Chapter 7

Conclusion and Suggestions
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India is fiercely diverse as a nation, and most communities are also diverse in caste, opinion and religion. Indians are also known for their sense of personal independence, which is often translated into indiscipline, whether on the roads, in political assemblies or elsewhere. The SHG system reflects this independence and diversity. It allows people to save and borrow according to their own timetable, not as the bank requires, and SHGs can also play a part in a whole range of social, commercial or other activities. They can be vehicles for social and political action as well as for financial intermediation.

Micro-finance interventions are well-recognized world over as an effective tool for poverty alleviation and improving socioeconomic status of rural poor. In India too, micro-finance is making headway in its effort for reducing poverty and empowering rural women. Micro-finance through the network of cooperatives, commercial banks, regional rural banks, NABARD and NGO has been largely a supply driven recent approach.

The review of various research studies carried out in the field of microfinance in different countries provides that the programme is successful in generating employment and alleviating poverty among the programme participants. Many studies show that the participants are more empowered in economic, social and political aspects as compared to the non-participants. However, some of the studies found that the women members have limited control over the use of group loans and the male members in their families utilise the loans, thus, the programme results in limited empowerment of women participants. In this way, it is found that the literature available on microfinance does not provide a clear idea about the impact and success of microfinance programme. Hence, there is a need to further conduct impact assessment studies to evaluate the functioning of the programme and removing the shortcomings and problems in its way. A number of studies have been conducted in southern region of India but there is a dearth of studies in northern region.

The SHGs-bank linkage model developed by NABARD is widely prevalent throughout the country and it covers more than 75 per cent of total microfinance clients in the country. In this model, loans are provided to SHGs through the network of various public and private commercial banks, regional rural banks and co-operative banks. The
total share in terms of number of SHGs financed in India by these commercial, regional rural and cooperative banks is 55, 31 and 14 per cent respectively.

The SHGs-bank linkage programme facilitated by NABARD has significantly contributed to strengthening a sustainable financial infrastructure for the informal sector and for people who did not have access to formal financial services before. The experience in India shows that banks, including commercial banks, can serve the poor on a commercially viable basis through cost-covering savings and credit services. Self-Help Groups have an advantage in reaching out to the poor because of proximity, trust, commitment, flexibility and knowledge about each other. NABARD was able to build the SHGs-Bank Linkage Programme through an existing network of banks and NGOs.

It has been found that there are some problems associated with this programme in India. These problems restrict the impact of microfinance in various ways. One major problem is the inadequate outreach of the programme. Microfinance has covered approximately 60 million people in India but these are only 22 per cent of the total poor in the country. Another major problem related to microfinance in India is the non-uniform spread of the microfinance programme. The spread of the programme is regionally biased and it has flourished mainly in the states of southern India. Approximately, 50 per cent of the total microfinance programme beneficiaries in India belong to four south Indian states, i.e., Andhra Pradesh, Tamil Nadu, Karnataka and Kerala. Another problem relating to the programme indicates that the expansion of programme is less in the poorer states as compared to relatively prosperous states. The seven Indian states, i.e., Orissa, Bihar, Chhattisgarh, Jharkhand, Uttarakhand, Madhya Pradesh and Uttar Pradesh hold approximately 54.5 per cent of the total poor but these states have only 23.60 per cent of the total microfinance clients in India. On the other hand, the number of poor people in three states, i.e., Andhra Pradesh, Tamil Nadu and Karnataka, is only 13.61 per cent of the total poor of the country. But 45.78 per cent of the total microfinance outreach in the country is concentrated in these three states.

Microfinance growth since inception in India has been skewed in favour of southern region. SHGs linked in the region consistently account for more than 50 per cent of the total SHGs linked in the country followed by the eastern-region with 22.09 per cent in the year ended March 2012. It can be noticed from the available data that
three categories of agencies are playing a significant role in financing the SHGs in India apart from the MFIs. MFIs are also financed by the banks in order to enable them to on lend to the deserving SHGs. It is observed that exclusive women groups constituted 32, 77,355 having been financed with Rs. 18583.54 crores. In terms of proportion of women groups to that of total groups accounted for 77.58 per cent in terms of number of groups and 81.93 per cent in terms of amount of loans extended. Since financial inclusion through the SHGs-Bank Linkage programme is vogue in India since 1992, the period of two decades of existence is more than adequate to capture the relevant aspects intended to be covered in the study. Accordingly, a beneficiary who joined the financial inclusion programme either through the microfinance approach or through No-Frill accounts approach of banks was considered for sampling.

The issue of financial inclusion has received large importance in India during the recent years. India had invested considerable amount of resources in expanding its banking network with the objective of reaching out to the poor people. During the last 40 years huge infrastructure has been created in the banking sector. However, this large infrastructure that has penetrated even remote rural areas has been able to serve only a small part of the potential customers. While India is on a very high growth path, almost at the two-digit level, majority of the people are out of the growth process. This is neither desirable nor sustainable for the nation. We also know that one of the most important driving forces of growth is institutional finance. Therefore, it is now realised that unless all the people of the society are brought under the ambit of institutional finance, the benefit of high growth will not percolate down and by that process majority of the population will be deprived of the benefits of high growth. Thus financial inclusion is not only socio-political imperative but also an economic one.

Access to finance, especially by the poor, women, minorities and vulnerable sections of the society is essential for employment, reduction in poverty, social cohesion which ultimately leads to the inclusive growth of the economy. Incidence of financial exclusion is very high in non-cultivator household's i.e 78.2 per cent which comprises 78.8 per cent agricultural labour households, 71.4 per cent artisans and 79.7 per cent of other rural households. Marginal farmer households constitute 66 per cent of total farm households. Only 45 per cent of these households are indebted to either
formal or non-formal sources of finance (small farmers- 51 per cent, medium farmers-65 per cent and large farmers - 66.4 per cent). About 20 per cent of indebted marginal farmer households have access to formal sources of credit (medium farmers 57.6 per cent and large farmers around 65 per cent). The extent of financial exclusion in different social groups are also very critical and only 36 per cent of STs farmers households are indebted (SCs and OBCs 51 per cent) mostly to informal sources, (NSSO, 59th Round, (2003). There is a regional inequality in financial exclusion in the country, southern and western region have performed in a better way in comparison with other part of the country, north-eastern region has exceptionally more financially excluded in the country and almost all parameters of financial inclusion is low in comparison to national average except few states of the region.

We have computed index of financial inclusion (based on the methodology of Sarma, 2008) using data on three dimensions of financial inclusion. This is useful to monitor the progress of policy initiatives for financial inclusion in a country/state over a period of time. States like Kerala, Punjab, Maharashtra and Tamilnadu is in high financial inclusion range. On the other hand states such as Karnataka, Haryana, West Bengal, Andhra Pradesh and Rajasthan are in medium financial inclusion range, but states like Uttar Pradesh, Bihar, Madhya Pradesh and north-eastern states are in low financial inclusion range. This implies that government should must emphasise on the backward region for financial inclusion initiative due to huge rural population and high poverty region have high financial exclusion.

Despite the laudable achievements in the field of rural banking, issues such as slow progress in increasing the share of institutional credit, high dependence of small and marginal farmers on non-institutional sources, skewed nature of access to credit between developed regions and less developed regions loom larger than ever before. Therefore, the key issue now is to ensure that rural credit from institutional sources achieves wider coverage and expands financial inclusion. For achieving the current policy stance of “inclusive growth” the focus on financial inclusion is not only essential but a pre-requisite. And for achieving comprehensive financial inclusion, the first step is to achieve credit inclusion for the disadvantaged and vulnerable sections of our society.

The state has to play an important role in financial markets. The role itself is necessitated due to pervasive market a failure which in the current globalised scenario
is not a rare occurrence. In developing countries both market and government as institutions have their limitations, but it is necessary to design government policies that are attentive to those limitations. Financial inclusion is one such intervention that seeks to overcome the frictions that hinder the functioning of the market mechanism to operate in favour of the poor and underprivileged.

The reasons behind the dismal number of bank accounts are twofold; one can be addressed from the demand side and the other has its origin from the supply side. Prevailing inequality is the fundamental reason for lower growth in bank accounts in India. People working in the unorganized sectors or even in the agricultural sector do not have sustainable as well as surplus level of income so that they can even think of about opening a bank account. Another reason behind the low demand for organized financial services in the rural area is the lack of investment opportunity in rural India. From the supplier point of view, directed credit is always considered as a leakage to the banking business. Further, people struggling to meet their both ends do not have any mortgage holding so that they can proceed for loan from organized financial systems. The supply side disturbance can be solved with the help of active government policy, even within a short span of time. However, the demand side problems are acute and chronic in nature. It requires structural change of the economy.

Again financial exclusion can act as a fundamental source of poverty. This implies that poverty causes low demand for organized financial system and financial exclusion causes poverty. Therefore, there is a bidirectional cause and effect relationship between poverty and financial inclusion. In either ways people needs access to credit and necessary financial services, which are best enable through a bank accounts. In India, financial inclusion is confined to ensuring bare minimum access to savings account without frills to all.

As far credit growths of commercial banks are concerned, rural credit was severely neglected during the reform period, was revived in the post reform period, but failed hold the growth achieved in the pre-reform period. During post reform period highest growth in bank accounts is observed in metropolitan areas due to the growth in service and manufacturing sector, bypassing the agricultural sector just after the economic reform. That is, for other states, the growth in bank accounts is not accompanied by the reduction in below poverty line population across various states.
Thus, state-wise growth in bank accounts and corresponding poverty scenario
indicates weak association between them. Thus, covering maximum number of people
under banking services and providing credits without developing inclusive financial
systems has failed to lift people above poverty line. As a poverty reduction strategy,
developing inclusive financial systems should be given priority, which is financially
and socially sustainable.

Access to affordable financial services, especially credit opens up livelihood
opportunities by empowering the poor. The extent and quantum of indebtedness at a
reasonable level of interest sourced out from the organised sector is an indicator of
development since availability of finances boost up the economic activity and capital
formation in a region. Financial inclusion is an emerging priority strategy for
policymakers in developing countries. The emerging developing countries introduce
comprehensive measures to improve access to and usage of tailored financial services.
Therefore, building inclusive financial sector improve people’s lives which can make
a great difference to a low-income family. So that enables people to invest in better
nutrition, housing, health, and education for their children. However, financial
inclusion will provide an opportunity for socio-economic development.

Financial inclusion strategies are derived from inclusive economic growth
strategies that envisage uplifment of the poor through access to better way of living.
Recognizing the need for the finance as a critical input for development RBI has
promoted the financial inclusion drive in the country to include vast majority of
unbanked masses into banking fold. Microfinance led inclusion has been recognized
as one of the elements of the multipronged strategy inclusion that promotes financial
inclusion. Finally, inclusive growth allows people to “contribute to and benefit from
economic growth”.

For agency-wise and state-wise assessment of SHGs-bank linkage programme
three parameters have been selected such as savings of SHGs, loan disbursement to
SHGs and the loan outstanding of SHGs under commercial banks, cooperative banks
and regional rural banks in the country. Around 4076986 numbers of SHGs saving
linked under commercial bank, 2038008 number of SHGs under RRBs and 1202557
under cooperative banks in 2012-13. The amount of saving was Rs 1338500 crore
under commercial banks, under RRBs the amount was increased from Rs 2052.7 crore
to Rs 562652.2 crore and under cooperative bank the amount of loan disbursed,
amount of percentage saving has increased from 53.87 to 63.39 under commercial bank, from 4.51 to 19.85 under RRBs and from 13.15 to 16.76 under cooperative banks during 2006-07 to 2012-13. Further, the amount of loan disbursed to SHGs has increased from Rs 3918.94 crore to Rs 13385007 under commercial bank, under cooperative bank the amount of loan disbursed to SHGs was increased from Rs 598.72 crore to Rs 157383.5 crore during 2006-07 to 2012-13, and the percentage share was 65.02 for commercial banks, 27.33 for RRBs and 7.65 for cooperative banks in 2012-13. On the other hand, amount of loan outstanding of SHGs under commercial banks have increased from Rs 8760.3 crore to 2663944.4 crore, under RRBs it was increased from Rs 2801.3 crore to 1052122.9 crore, and under cooperative banks it was increased from Rs 804.35 crore to 221462.43 crore during 2006-07 to 2012-13. The percentage share was 67.66 for commercial banks, 26.72 for RRBs and 5.62 for cooperative banks respectively in 2012-13.

The emphasis has been given on the trend analysis of SHGs-bank linkage programme in the country since its inception. The number of SHGs financed assistance by banks was increased from 255 to 1586822 and the amount of loan was increased from Rs 0.29 crore to Rs 14453.3 crore, refinance was increased from Rs 0.27 crore to Rs 3173.5 crore during 1992-93 to 2009-10. This implies that overall growth of SHGs-Bank Linkage is in a positive direction. Savings of SHGs with banks was Rs 3512.71 crore to 6198.71 crore and the number of SHGs involved in this activity was also increased from 4160584 to 6953250. Out of which under SGSY number of SHGs was increased from 956317 to 1693910 during 2006-07 to 2009-10. During 2010-11 to 2012-13 number of SHGs was 74.62 lakh which declined to 73.18 lakh and the percentage growth rate was 7.3 in 2010-11 and -8.1 per cent in 2012-13. Under SGSY 20.23 lakh SHGs involved in the saving process with banks. Out of 74.62 lakh SHGs 60.98 lakh comprised of women groups during 2010-11 and it was 59.38 (81.1 per cent women groups) during 2012-13.

The focus has also been given on the state-wise SHGs-bank linkage programme under different banks. The trend analysis of SHGs saving linked, loan disbursed and loan outstanding to commercial bank, cooperative banks and regional rural banks in major states of the country during 2006-07 to 2012-13 has been done. In 2012-13 the percentage share of number of SHGs under commercial banks saving was very high in the state of Andhra Pradesh i.e 24.53 per cent, Tamil
Nadu/Pondicherry 15.97 per cent, Kerala 11.36 per cent, Maharashtra and Karnataka having almost same percentage share that was around 7.5. West Bengal and Orissa having somehow better participation in comparison with the states like Bihar, UP and Madhya Pradesh. As far as percentage share of amount of saving, number of SHGs loan disbursed and loan outstanding and its percentage share of amount is concerned, the situation is same as discussed above. Southern states have better participation than hindi speaking northern states. Number of SHGs saving linked under cooperative banks in Maharashtra and Andhra Pradesh was 25.06 per cent, Tamilnadu/Pondicherry percentage share was 17.41, West Bengal and Orissa share lies between 6-10 per cent and the participation in the amount of saving linked to SHGs under cooperative bank was high in above discussed states. Southern states like Andhra Pradesh, TamilNadu/Pondicherry, Karnataka and Kerala have better participation in SHGs saving, loan disbursed and loan outstanding with commercial banks, cooperative banks and regional rural banks. It is due to keen interest in the functioning of the programme by lower and vulnerable section of the society, high literacy and homogeneous society. The other reason of success story of SHGs-Bank linkage programme in southern states is good concentration of bank branches in the region.

Regional distribution of SHGs-bank linkage programme in India was not uniform and it is more favourable towards southern part of the country. SHGs-Bank Linkage Programme is one of the major tools for achieving financial inclusion and eradicating poverty from country. SHGs saving linked to banks were 74.6 lakh by March 2011. Women SHGs were 60.98 lakhs and amongst them 12.94 lakhs were credit linked. Southern-region comprises 46.7 per cent of SHGs, 20.47 per cent for eastern-region, central region 10.54 per cent, western 12.88 per cent and north and north eastern part share was around 5 per cent in 2011. The compound annual growth rate of number of SHG saving linked to commercial banks was high in north eastern-region i.e 7.4 per cent for southern-region 6.5 per cent and it was negative in central-region i.e -2.8 per cent. In 2012-13 southern-regions have highest percentage share of SHGs saving linked to commercial banks and it was around 60 per cent and the share of all other regions of the country only 40 per cent. Coefficient of variation of amount of SHGs saving linked under commercial banks was high in southern-region i.e 31.7 per cent, eastern 27.6 per cent, central 27.6 per cent, northern 25.3 per cent, north-
eastern 24.8 per cent and western 19.9 per cent respectively, compound annual growth rate was over 19 per cent in eastern and southern region, central 18.5 per cent but it was 0.4 in western region and -5.8 per cent in northern region during 2008-09 to 2012-13.

Southern, eastern and western region have larger share in commercial and cooperative banks in all activities such as saving linked, loan disbursed and loan outstanding, but southern part of the country have comparatively very larger share due to active participation by SHGs member, NGOs, non-banking financial institutions and different commercial banks and cooperatives.

As far as regional rural banks is concerned the share of southern region declined over the year, the percentage share of SHGs saving linked under RRBs was 31.6 but eastern-region have better participation under RRBs and its share was 29.4 per cent, after that central region share was 18.8 per cent in 2012-13. Percentage share of southern-region in loan disbursed and loan outstanding under RRBs have experienced fluctuating trend but the region again have largest share in financial activity of SHGs in comparison to other regions of the country. This implies that southern part of the country have better environment regarding SHGs banking, better awareness of the functioning of the programme, high penetration of banking facilities and better participation of non-governmental organisation in the activity of the vulnerable and lower section of the society.

The steady decline in the number of SHGs being extended fresh loans by banks for the last 3 years is a matter of concern. Among the financing banks, commercial banks and RRBs extended loan of 1.65 lakh on an average per SHG while cooperative banks lent 0.65 lakh only per SHG. While commercial banks accounted for 63 per cent of the savings balance of SHGs, their share in fresh lending to SHGs was only 60 per cent whereas RRBs with a savings share of only 20 per cent accounted for 30 per cent of the fresh loans issued during the year. This is suggestive of cautious attitude of the commercial banks in lending for SHGs as compared to RRBs.

Though, SHG-BLP is a step towards bringing the “unbanked” poor into the mainstream banking channels, its formal acceptance as a financial inclusion (FI) initiative by the Reserve Bank is still awaited. Though several initiatives were taken
by the Government of India, the Reserve Bank of India, NABARD and banks to bring the poor into the fold of formal financial service providers, no serious attempt was made to leverage the SHG-BLP to achieve the financial inclusion goals. In fact, there is a need for SHG-BLP and financial inclusion initiative working in a complimentary manner, synergising the strengths and ensuring effective banking footprints in remotest of hinterlands. A successful programme like SHG-BLP which could link millions of rural poor to formal banking system could have been the main instrument for financial literacy and financial inclusion in the country. There are number of plausible ways by which matured SHGs could have been participants in the financial inclusion initiative, including being agents of providing direct banking services to the poor at their doorsteps, as a low cost and efficient alternative. This model is certainly more cost effective and reliable alternative to the existing inclusion agenda and millions of households, now members of SHG-BLP, would have been the immediate beneficiaries.

The amount of saving of SHGs under commercial banks has increased from Rs 277298.9 lakh to Rs 553257.05 lakh during 2008-09 to 2012-13, in which Andhra Pradesh share was increased from Rs 83572.91 lakh to Rs 222038.3 lakh, and in TamilNadu/Pondicherry the amount of saving has increased from Rs 44839.16 lakh to Rs 64841.7 lakh during the same period. On the other hand, state like UP the amount of saving of SHGs under commercial bank was very low in comparison with southern states and the amount increased from Rs 12933 lakh to Rs 23928.32 lakh only. Andhra Pradesh has highest percentage share that is 40.13 followed by Karnataka 12.1, Tamil Nadu/Pondicherry 11.7, Uttar Pradesh 4.33 and Bihar 2.3 in 2012-13. Further, loan disbursed under commercial the percentage share again in southern states such as Andhra Pradesh was 55.68 per cent, Karnataka 9.74 and Tamil Nadu/Pondicherry 16.7 and in most of the states the share lies in between 0-5 per cent.

Percentage share of amount of saving of SHGs under cooperative was high in West Bengal 10.48, Maharashtra 17.78, Karnataka 33.02, Kerala 8.53, Tamil Nadu/Pondicherry 12.67 and Andhra Pradesh share was only 1.78 in 2012-13. On the other hand, the amount of loan disbursed was very high in southern states like Karnataka and Tamil Nadu/Pondicherry and the percentage share was 31.31 for Karnataka and 30.71 for Tamil Nadu/Pondicherry. However the percentage share of
loan outstanding was highest in Tamil Nadu i.e 30.22 per cent followed by Karnataka 19.05, Kerala 10.26 per cent and Maharashtra 7 per cent in 2012-13.

Percentage share of amount of saving of SHGs under regional rural banks was high in Andhra Pradesh 19.7, 12.72 for Orissa, 22.84 for West Bengal and 6.85 for Karnataka. And the amount of loan disbursed to SHGs under RRBs was highest in Andhra Pradesh. The percentage share was 65.35 for Andhra Pradesh, 8.95 for Karnataka, 4.95 for Tamil Nadu/Pondicherry and 4.41 in Uttarakhand in 2012-13. Percentage share of loan outstanding was 46.7 for Andhra Pradesh, 11.17 for Orissa and 8.7 for Karnataka in 2012-13. The analysis of three parameters reflect that Maharashtra, Andhra Pradesh, Karnataka, Kerala and Tamilnadu/Pondicherry have performed in a right direction and other states like UP, Bihar, Jharkhand, MP, Chhattisgarh which are densely populated have very low participation in the SHGs-bank linkage programme in the country.

Southern-region share of amount of saving was increased from Rs 172671.5 lakh to Rs 394317.1 lakh and in terms of percentage share it was increased from 62.2 to 71.2 during 2008-09 to 2012-13. Other region such as eastern share was 11.27, for central and western region it was around 6.6 under commercial banks SHGs saving linked. Further percentage share of amount of loan disbursed to SHGs under commercial banks was very high in southern region, it was 87.3 per cent and other regions have marginal share in 2012-13. Under commercial banks loan outstanding again southern part have over 75 per cent share in total amount of loan outstanding of SHGs to different regions in 2012-13.

On the other hand under cooperative banks the percentage share of amount of saving in southern region was 58.17, for western-region 19.6 and eastern 14.2 and other region of the country have very low share. Further the percentage share of the amount of loan disbursed was increased from 29.3 to 73.5, for eastern it was 8.1 to 11.8 and in western there was a fluctuation in the share of loan disbursed it was marginally increased from 6.5 per cent to 7.2 per cent during 2006-07 to 2012-13. Amount of loan outstanding share was high in southern-region in comparison with other regions of the country during 2006-07 to 2012-13.

Further under regional rural banks percentage share of amount of SHGs saving linked was higher in eastern i.e 39.6 per cent, in southern 30.5 per cent and central
15.2 per cent in 2012-13. Under loan disburse again southern-regions share was high i.e 80.2 per cent in 2012-13 and other regions have marginally very low share. Loan outstanding was very high in southern regions in comparison with other regions of the country during 2006-07 to 2012-13.

The decline in major states in number of loans disbursed under SHGs–bank linkage, especially the southern states, has been nothing short of startling. In fact, there has been a uniform and substantial decline in all regions in the number of loans disbursed to SHGs during 2010-11 as compared to the previous year. Loans disbursed to SHGs in Andhra Pradesh declined to 367,420 during 2010–11 from 564,089 during the year 2009–10. Similarly in Tamil Nadu, the comparative figures were 191,469 during 2010–11 and 259,161 during 2009–10 and for Karnataka the numbers of SHGs receiving loans declined to 90,342 in 2010–11 from 104,151 in the previous year. The most badly affected states were Maharashtra where there was a massive decline in number of loans disbursed from 110,287 to 63,296 and Orissa where the number of SHGs receiving loans similarly declined from 117,226 in 2009–10 to 71,843 during 2010–11. Two states which appear to have emerged unscathed from this development have been West Bengal and Kerala. Clearly, the microfinance crisis has not been limited to the MFIs alone but has also affected disbursements of bank credit through SHGs. Interestingly, a similar reduction has not been observed in the volume of loans disbursed during 2010–11 though these have also either stagnated or declined marginally in almost all states with the exception of Karnataka, among the major states. Apart from factors affecting credit supply at the bank level, there could be two contributory factors on the demand side: (a) in states like Andhra Pradesh, virtually every rural woman would already be a member of an SHG, with many members of more than one SHG, and they may have all borrowed; and (b) easy access to MFI loans might have dissuaded SHG members from accessing loans from banks.

**Major Findings of the Study:**

The major findings of the study may be summarised as follows;

1. The analysis of the geographic spread of microfinance revealed that microfinance penetration in the country was non-uniform, with state specific contextual factors have been playing a major role in driving microfinance growth. A comparison of the spread of microfinance services with that of
banking services, reveals four distinct regional categories. While the southern and western regions are characterized by widespread availability of both kinds of services, the central region had low availability of both kinds of services. The eastern and north-eastern regions showed high availability of microfinance but not banking services, while the northern region show high availability of banking but not microfinance services.

2. Financial exclusion is very acute in almost all major states except few and if we compare it on the rural-urban basis the exclusion gap is very large in scale. Around 73 per cent of farm-urban basis do not have access to formal credit sources. Exclusion is most acute in central, eastern and north-eastern regions-having a concentration of 64 per cent of all financially excluded farmer households (from formal sources) in the country (415.61 lakh households out of 659.54 lakh households). The extent of financial exclusion in different social groups are also very critical and only 36 per cent of ST farmer households are indebted (SCs and OBCs 51 per cent) mostly to informal sources.

3. Number of SHGs has increased over the period of time. SHGs-Bank Linkage Programme outreach spreading in new areas like eastern regions and especially in backward states like Uttar Pradesh and Bihar but their share is still marginal.

4. States like Kerala, Karnataka, Punjab, Maharashtra and Tamilnadu are in high financial inclusion range and these states have performed in a better way to the path of financial inclusion. On the other hand most of the states are in low financial inclusion range, however, north eastern-states have further very low value in financial inclusion index in comparison with other states and the region has high degree of financial exclusion.

5. SHGs-Bank Linkage Programme has been concentrated mainly in southern states like Andhra Pradesh, Tamilnadu, Karnataka, and Kerala. Microfinance growth since inception in India has been skewed in favour of southern region. SHGs linked in the region consistently account for more than 50 per cent of the total SHGs linked in the country followed by the eastern region and Maharashtra with 22.09 per cent in the year ended March 2012.
6. Agency-wise analysis of SHGs-bank linkage programme reveals that the share of commercial bank in the amount of saving, loan disbursed and loan outstanding is very high in comparison to cooperative banks and regional rural banks.

7. State-wise analysis of SHGs-bank linkage programme shows that states like Andhra Pradesh, Karnataka, Tamil Nadu/Pondicherry, Maharashtra and West Bengal have greater bank linkage to SHGs in all the three parameters that is saving, loan disbursed and loan outstanding. These states have better coordination of banks linkage with commercial banks than cooperative banks and regional rural banks.

8. Southern region has exceptionally very high degree of SHGs-bank linkage with commercial banks, cooperative banks and regional rural banks in all the parameters such as saving of SHGs, loan disbursed and loan outstanding.

9. Microfinance has been playing very significant role in empowering women and reducing poverty from vulnerable sections of society.

Suggestions:

1. For financial inclusion and inclusive growth of backward regions of the country more bank branches should be opened.

2. Process of opening of account must be easier so that vulnerable section of the society can easily open their account in banks.

3. Promote the minimum balance or no frill account in both in public as well as in private sector banks.

4. Government should utilise the vast network of post office for financial inclusion of backward regions and rural people.

5. Government and NGOs should play a larger role in promoting SHGs-bank linkage programme in back ward states like UP, Bihar, MP and Chhattisgarh etc where SHGs-bank linkage share is exceptionally very low.

6. For better SHGs-bank linkage in resource poor states banking sector should play an important role to increase the share of the backward states by opening of new branches and linking it with SHGs.
7. As the role of SHGs is very important in women empowerment and poverty alleviation the government and non-governmental organisations should play prominent role for welfare of the society.

**Future Direction of Research:**

Future direction of research may be as follows:

1. First, as financial inclusion is not an end in itself but a means to promote more inclusive growth, research on how financial inclusion can effectively promote more inclusive growth is necessary. The potential role of technological improvements leading to transaction cost reduction; and improving the processes involved in accessing financial products, would be of particular interest.

2. Second, research on political economy factors that promote or hinder microfinance development could be useful to indicate, under what circumstances microfinance can flourish in a region. The findings could be useful for microfinance practitioners as well as policy makers. The uneven spread of microfinance in India, among states, provides a good opportunity for such research. In particular, research on how the state’s role with regard to microfinance can be consistent with its political and economic objectives would be important.

3. Third, experimentation and research on designing group microfinance programs that encourage better utilization of loans and specifically target graduation to individual financial services needs to be undertaken.

4. There is a need for the development of more effective management information systems to promote the further consolidation of sustainable financial service delivery through well performing SHGs.

5. For reducing apparent regional imbalances in linkage banking more emphasis should be put in future strategies on widening the outreach of the programme in the central and eastern regions of the country. To increase the effectiveness such outreach strategies may have to include different delivery models.

6. SHGs’ role in development could be further enhanced through an increased involvement in development programmes in the area.