)	34.05	35.65	97.05
3(a-1)	No. of SHGs with savings in banks (₹ million)	6.12	7.70	7.90
		(22.2)	(3.6)	(2.7)
3(a-2)	of which in the Southern region (₹ million)	2.83	3.72	3.55
		(17.4)	(0.5)	(- 4.6)

(Contd...)

Table 1 *(Contd...)*

S. No.	Particulars	2009	2014	2015
1	2	3	4	5
3(a-3)	Share of the Southern region (per cent)	46.2	48.1	44.9
3(b-1)	Amount of savings of SHGs with banks (₹ billion)	55.46	110.60	136.91
		(46.5)	(11.8)	(23.8)
3(b-2)	of which in the Southern region (₹ billion)	25.69	66.21	86.69
		(22.4)	(6.1)	(30.9)
3(b-3)	Share of the Southern region (per cent)	46.3	59.8	63.3
3(b-4)	Incremental savings (₹ billion)	17.61	11.63	26.31
4(a)	Average savings per SHG (₹)	9,060	14,364	17,324
4(b)	Average loan disbursed per SHG (₹)	76,128	1,69,608	2,03,495
4(c)	Average loan outstanding per SHG (₹)	53,689	1,15,366	1,22,242
4(d)	Average loan disbursed per SHG excluding Andhra Pradesh and Telangana (₹)	69,321	1,50,772	1,64,194

Notes: 1) Figures in parentheses indicate percentage variation over the previous year.
2) (a) one billion equals to 1000 million or 100 crore (b) one million equals 10 lakh.

Sources: NABARD, Micro Credit Innovations Department (2015), Status of Microfinance in India 2014-15, and earlier issues from 2008-09, Mumbai. This is referred to as MF-Status 2015.

Table 2: Operations of SBLP in the Southern Region-State-wise (2008-16)
(Percentage share in relation to All-India)
(Year End-March)

S. No.	State / Region	No. of SHGs (per cent)			Amount (per cent)		
		2009	2015	2016	2009	2015	2016
1	2	3	4	5	6	7	8
1	Savings of SHGs placed with banks at the end of the year						
	a) Southern region	46.2	48.1	44.9	46.3	59.8	63.3
	b) Andhra Pradesh	20.9	11.5	11.4	21.5	23.8	30.3
	c) Telangana		6.6	6.9		8.9	10.9
	d) Tamil Nadu	11.9	12.8	10.8	10.4	9.4	6.7

(Contd...)

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Table 2 *(Contd...)*

S. No.	State / Region	No. of SHGs (per cent)			Amount (per cent)		
		2009	2014	2015	2009	2014	2015
1	2	3	4	5	6	7	8
	e) Karnataka	7.5	9.5	12.2	10.2	11.8	10.5
	f) Kerala	5.9	7.6	3.5	4.2	5.8	4.6
2. Loan disbursed by banks (including repeat loans) during the year							
	a) Southern region	66.4	61.8	63.3	74.3	77.6	80.5
	b) Andhra Pradesh	39.6	17.0	22.0	45.0	20.4	30.9
	c) Telangana		16.1	12.1		19.9	16.0
	d) Tamil Nadu	14.7	10.0	9.3	16.8	14.6	13.0
	e) Karnataka	8.3	13.8	15.3	8.3	17.4	16.8
	f) Kerala	3.8	4.7	4.3	4.2	5.2	3.8
3. Loan outstanding with banks (including repeat loans) at the end of the year							
	a) Southern region	54.0	53.5	54.4	65.7	75.0	75.5
	b) Andhra Pradesh	28.9	18.1	17.2	39.3	30.8	30.1
	c) Telangana		10.5	10.5		16.1	17.3
	d) Tamil Nadu	13.6	9.6	9.3	15.2	12.1	11.1
	e) Karnataka	7.8	11.9	13.5	7.1	11.5	13.1
	f) Kerala	4.2	3.1	3.8	4.2	4.3	3.7

Note: Data presented up to 2014 for Andhra Pradesh is for united Andhra Pradesh. From 2015, the data presented is for Andhra Pradesh and Telangana, separately.

Source: Ibid.

SHG-Bank Linkage Programme (SBLP) has turned into a solid structure with nearly 7.90 million savings-linked Self-Help Groups (SHGs) covering over 101 million poor households as on 31 March 2016. Total savings of these SHGs deposited in the banks amounted to ₹136.91 billion. The number of credit-linked SHGs under the programme stood at 4.67 million with outstanding bank loans at ₹ 571.19 billion. Loan disbursement during 2015-16 for 1.83 million SHGs was ₹ 372.87 billion (Table 1). Under MFIs-Bank Linkage, progress is as follows (Table 4): Loan disbursed by banks to MFIs during 2015-16 is ₹ 207.96 billion, loan outstanding against 2020 MFIs at end-March 2016 is ₹ 255.81 billion. Loan outstanding as per cent of fresh loans during 2015-16 in terms of amount is 123.0. Fresh loans advanced and outstanding amount have been steadily increasing. Out of the total SHGs savings-linked with banks in SBLP, women SHGs number 6.76 million (85.6 per cent) with savings accumulated as ₹ 120.36 billion (87.9 per cent). Out of total loan outstanding with banks for SHGs, women SHGs number 4.04 million (86.4 per cent) with loan amount outstanding as ₹ 514.29 billion (90.0 per cent). The lion's share of SHG-Bank Linkage Programme is of exclusive women SHGs, consisting of poor rural households. Among a number of agencies acting as self-help promotional institutions (SHPIs), non-government organisations (NGOs) are the most dominant ones. In respect of SHGs formed under NRLM/SGSY, at end-March 2016, as against 34.6 lakh SHGs with savings in banks, 21.9 lakh are having loan outstanding. The amount outstanding is ₹266 billion. Loans disbursed during 2015-16 for 8.2 lakh SHGs is ₹ 168 billion. In respect of SHGs formed under NULM/SJSRY, at end-March 2016, as against 4.50 lakh SHGs with savings in banks, 3.10 lakh are having loan outstanding. The amount outstanding is ₹ 39.80 billion. Loans disbursed during 2015-16 for 1.10 lakh SHGs is ₹ 26.20 billion. Table 1 presents an overview of the implementation of the programme, along with the picture for the southern region. Table 2 covers particulars for five individual southern States, and Table 3 gives details of women, SGSY, and SJSRY SHGs. SGSY category includes NRLM (National Rural Livelihood Mission), and other government sponsored programmes. SJSRY category includes NULM (National Urban Livelihood Mission), and related government programmes. Table 6 gives details of loan outstanding with banks in respect of the top thirteen States. The 13 leading States in SBLP (Table 6) account for 93.1 per cent of SHGs with outstanding loan, and 96.7 per cent of share in loan amount outstanding.

Table 3: Overall Progress Under SBLP During 2014-16 – Total Women, and SGSY / NRLM

Particulars	2014-15		2015-16	
	No. of SHGs (million)	Amount (₹billion)	No. of SHGs (million)	Amount (₹billion)
1	2	3	4	5
SHG Savings with banks at end-March				
Total SHGs No.s	7.70 (3.6)	110.60 (11.7)	7.90 (2.7)	136.91 (23.8)
All women SHGs	6.65 (6.4)	92.64 (15.6)	6.76 (1.7)	120.36 (29.9)
Percentage of women groups	86.4	83.8	85.6	87.9
of which NRLM/SGSY	3.05 (34.9)	44.24 (78.6)	3.46 (13.3)	62.45 (41.2)
Per cent of NRLM/SGSY groups to total	39.7	40.0	43.7	45.6
of which NULM/SJSRY	0.43	10.72	0.45 (3.0)	10.06 (6.1)
Per cent of NULM/SJSRYgroups to total	5.6	9.7	5.6	7.4

(Contd...)

Table 3 ***(Contd...)***

Particulars	2014-15		2015-16	
	No. of SHGs (million)	Amount (₹billion)	No. of SHGs (million)	Amount (₹billion)
1	2	3	4	5
Loans disbursed to SHGs during the year				
Total SHGs No.s	1.63 (19.0)	275.82 (14.8)	1.83(12.7)	372.87(35.2)
All women SHGs	1.45 (25.7)	244.20 (16.1)	1.63(12.5)	344.11(40.9)
Percentage of women groups	89.1	83.5	88.9	92.3
of which NRLM/SGSY	0.64(28.5)	94.88(27.3)	0.82(26.9)	167.86(76.9)
Per cent of NRLM/SGSY groups to total	39.5	34.4	44.5	45.0
of which NULM/SJSRY	0.11	18.72	0.11(5.7)	26.20(40.0)
Per cent of NULM/SJSRYgroups to total	6.5	6.8	6.1	7.0
Loans outstanding against SHGs at end-March				
Total SHGs No.s	4.47 (6.5)	515.46 (20.1)	4.67 (4.6)	571.19 (10.8)
All women SHGs	3.86 (13.3)	459.02 (27.0)	4.04 (4.6)	514.29 (12.0)
Percentage of women groups	86.4	89.1	86.4	90.0
of which NRLM/SGSY	1.85 (41.2)	197.53 (94.1)	2.19 (18.7)	266.10 (34.7)
Per cent of NRLM/SGSY groups to total	41.3	38.3	46.9	46.6
of which NULM/SJSRY	0.32	34.62	0.31 (- 1.6)	39.80 (14.9)
Per cent of NULM/SJSRYgroups to total	7.1	6.7	7.0	7.0

Notes: 1. Figures in parentheses indicate percentage variation over the previous year

2. NRLM: (National Rural Livelihood Mission) and other schemes.

Source: Ibid.

The Share of the Southern Region and Priority States in Relation to All India in SBLP

The share of the southern region in SBLP operations in terms of number of SHGs assisted has declined slightly over the years. The picture for 2008-16 for the southern region and for individual States in the region in respect of savings (cumulative), loan disbursement during the year (including repeat loans), and loan outstanding (including repeat loans) (cumulative) in terms of number of SHGs supported and amount as percentage in relation to all India is shown in Table 2. Decline is in the share of number of SHGs in each category. In terms of amount, the share of the southern region has been increasing as noticed from the Table. With Andhra Pradesh bifurcated into Andhra Pradesh and Telangana on 2nd June 2014, figures for these two States are presented separately for 2014-15 and 2015-16. In terms of gradation, among the five States of the southern region in terms of loan outstanding, out of 75.5 per cent share of the southern region, Andhra Pradesh accounts for 30.1 per cent, Telangana 17.3 per cent, Tamil Nadu 11.1 per cent, Karnataka 13.1 per cent, and Kerala 3.7 per cent. In terms of amount disbursed during the year, of 80.5 per cent for the region, the gradation and share in relation to All India total is: Andhra Pradesh (30.9 per cent), Telangana (16.0 per cent), Karnataka (16.8 per cent), Tamil Nadu (13.0 per cent), and Kerala (3.8 per cent). On a number of aspects, 2011-12 showed decline over 2008-09, and increased in 2012-13 over 2011-12 at regional and State level. Each of the States has certain distinctive features and best management practices in SBLP operations which need to be studied in depth.

The ten priority States have been progressing fast in recent years (Table 5). Between 2010 and 2016, growth in terms of various indicators for priority States has been higher than all India, and share in relation to all India has remained about the same. Compound annual growth rate (CAGR) of loan outstanding during this period has recorded significant progress, particularly in the States of Bihar, Jharkhand, Madhya Pradesh, Rajasthan, Uttar Pradesh, and West Bengal. The States where progress has been moderate are Assam, Chhattisgarh, Maharashtra, and Odisha.

SHG 2 - Revisiting SHG-Bank Linkage Programme

The SHG Bank linkage guidelines issued two decades back by NABARD were revisited and revised guidelines were issued during 2011-12 after holding numerous rounds of discussions with various stakeholders. The key changes in the guidelines include allowing voluntary savings for SHG members either by opening individual bank accounts/reviving existing "no frill accounts" or by depositing the voluntary savings within the SHG corpus without any additional entitlements. The approach is intended to facilitate SHG members to steadily graduate from community banking to individual banking. The second key feature of SHG 2 is about extending initial loans to SHGs as a flexible cash credit facility instead of term loan. The guidelines also suggested creation of enterprise/livelihood-based groups (JLGs) within the SHGs as a separate entity without disturbing the functioning of SHGs which can cater to higher loan requirements of a few enterprising members. It further envisages risk mitigation mechanisms like audits, rating and also leveraging active members of SHGs to serve as Business Facilitators for helping the bank monitor the functioning of SHGs.

While continuing with its goal of spreading its outreach, especially in the most resource poor regions, SHG-BLP needs to reinvent itself to help more and more of its members to use the programme as a platform to expand their economic activities and improve their income levels. This calls for identification of appropriate livelihood opportunities, improvement of their skills, mentoring, market development, and many such development initiatives.

NABARD continues with its role as the main facilitator and mentor of microfinance initiatives in the country, particularly the SHG-BLP initiative. It continues to provide incentives/ grant assistance for formation, nurturing and credit linking of SHGs with banks, capacity building of various stakeholders through training, exposure visits, seminars, workshops, etc.

Micro Finance Models

Various traditional and innovative approaches have been adopted by micro financial institutions (MFIs) for increasing the credit flow to the unorganised sector. They can be grouped into six categories:

- Self-Help Group (SHG) model
- Federated Self-Help Group model
- Grameen Bank (GB) model (Joint liability group model)
- Co-operative / Mutually Aided Co-operative model
- Non-banking Finance Company (NBFC) model: not-for-profit, and for-profit patterns
- Banks using other agencies for disbursement of microfinance - partnership model, business correspondent / business facilitator model.

Unlike the Bangladeshi predominant model of joint liability groups, the SHG-Bank linkage programme has become the most dominant model in India in terms of number of borrowers and loans outstanding.The other preferred model is NBFC-MFI. It is a profit-driven route which is guided by the view that as the poor are bankable, and lending to them can be commercially viable, it is not necessary to depend on low-cost funds to lend to them. Out of the above six patterns, NBFC model is an important one. NGOs can either play a facilitating role for the promotion of various community-based MFIs or can themselves, or through a satellite company, act as MF intermediaries. NGOs can be registered either as non-profit societies, trusts or companies or they can operate on for-profit basis. Some of the MFIs are already engaged with banks as their business correspondents (BCs).The BCs carry out a full range of transactions on behalf of banks. With the new profile including the BC model and new avenues, microfinance will accelerate the penetration of financial inclusion in rural and remote areas.

Micro Finance Institutions (MFIs) - Bank Linkage

For-profit MFIs registered as NBFCs are regulated by RBI. Not-for-profit companies established under section 25 of the Companies Act fulfilling certain criteria have been exempted from RBI regulations. BASIX is a not-for-profit MFI under section 25 of the Companies Act.The local area bank promoted by BASIX operated from Mahabubnagar in Telangana initially covered Gulbarga and

Raichur districts of Karnataka as well. BASIX is now operating in more than 100 districts in a number of States on various patterns. They have promoted a very comprehensive pattern of rural livelihood activities.

In case of MFIs registered with RBI as for-profit companies, the pattern of operations is different. SPANDANA and SHARE are examples of this kind in Andhra Pradesh. In Karnataka, MYRADA is a popular NGO, and Sanghamitra Rural Financial Services promoted by MYRADA also comes under this category.

Micro Finance Institutions (MFIs) act as an important conduit for extending financial services to the microfinance sector by raising resources from banks and other institutions, and extending loans to individuals and members of Joint Liability Groups (JLGs). Though most of these MFIs entered the microfinance sector only after SBLP was well entrenched, the turnover of these institutions grew at a much larger scale than the former. They were more aggressive and innovative in reaching out to the rural poor than the formal banking system. Of late, however, the functioning of these institutions (mostly 'for-profit' NBFCs) is being subjected to closer public scrutiny on account of the alleged unethical business practices and questionable recovery practices. These developments resulted in composite Andhra Pradesh Government promulgating an ordinance, and later an Act in 2010 severely restricting their lending operations and recovery mechanism. As a result, the lending operations of these institutions virtually came to a halt not only in Andhra Pradesh but in other parts of the country as well while recovery of loans nosedived.

Table 4: Micro Finance Institutions (MFIs) – Bank Linkage (2013-16)

Particulars	2013-14		2014-15		2015-16	
	No. of MFIs	Amount (₹ billion)	No. of MFIs	Amount (₹ billion)	No. of MFIs	Amount (₹ billion)
1	2	3	4	5	6	7
Loans disbursed by banks to MFIs	545 (27.9)	102.83 (31.2)	589 (8.1)	151.90 (47.7)	647	207.96 (36.9)
Loans outstanding against MFIs at end-March	2422 (18.6)	165.17 (14.5)	4662 (92.5)	225.00 (36.2)	2020	225.00 (36.2)
Loan outstanding as per cent of fresh loans	-	160.6	-	148.1	-	123.0

Notes: 1. Figures in parentheses indicate percentage variation over the previous year.

2. Actual number of MFIs availing loans from banks would be less than the figures shown as most of the MFIs avail of loans from more than one bank.

Source: Ibid.

The Reserve Bank has since issued guidelines for the lending operations of MFIs based on the Y.H. Malegam Committee recommendations. A new class of financial organisations, named as NBFC-MFIs have been created, and subject to certain conditions regarding the capital to be employed, lending to SHG members, cap on interest to be charged, margin to be retained, etc. The norms stipulated in the guidelines address three problems identified in the 2010 crisis - multiple lending, excessive interest rates, and coercive recovery practices. The regulatory frame has restrictions on margins, cap on loan size and tenor, and of number of loans per borrower. There is also an advisory on fair practices code to be followed by MFIs in particular, apart from NBFCs in general. MFIs have adopted a model code of conduct under an association (Sa-Dhan), promised better behaviour, and issued strict instructions to their staff for humane behaviour.

Loans extended to NBFC-MFIs by banks now qualify for priority sector category. RBI's upgraded regulations and guidelines on NBFC-MFIs, and inclusion of loans to MFIs by banks under priority sector subject to the qualifying asset criterion have resulted in phenomenal growth of MFI operations during 2013-16 as shown in Table 4. Creation of MUDRA Bank as a regulator of all MFIs is expected to provide further impetus to MFIs. Total loans disbursed to MFIs by banks and financial institutions increased by nearly 48 per cent in 2014-15 and 37 per cent in 2015-16 compared to 31.2 per cent in 2013-14, while the loans outstanding against MFIs also increased by 36.2 per cent in 2014-15 and 13.7 per cent in 2015-16 compared to 14.5 per cent in 2013-14. At the all India level at the end of March 2016, loans outstanding for SHGs is ₹ 571.19 billion in comparison to ₹ 256 billion for MFIs. Loans disbursed during 2015-16 for SHGs is ₹ 372.9 billion in comparison to ₹ 208.0 billion for MFIs. MFIs account for 44.8 per cent of outstandings, and 55.8 per cent of disbursements of SHGs. Contribution of MFIs for microfinance delivery is, thus, quite significant. Savings of SHGs at end-March 2016 is ₹ 136.91 billion.

Table 5: Progress Under SBLP in 10 Priority States in Relation to All India (2009-16)

(No. of SHGs in million, and amount in ₹ billion)

(Year End-March)

Particulars	Savings Linkage at end-March		Loans disbursed by banks during the year		Loan outstanding with banks at end-March	
	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount
1	2	3	4	5	6	7
10 Priority States						
2010	3.29	23.46	0.53	30.25	2.08	81.30
2016	3.86	44.22	.0.63	65.53	1.96	128.37
All India						
2010	6.95	61.99	1.59	144.53	4.85	280.38
2016	7.90	136.91	1.83	372.87	4.67	571.19
Share of priority States in all India (per cent)						
2010	45.9	37.8	33.1	20.9	42.8	29.0
2016	48.9	32.3	34.4	17.6	42.0	22.5
Growth over the previous year (per cent)						
10 Priority States (per cent)						
2010	10.8	-14.8	23.0	34.6	23.1	30.5
2016	9.0	8.5	8.6	15.1	2.6	9.2
All India (per cent)						
2010	13.6	11.8	5.3	17.9	14.9	23.6
2016	2.6	23.8	12.3	35.2	4.5	10.8

Notes: Ten priority States focused attention by NABARD are: Assam, Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Uttar Pradesh, and West Bengal.

Source: Ibid.

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Table 6: Top 13 States in SHG – Bank Linkage with Outstanding Bank Loan (2016)

(End-March 2015)

S. No.	State	SHGs with Outstanding Loan		Outstanding Loan	
		Number (million)	Share in All India (per cent)	Amount (₹ billion)	Share in All India (per cent)
1	2	3	4	5	6
1	Andhra Pradesh	0.80	17.1	172.21	30.1
2	Telangana	0.49	10.5	98.63	17.3
3	Karnataka	0.63	13.5	74.75	13.1
4	Tamil Nadu	0.43	9.2	63.59	11.1
5	West Bengal	0.58	12.4	37.79	6.6
6	Kerala	0.18	3.9	21.31	3.7
7	Odisha	0.21	4.5	18.83	3.3
8	Maharashtra	0.21	4.5	16.97	3.0
9	Uttar Pradesh	0.22	4.7	15.26	2.7
10	Bihar	0.27	5.8	10.02	1.8
11	Madhya Pradesh	0.12	2.6	9.73	1.7
12	Assam	0.11	2.4	6.60	1.2
13	Rajasthan	0.10	2.1	6.52	1.1
Sub-total of 13 States		4.35	93.1	552.21	96.7
All India		4.67	100	571.19	100

Note: States are arranged in the descending order of outstanding loan amount.

Source: Ibid.

Table 7: SBLP – Number of SHGs Covered for Savings, Disbursements, and Outstandings – Region-wise (2015-16)

(Number of SHGs in lakhs)

Region	Savings end-March	Disbursements during the year	Outstandings end-March	Col. 3 to Col. 2 (per cent)	Col. 4 to Col. 2 (per cent)
1	2	3	4	5	6
All India	79.03 (100)	18.32 (100)	46.73 (100)	23.2	59.1
Southern	35.46 (44.9)	11.59 (63.3)	25.43 (54.5)	32.7	71.7
Eastern	17.00 (21.5)	4.13 (22.5)	11.31 (24.2)	24.3	66.5
Western	10.18 (12.9)	1.12 (6.1)	2.58 (5.5)	11.0	25.3
Central	8.16 (10.3)	0.84 (4.6)	4.35 (9.3)	10.3	53.3
Northern	3.93 (5.0)	0.38 (2.1)	1.55 (3.3)	9.7	39.4
North Eastern	4.30 (5.4)	0.26 (1.4)	1.51 (3.2)	6.0	35.1

Note: Figures given in parentheses indicate percentage to column total.

Source: Ibid.

Table 8: SBLP – Amount for SHGs in Respect of Savings, Disbursements and Outstandings – Region-wise (2015-16)

(Amount in ₹ billion)

Region	Savings end-March	Disbursements during the year	Outstandings end-March	Col. 3 to Col. 2 (per cent)	Col. 4 to Col. 2 (per cent)
1	2	3	4	5	6
All India	136.91 (100)	372.87 (100)	571.19 (100)	2.72	4.17
Southern	86.69 (63.3)	300.12 (80.5)	431.07 (75.5)	3.46	4.97
Eastern	24.84 (18.2)	34.95 (9.4)	70.37 (12.3)	1.41	2.83
Western	10.57 (7.7)	18.86 (5.0)	20.35 (3.6)	1.78	1.93
Central	8.41 (6.1)	11.91 (3.2)	28.96 (5.1)	1.42	3.44
Northern	4.50 (3.3)	4.83 (1.3)	11.59 (2.0)	1.07	2.58
North Eastern	1.90 (1.4)	2.20 (0.6)	8.85 (1.5)	1.16	4.66

Note & Source: As given in Table 7.

A Critical Look at SBLP Data - Regional Analysis

An overview of SBLP operations as mentioned above at all India and regional level is further examined in Tables 7 and 8, with a critical examination on regional spread of the programme for identifying the tasks ahead. Table 7 presents the number of SHGs covered under (a) bank-linked savings at end-March 2016, (b) disbursements by banks during the year 2015-16, and (c) bank loans outstanding at end-March 2016. Table 8 presents the operations of SBLP in terms of amount in ₹ billion, in respect of (a) bank-linked savings at end-March 2016, (b) loan disbursements by banks during 2015-16, and (c) bank loans outstanding at end-March 2016. These tables present All India and regional picture for six regions. The share of each region is presented in parentheses in respect of the three variables. Relationships worked out for the number of SHGs and amount are disbursements in relation to savings, and outstandings in relation to savings. These results speak eloquently of the penetration of bank operations in respect of SHGs in various regions.

(A) Number of SHGs covered: The southern region, where the SBLP has had a longer history accounts for, in terms of number of SHGs, 44.9 per cent of savings, 63.3 per cent of disbursements, and 54.5 per cent of outstandings. In this SHG strong belt, outstandings account for 71.7 per cent of savings, and disbursements for 32.7 per cent of savings. This is in comparison to the All India corresponding proportions of 59.1 per cent and 23.2 per cent (Table 7). The eastern region stands next in operations; in terms of number of SHGs, 21.5 per cent of savings, 22.5 per cent of disbursements, and 24.2 per cent of outstandings. The region has been progressing fast. The proportions in terms of number of SHGs are outstandings to savings 66.5 per cent, disbursements to savings 24.3 pe rcent.

(B) Amount for SHGs: The picture in terms of amount of SBLP operations region-wise reveals a similar story (Table 8). The southern region accounts for 63.3 per cent of savings, 80.5 per cent of disbursements, and 75.5 per cent of outstandings. The proportions indicate outstandings to savings 4.97 (All India 4.17), and disbursements to savings 3.46 (All India 2.72). The eastern region accounts for 18.2 per cent of savings, 9.4 per cent of disbursements, and 12.3 per cent of outstandings. The proportions reveal outstandings to savings 2.83, and disbursements to savings 1.41. In terms of proportions, all other regions reveal that they have been steadily improving, though the level of operations is much smaller.

The analysis brings out clearly that a sizeable percentage of SHGs which are linked with banks for savings have not received loan yet, even in the southern and eastern regions, leave alone the story of other regions. There are also groups formed in a region and functioning well following the panchasutra, but not yet linked with banks even for savings. This is not reflected in the above two tables. National Rural Livelihood Mission (NRLM) and National Urban Livelihood Mission (NULM) will focus on handholding economic activities to the groups which are active.

In 2011, NRLM was initiated as an ambitious programme.The NRLM process tried to accelerate the operations of SHGs and linkage with banks by (a) providing the base capital in the form of a grant, and (b) accelerating the linkage to the bank through active interaction and handholding support. The details of support are as follows:

a. NRLM provides Revolving Fund (RF) to SHGs of ₹10,000-15,000 as corpus to meet the members' credit needs directly, and as catalytic capital for leveraging repeat bank finance. RF is given to SHGs that have been practising 'panchasutra' (regular meetings, regular savings, regular inter- loaning, timely repayment, and up-to-date books of accounts).

b. NRLM provides Community Investment Fund (CIF) as seed capital to SHG federations at cluster level to meet the credit needs of the members through the SHGs/ Village Organisations, and to meet the working capital needs of the collective or centralised activities at various levels.

c. NRLM provides Vulnerability Reduction Fund (VRF) to SHG federations at village level to address vulnerabilities like food security, health security, etc., and to meet the needs of vulnerable persons in the village. It is hoped that the multi-dimensional support under NRLM to SHGs and federations will enable SBLP to spread more evenly across the country, and the regional imbalances will get reduced. Periodic monitoring is necessary to examine whether the groups operating under NRLM become sustainable within a short period.

The pattern of assistance followed by NULM is similar to that of NRLM.

Microfinance Legislation

The Microfinance Institutions (Regulation and Development) Bill 2012 (the MF Bill 2012 hereafter) was introduced in the Parliament on 2 May 2012. The bill states its purpose as to provide for development and regulation of the microfinance institutions for the purpose of facilitating access to credit, thrift and other microfinance services to the rural and urban poor, and certain disadvantaged sections, and promoting financial inclusion through such institutions. The architects of the bill consider it a broad framework for regulating microfinance rather than a prescriptive set of dos and don'ts. It is meant to create an ideal legislative environment for microfinance where the responsibility of regulation is vested with the banking regulator - the Reserve Bank of India - in tandem with specific macroeconomic conditions at any given point of time. The bill thus abstains from prescribing legal forms or levels of ceilings, and has left the responsibility of enforcement to the State governments. Despite its flexibility, overall acceptance, and the collective wisdom that it embodies, thanks to the wide ranging consultations since July 2012, the bill is yet to be passed by the Parliament. A view has been expressed recently that Microfinance bill and Mudra Bank bill may be combined, and a new bill formulated presenting various aspects covered in both the bills.

The Association of Karnataka Microfinance Institutions (AKMI) is a unique example of an MFI network (MF-SoS Report 2013). Registered in 2007 as a society, with a membership of 21 MFIs, its mission is to build the field of community development finance in Karnataka, and to help its members and associate institutions to better serve low-income households, particularly women in both rural and urban areas. AKMI wants to be proactive in avoiding crises rather than being reactive, and opens eyes only when there is a crisis. It strives to engage the stakeholders in an open dialogue at all times. AKMI's recent activities and efforts do indicate that its brand of self-regulation is highly relevant in the current scenario as it prepares member MFIs to better adapt to the regulatory environment by building their capacities.

MUDRA Bank

MUDRA Bank - Micro Units Development Refinance Agency Bank - has been set up in April 2015 as a subsidiary of Small Industries Development Bank of India. It will be organised in due course through a statutory enactment of the Pradhan Mantri MUDRA Yojana (PMMY). The bank has been created with a corpus of ₹ 20,000 crore, and a credit guarantee fund of ₹ 3,000 crore. The Bank has already joined hands with 19 State and Regional level coordinators so as to reach the self-employment seekers in the interior hamlets, facing the ordeal of limited branch presence. The focus is on banking the unbanked and funding the unfunded, catering to the needs of the unorganised informal sector enterprises. These include activities and persons in the unorganised sector such as vegetable vendors, hawkers, wayside mechanics, and others with skill and determination, but hardly any resources for organizing the business. The bank functions as an apex refinancing institution supporting primary lending institutions serving this sector, with direct financing to a limited extent.

The bank will support activities through self-help groups and micro finance institutions, setting benchmarks for the best practices of lending and technology support. Credit guarantee scheme is also in operation. Three products are offered at present, and more will be evolved in due course for self-employed persons: Shishu- for loans up to ₹ 50,000 for start-ups; Kishor - with above ₹ 50,000 and up to ₹ 5 lakh for mid-stage needs; and Tarun -with above ₹ 5 lakh and up to ₹ 10 lakh for growth seekers. MUDRA card and credit enhancement are on the anvil for inclusion.

The bank is visualised as a boon to small business enthusiasts particularly in rural and interior parts of the country. MUDRA bank will give priority to SC/ST and women enterprises, and those promoted by other disadvantaged groups. It will increase confidence among the young educated and skilled workers, and enable them to establish start-ups. It is hoped that under the supervision of Mudra bank, hawkers such as vegetable vendors, way side shops, and other retail and peripatetic establishments in urban and rural areas will have access conveniently to institutional finance. Operations of MUDRA bank reveal that by mid-January 2016 (in less than ten months), total loan disbursed was over ₹ 84,672 crore, of which 45 per cent was under Shishu, 33.5 per cent under Kishor, and 21.5 per cent under Tarun. Among the 2.19 crore borrowers who have benefited so far, 74 per cent were women, 35.2 per cent new entrepreneurs, and 50.2 per cent SC/ST/other backward classes categories. (Economic Survey 2015-16, Ministry of Finance, GoI)

The bank will work as a refinance, credit guarantee, and also as a regulator of microfinancial institutions. Other roles visualised for the bank are, it oversees the credit rating of institutions coming under its purview, and lays down responsible finance practices and technology solutions. While MFIs working with a loan size limit of ` one lakh were traditionally seen as players in the inclusion market outside of banks; with MUDRA, scope is getting expanded to fill the middle space of the micro entrepreneurs. MUDRA would cover the space for business credit up to `one million. The plan for MUDRA also envisages creating an ecosystem for credit market to emerge. The elements of the ecosystem include guarantee fund, increased ease and flexibility of use of part of the finance through a MUDRA card. The ambitious initiative of MUDRA is looking at bridging the missing middle in the inclusion story (Sriram, M.S, 2016).

The Bharatiya Mahila Bank and Similar State Mahila Banks

In November 2013, Bharatiya Mahila Bank was started as an exclusive bank at the national level with headquarters at New Delhi to cater to the gender-related aspects of empowerment and financial inclusion exclusively for women. The bank enjoys a special category status as a public sector bank under the Companies Act, licensed by RBI, but not categorised as a nationalised bank. It started with a corpus of ₹ 1,000 crore. With the goal of bringing bank services to the doorstep of women, with focus on weaker section groups, the bank will open accounts for women through branches as well as through camps across the country. It is mandated to support and coordinate with SHGs, and other relevant institutions to accelerate lending to women and women-promoted enterprises. Other financial services such as insurance and pension will be offered to them through tie-ups with the existing specialised institutions. An all-women bank will have significantly greater capacity to fast-forward the empowerment process of women with its multiplier effect on the well-being of families, and therefore, on the economy. The Bank has since been merged with the State Bank of India in June 2016.

At the State level, similar all women banks have been started in a few States, notably SEWA Bank in Gujarat, which is quite old, and functioning as part of SEWA movement, and Stree Nidhi in Andhra Pradesh and Telangana, promoted recently, as an apex cooperative society to provide access to credit for women who are members of SHGs. Its equity capital is contributed by the State Government, and contributions from federations of SHGs at the mandal level. It lends to mandal samakhyas which on-lend to village organisations of SHGs, and in turn to SHG members. Stree Nidhi has emerged as a popular Business Correspondent (BC) of banks in Andhra Pradesh and Telangana to serve its clientele.

Stree Nidhi Credit Co-operative Federation Ltd. (Stree Nidhi) is an apex credit co-operative federation at the State level registered under the AP State Co-operative Societies Act 1964, and promoted by mandal samakhyas (MSs) and town level federations (TLFs) of SHGs in association with Government of Andhra Pradesh under SERP (Society for Elimination of Rural Poverty), Ministry of Rural Development, and Mission for Elimination of Poverty in Municipal Areas (MEPMA). The federations of SHGs are registered under the Mutually Aided Co-operative Societies Act 1995. Stree Nidhi was specifically formed to meet the needs of women for poverty alleviation with the support of SERP and MEPMA. The unique features of Stree Nidhi are: (a) It is a community owned institution; (b) 50 per cent of allocation of credit is for the poorest of the poor; (c) It has a low-cost delivery model using the existing ecosystem; (d) It ensures credit discipline and penalises the defaulters; & (e) Credit disbursement is done within 48 hours through the electronic payment system.

Interest rates charged by Stree Nidhi are 12 per cent for MSs, 13 per cent for village organisations (VOs), and 14 per cent for SHG members. Maximum loan amount per SHG is restricted to ₹ 1.5 lakh, and per member ₹ 25,000. Stree Nidhi lays much emphasis on efficient functioning of the clients, and rewards better performance with higher limits based on the rating of these delivery agencies. Working on a small margin of around 1 per cent, it uses the existing networking and technology platform to minimise the cost of operations. It recovers loans using the large network of VOs/SLF and MSs & TLFs. The merits of the model are that Stree Nidhi takes care of the community banking needs without requiring their direct interface with bankers, and they are able to get loans within 48 hours into their accounts. This significantly reduces transaction costs on both sides. Technology is the backbone of Stree Nidhi operations. The system used is a combination of mobile technology to capture data, and web-based portal for processing and information dissemination. Institutions described above at the national and State level are functioning as complementaries through coordination in policy formulation, and implementation of specific products and services.

SBLP Beyond Savings and Credit, and Convergence with Various Initiatives

The themes covered under products and services beyond savings and credit discussed here are: local area bank's holistic approach, financial literacy, financial inclusion, micro insurance, micro pension, micro remittance of money, housing micro finance, healthcare and sanitation initiatives. In each section, convergence with various programmes, linkage with specialised institutions, and initiatives taken in recent years are discussed.

Local Area Bank's Holistic Approach : The concept of local area banks (LABs) was introduced in 1996 with a view to providing institutional mechanisms for promoting rural savings as well as provision of credit for viable economic activities in local areas. This experiment is still in the early stage as only four LABs are functioning at present. Of the four, three are located in prosperous regions, and only one in a less developed region. Coastal LAB in Andhra Pradesh covers the districts of Krishna, Guntur, and West Godavari. Capital LAB, the largest among the LABs operates in Doaba belt in Punjab, and Subhadra LAB operates in Kolhapur and Sangli districts of Maharashtra. The only LAB located in the less developed belt is Krishna Bhima Samruddhi (KBS) LAB located in Mahabubnagar district of Telangana, and covers also Raichur and Gulbarga districts of Karnataka. KBSLAB promoted by BASIX in Hyderabad, has the unique model of financing the bottom of the pyramid. This has been operating from 2001. Another distinguishing feature of the bank is that it chose to operate only in the under-served segment of the population with microfinance as the business model to pursue its mission. Being a bank, it not only provides credit but also other services such as savings, insurance, and business advisory technical services to agriculturists and dairy farmers through other group entities. The Bank operates through 14 branches, including a mobile van. However, the network through which it provides services to customers is not restricted to these branches alone. It has appointed Indian Grameen Services, a not-for-profit company, as its business correspondent (BC). Through the use of the BC model, it has expanded its reach by setting up 59 BC locations in the form of 19 hubs and 40 spokes. The bank effectively exploits the features of modern technology to serve its customers. It has moved to the core banking system platform with a centralised database since 2011. The transactions through hand-held devices used by customer service representatives in the field get updated online in the centralised database through the use of mobile technology. Customers get printed receipts from the hand-held device for the amount tendered by them.

The bank lends mainly to small farmers, dairy farmers, small retailers, and entrepreneurs, roadside vendors and hawkers, village artisans, service providers, etc. Most of the loans are in the non-farm sector with over

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half of the lending for micro enterprises in this sector. About a quarter of the loans are for animal husbandry including dairy farming, sheep and goat rearing, etc. Wherever the Bank does not have a branch, it operates through the BC network. Since BC also provides credit and deposit services, the model has proved to be sustainable. The key to future growth will be the ability to mobilise deposits at reasonable cost. For this, it becomes necessary to reach out to the affluent segments and win their trust.

It also becomes necessary for diversifying its loan portfolio by increasing the component of high value loans while continuing to reach the underserved and gain visibility in customer segments where it does not have a large presence at present among the vulnerable sections, especially for deposits. The suggestion of micro finance institutions (MFIs) taking to LAB model is quite relevant. The main limitation is the smallness of the area of operation limited to a few districts. Besides allowing LABs to expand their operations, within feasible limits, they may also be made eligible to draw financial support in the form of refinance from apex institutions like NABARD, SIDBI, and Rashtriya Mahila Kosh.

Of the four LABs, Capital LAB based at Jalandhar (Punjab) can be classified as the most successful and profitable bank. It also commanded more than 70 per cent of the business of the LABs. While the operations of these banks were limited to three districts, in 2014, RBI permitted them to expand their operations on a selective basis by offering more districts to them based on their capital and performance. While two of the four LABs have applied for Small Finance Bank (SFB) licence, only one of them managed to get the licence to become an SFB (Capital LAB at Jalandhar). The SFBs encompass all functions that the LABs were undertaking, and offer more.

Financial Literacy: SEWA Bank in Ahmedabad is a pioneer of financial literacy training to clients, and was instrumental in establishing Indian School of Microfinance for Women (ISMW), and setting up the National Alliance for Financial Inclusion and Literacy (NAFIL) to continue this work. SEWA has already designed modules on financial literacy and passed on this expertise and materials to ISMW. The main objective of SEWA's financial literacy programme is to make poor women understand the basic concepts of financial planning and motivate them to plan for their future. SEWA Bank's training modules cover a wide range of themes in financial and allied services. The training is delivered through lectures with examples, role plays, games, and discussions.

Suryodaya, an MFI based in Maharashtra, uses an innovative way to educate its clients on social and financial issues. It chooses a topic (education of kids, savings, health, etc.) and develops a script for the same. It is then recorded in local language using an audio device. This recorded message is played in the weekly meeting of the clients. This attracts greater attention of the beneficiaries, and they retain it for a longer period. The process keeps the message standardised for all clients across different States, and can be adopted by developers and implementers of financial literacy training programmes. Kudumbashree programme in Kerala introduced a financial literacy campaign in 2010 to build knowledge about banking procedures, interest rates, and awareness about various products and services through banks among the Neighbourhood Group (NHG) members. It focussed on schemes and services available for the clients, and practices that need to be adopted by the beneficiaries of the programme.

The Andhra Pradesh Mahila Abhivruddhi Society (APMAS) is providing financial literacy to SHGs and federations as a component of its pilot project on self-regulation. The programme is limited to awareness creation on savings and wise use of credit. The other aspects covered are book keeping, interest calculation and auditing. Parinaam Foundation, in collaboration with its sister organisation, Ujjiwan Financial Services, an MFI in operation in 20 States, is providing holistic financial literacy to educate customers on financial management. The programme is implemented through documentary films and structured training modules. In-depth training is imparted to enable clients to learn numerical skills using calculators, to maintain household cash flow using financial diaries, and to understand their debt servicing capacities, and various savings options.

Financial Inclusion: Financial inclusion means much more than simply having or not having a bank account; it goes beyond the mere availability of services to their adoption and usage. At present, a majority of the clients with formal accounts make one to two withdrawals or deposits a month, while 10 per cent of formal accounts remain inactive. Financial inclusion is a challenging task as it has to facilitate access, ensure adoption, and sustained use of financial products and services, which requires behavioural changes on the part of the users. However, changing patterns of financial behaviour is not easy. Most risk-mitigation strategies have evolved over time. Behavioural shifts require a strategy that affects changes in consumer knowledge, skills and attitudes; at the same time introducing them to new product offerings and/or delivery methods adopted by financial service providers. This is no small challenge. The goal must be to diminish the perception gaps between the users and the providers, and enabling them to move towards a point where their gains are optimised. There is a need for a more level playing field. Financial education, with emphasis on building new knowledge, skills and attitudes, can change the behaviour and increase consumer capability. The adoption of appropriate technology solutions both in hardware and software platforms will ensure that the cost remains within reasonable limits. The customers, especially the poor for whom institutional credit structure was inaccessible till recently are willing to pay for the improved services. For financial inclusion purpose, linking mainstream banking with MFIs, SHG Federations and SHGs, and use of BC model as a new channel, can go a long way in smoothening the transition. The BC model is emerging as a strong intermediary between customers and banks. As part of Pradhan Mantri Jan Dhan Yojana, technology adoption and linkage with Aadhar and mobile number, the JAM trinity, can accelerate the implementation of financial inclusion programme at a faster rate.

Micro Insurance: Micro insurance has developed as a sub-sector of the insurance industry. Insurance for low income population is closely linked with the concept of social security. Hence government sponsorship in micro insurance is to be expected. Rashtriya Swasthya Bima Yojana (RSBY) is the flagship health insurance scheme of Government of India targeted at BPL families. Recently Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) beneficiaries have been brought under this programme. In a strictly regulated insurance industry in the country, cooperative insurers (a common term for community-based insurers) enjoy a 'benign neglect' from the Insurance Regulatory and Development Authority (IRDA). Currently there are nearly 50 insurance schemes (mostly covering life and health risks) initiated by NGOs and Cooperatives, and run with or without any partnership of insurance companies. Most of these schemes depend heavily on government or donor funding for survival. While the government and community-based schemes are constrained by the sustainability issue, the insurer initiated schemes are struggling with strategic incongruence, lack of product innovation, distribution disability and lack of insurance awareness. IRDA formally recognised NGOs, SHGs and MFIs as micro insurance agents for acting as intermediaries between insurance companies and beneficiaries. The State governments have developed health insurance schemes, to cover illness and hospitalisation in particular. Linkage of SHGs, MFIs and NGOs with these schemes is still in the early stage.

Two insurance schemes announced by Government of India in May 2015, which offer opportunities for insurance for savings account holders of banks are Pradhan Mantri Jeevan Jyoti Bima Yojana referring to life insurance, and Pradhan Mantri Suraksha Bima Yojana referring to accident insurance. Insurance companies have tied-up with public sector banks for this purpose. In Jeevan Jyoti Bima Yojana, life insurance cover worth ₹ 2 lakh is provided for an annual premium of ₹ 330. This is applicable for account holders aged between 18 and 50 years. In Suraksha Bima Yojana, accident insurance cover worth ₹ 2 lakh is provided for an annual premium of ₹ 12. This is applicable for all account holders aged between 18 and 70 years. Insurance covers death and permanent disability due to accident. The premium will be deducted from the account holder's savings bank account through 'auto debit' facility.

Regarding crop insurance, and asset insurance, initiative should be taken by local institutions such as banks to develop linkages with insurance companies, and popularise the schemes. BASIX at Hyderabad, bought a bulk insurance policy from ICICI Lombard, and provided cover to groundnut and castor farmers in Andhra Pradesh and Karnataka through its Local Area Bank in Mahabubnagar of Telangana. Lombard's weather insurance scheme is an example of the recent movement towards insuring farm produce against the vagaries of monsoon. Tata AIG Life and Aviva Life Insurance are other insurance companies moving in this direction.

A revisited crop insurance scheme announced by Government of India in January 2016 is called Pradhan Mantri Fasal Bima Yojana (PMFBY). This scheme provides a more efficient insurance support to farmers at low premium. Under this scheme, the premium rate is 2 per cent of the actual sum assured for kharif season, and 1.5 per cent for rabi crops. For commercial and horticultural crops, the premium rate is 5 per cent. The remaining share of the premium will continue to be borne equally by the Centre and the respective State governments. There will be no upper limit on government subsidy, and even if the balance premium is 90 per cent, it will be borne by the governments. The farmers will get claim against the full sum assured without any reduction. The scheme will also cover post-harvest losses. The use of technology will be encouraged to a great extent. Smart phones will be used to capture and upload data of crop cutting to reduce the delays in claim payment to fanners. Remote sensing will be used to reduce the number of crop cutting experiments. For the first time, emphasis is being laid on mobile and satellite technology to facilitate accurate assessment and quick settlement of claims. The scheme also provides farm level assessment for localised calamities including hailstorms, unseasonal rains, landslides, and inundation. The government aims to raise the cover under the scheme to nearly 50 per cent of the fanning households. The claims will be directly transferred to the farmer's bank account, and will thus put a curb on leakages.

Micro Pension: Currently there are three prominent models of Micro Pension in the country: the NPS-Life, the Invest India Micro Pension, and the Abhaya Hastham of Andhra Pradesh and Telangana. NPS-Life is conceived by the Pension Fund Regulatory and Development Authority (PFRDA) for the unorganised workforce under India's pension sector reforms initiative. This is primarily a self-contributory pension scheme with the option of linkage with the contributory Swabalamban Scheme of the Centre. The growth of the scheme can be attributed to the government's generous co-contribution. Invest India Micro Pension scheme (IIMPS) is another contributory pension scheme for low income unorganised workers. Abhaya Hastham is a co-contributory pension scheme for women of Andhra Pradesh delivered through SHGs of SERP (Society for Elimination of Rural Poverty), the government sponsored NGO. This pension comes along with the life insurance cover.

Atal Pension Yojana (APY), announced by Government of India in May 2015 is a recent scheme applicable for the age group 18-40 years, having a savings bank account, and non-income tax payers. The Government contributes 50 per cent of the total contribution or ₹1000 per annum whichever is lower, for five years, and the applicant has to contribute from ₹ 42 to ₹ 210 per month, with a minimum of 20 years premium. The account holder becomes eligible to draw a monthly pension of ₹1,000 to ₹ 5,000 from the age of 60 years. The premium will be deducted from the account holder's savings bank account through auto-debit facility. The person will be eligible to join the scheme through one savings bank account only.

Micro Remittance of Money: Remittance is another financial product, which some of the MFIs have begun to provide. Remittance refers to transfer of money from one geographical location to another, including payments made in the cases of commercial transactions. In view of their penetration in rural and remote areas, MFIs have the capability to transfer the money. Migrant workers need convenient, low-cost and safe means to transfer their savings back to their families. One of the constraints in implementing this service is lack of MFIs of the size to have presence at the two locations, places of origin and destination. But as the network of MFIs grows, the service can increasingly be taken up. A few instances of remittances offered by MFIs are cited here. Adhikar, an MFI in Odisha, addressed the issues related to remittance from Gandhidham in Gujarat where migrant workers from Odisha were pursuing work. Adhikar, implements a number of activities of MF through women SHGs, legal counselling to villagers, and livelihood generation and restoration. The most difficult part of the initiative was convincing the workers at Gandhidham about the credibility of the MFI, especially in the initial stages.

Housing Micro Finance: Housing micro finance is defined as the provision of small-sized loans to low income households for a wide range of housing needs, including for repair, renovation, rehabilitation and improvement to existing structures, purchase of land, and for new construction. For MFIs, housing micro finance offers great value in terms of product diversification and cross-subsidisation of products. Offering housing MF also allows MFIs to improve client satisfaction and retention; maintain longer period relationships, and loyalty with the existing clients; and also attract new clients. Despite various issues impeding housing MF, several new developments are taking place. Allowing External Commercial Borrowing (ECB) for low-cost housing; creation of India Mortgage Guarantee Company of National Housing Bank (NHB) and establishment of Micro Build India by Habitat for Humanity to provide wholesale funding to MFIs for housing MF are some of the recent trends, which encourage MFIs to venture into housing MF. Similarly, International Finance Corporation (IFC), the National Housing Bank (NHB), and the Rajasthan Government have come together, and established a housing finance company to provide house loans to low income households in the State. Housing MF product itself will remain an important niche product, which can be availed by MFIs to facilitate housing loans for low income groups.

Healthcare and Sanitation Initiatives by MFIs and SHGs: In view of the greater outreach among the poor in rural and remote areas, MFIs and SHGs could play a complementary role in delivering health and sanitation services where public health system is underperforming its job. A number of studies have reported significant positive impact of health and sanitation services extended by MFIs and SHGs, especially in the areas of maternal and infant mortality. While health education is the most commonly reported intervention, MFIs are also venturing into provision of health services through health camps, linkages to health providers, and the direct provision of services through clinics and health product distribution. Some of the MFIs are also providing health loans, health savings, and health micro insurance. Appropriate integration of the health programmes with other developmental and credit activities assumes greater importance for the success of the health initiatives. Case studies carried out in a few regions reveal the modus operandi as tie-up with hospitals, efforts to reduce infant and maternal mortality, preventive measures such as water treatment and construction of toilets, and generation of awareness among women and rural households. The innovative experiments can be fruitfully replicated in other regions. For the Society for Elimination of Rural Poverty (SERP), a government promoted NGO in Andhra Pradesh and Telangana, health improvement is the primary component of the holistic approach to community development and poverty alleviation. SERP provides health education, operates child feeding and maternal health centres, and has established health savings and a low-interest loan that aim to provide financial support for health emergencies, and assist clients, to save ahead and prepare for health needs. SERP also provides a community managed insurance product called Sanjeevani that works with public and private hospitals, and interfaces with the Andhra Pradesh Aarogyasri Public Insurance Scheme.

New Institutional Initiatives (Sriram, M. S., 2016)

Universal Banks: Two new banks have started operations in 2015 as universal banks, based on the in- principle approval given by RBI. These are IDFC Bank and Bandhan Bank. IDFC Bank started its operations in Hoshangabad district (Madhya Pradesh) with its inclusion customers. It has called its rural strategy as' Bharat Banking Operations', and the strategy is to fully use the extant architecture, and leverage technology to the optimum. Doing business with the smaller customers is the overall approach. The idea is to look at inclusive business as a long-term customer acquisition strategy, with a decentralised focus on the districts. Bandhan has been an MFI operating in inclusive finance space almost from the time the microfinance sector started in the country. Having started as a not-for-profit entity, it grew into an NBFC, and then registered itself as a specialised MFI in 2011. Its journey is complete with its moving in the financial sector as a full-fledged universal bank in August 2015. The significant presence of Bandhan Bank in the traditionally underbanked areas of eastern and north-eastern regions is noteworthy. Right from the beginning, 100 per cent of the portfolio of Bandhan Bank has qualified for priority sector, and over a period, it will cater to the needs of small businesses, small housing, commercial vehicles, etc.

Payment Banks and Small Finance Banks: Following the recommendations of the Nachiket Mor Committee (2014) - Report of the Committee on Comprehensive Financial Services for Small Businesses and Low Income Households, RBI issued guidelines for setting up Payment Banks (PBs). Eleven players have been granted in-principle licence as PBs. Out of them, nine have been granted in three distinct categories - telecom players with strong distribution network, technology players, and traditional finance companies with retail presence. India Post is one of them given licence as PB. The list contains a diverse set of players, which do not come from the traditional banking background. It is expected that the roll-out would be innovative. It is learnt that out of eleven players granted in-principle approval, three have backed out by May 2016, within a period of nine months. It is envisaged that the maximum balance in any account will never exceed ₹ 100,000 at any point of time. This initiative is expected to reach a smaller segment of customers. Licences were granted for ten players as small finance banks(SFBs). In this list, eight are erstwhile MFIs, and one is a local area bank - Capital LAB at Jalandhar (Punjab), the largest LAB. The licensees represent the largest players in the market. The RBI has also indicated that over a period of time, SFBs can morph into universal banks. This is not allowed for Payment Banks. There is scope for many more institutions to aspire to be a SFB, en route to be a universal bank.

The Way Forward

The SHG studies conducted by various institutions/experts revealed that the programme has indeed helped in the social and economic empowerment of the rural poor, especially women, causing significant up-scaling of social capital while at the same time delivering crucial and much-needed financial services at low transaction costs for both banks and poor borrowers. However, slow progress of graduation of SHG members, poor quality of group functioning, dropout of members from groups, etc., have also been reported by various study findings in different parts of country, which need to be taken into account while designing the road map for the next phase of the SHG programme.

For facilitating the marketing of products of enterprises promoted by SHGs, Mahila e-Haat has been launched (Yojana, 60(3), March 2016: 45). This is an online marketing platform for women where participants can display their products. The Mahila e-Haat portal can be accessed at http://mahilaehaat-rmk.gov.in. This initiative is for women across the country as a part of 'Digital India' and 'Stand Up India' initiatives. It will provide access to markets for thousands of women who manufacture products, and are spread all over the country but have little access to markets. This unique e-platform will strengthen the socio-economic empowerment of women as it will mobilise and provide better avenues to them. The initiative is unique since this is the first time that the government will help women to sell products online. In the second stage, it will be integrated with e-commerce portals to provide a larger platform for selling and buying.

The Community Based Microfinance Institutions (CBMFIs) model assumes greater significance. It provides the possibility for the emergence of a viable option since it is non-exploitative, member-based, member-managed and, more importantly, the members benefit directly from the savings and profits. SHGs, women's federations and cooperatives are member-owned and managed organisations, thus CBMFI's direct loans from banks and other formal financial organisations are the most benign way of getting financial services to the poor. The percentage of SHGs, which are not having any federation membership, is more than 70, indicating the available potential for forming federations. One of the major benefits of SHG federations is that the federations themselves have become an alternative source of financing for SHGs.

Despite the fact that federations are suited for offering a wide range of services to the rural poor, their capacity to offer these services is limited by the inadequate human resources and experience in innovating and offering a wide array of products and services. However, to ensure their long-term financial and economic sustainability, provision of non-credit products and services is essential.

As such, scaling-up of this model is limited due to lack of policy support from NABARD, except capacity building and leadership quality of the group members. However, the success stories of the federations being experimented across the country such as SEWA, DHAN Foundation, etc., indicate the scope of this model for wide scaling-up. Further, NRLM's (National Rural Livelihood Mission) focus on federation arrangement will certainly add a new dimension to the federation approaches. Redesigning the federation model in the light of the lessons learnt so far will have a positive impact on this model. Networking will also provide a broader platform for collective action at a larger level and scale, so that the demands and requirements of the members and the SHGs at the grassroots level could be effectively taken up with donors and governments.

Expanding the outreach of SBLP is visualised as a priority item to cover all eligible rural households, providing livelihood opportunities to the rural poor, and covering areas which have not been covered so far. Emphasis is being laid on the convergence of SBLP and NRLM with other related programmes to accelerate the penetration of financial inclusion. Experience has shown that individual-centric programmes such as NRLM and financial inclusion would not harm the group process of SBLP; on the other hand, it could enhance the flow of credit and other financial services to the members. The individualisation has not taken away the primary function of social collateral as well as transaction aggregation, both of which provide immense value to the banks.

Summing Up

The article reviews the progress of microfinance and SHG-Bank Linkage Programme during the period 2008-16, and MFI-Bank Linkage during 2013-16 pinpointing successes and limitations. It also presents the important role of SHGs and MFIs in pursuing goals beyond savings and credit for the benefit of vulnerable sections in rural and remote areas, with focus on women SHGs and MFIs supporting them, along with the role played by federations of SHGs at the grassroots level. Roles beyond savings and credit illustrated are as follows: local area bank approach, financial literacy, financial inclusion, micro insurance, micro pension, micro remittance, housing microfinance, and healthcare and sanitation initiatives. Though many of the successful experiences are found only in a few pockets of the SHG and MFI leading States, based on the findings of case studies, it is surmised that these can be fruitfully replicated on a larger scale given the environment and cooperation of the agencies concerned. Fact-finding, evaluatory and forward looking research studies undertaken by the Centre for Micro Finance Research (CMR) of Bankers' Institute of Rural Development (BIRD) at Lucknow promoted by NABARD, and its sub-centres located in five institutions at Chennai, Jaipur, Pune, Patna and Guwahati, along with a number of other specialised institutions and universities engaged in MF research, bring out valuable directions on the road map for the future of microfinance and SBLP. Among the voluntary organisations devoting special attention for carrying out field studies for SHGs, SHG Federations, and related organisations in a number of States, special mention may be made of APMAS - The Andhra Pradesh Mahila Abhivruddhi Society - located at Hyderabad serving Andhra Pradesh and Telangana in particular. Experiences of different States, various initiatives and experiments are periodically consolidated in the 'Microfinance India - State of the Sector Report' released annually up to 2013, and 'Inclusive Finance India Report from 2014', by Access Development Services, New Delhi. SHG 2 approach introduced by NABARD in 2011 and National Rural Livelihood Mission (NRLM) of the Union Ministry of Rural Development replacing SGSY from 2011 will go a long way in facilitating sustainable development of the programme through micro enterprise initiatives.

The SBLP model should continue to be pursued with greater vigour to play a proactive role for greater outreach with increased penetration in underserved areas without compromising on the quality of lending.There is a need for clear distinction in the mechanism of undertaking a financial and non-financial role with the promoters of the groups. Federal structure of SHGs through federations needs to be strengthened. In a number of States, including the southern States where SBLP has made considerable headway, the focus for the future should be on enterprise creation and productive activities, qualitative improvement in the implementation of the programme, and reviving the dormant and not so well functioning SHGs and federations. Voluntary savings should continue to be the focus, supported by credit for the members. MFIs which are well established should go beyond the regulatory guidelines in dealing with customers, and introduce low-cost systems, using appropriate technology. Healthy monitoring of the implementation of guidelines is necessary. Convergence of programmes and involvement of the SHG and MFI network will provide the directions for the future for the benefit of weaker sections including women.

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