



# Financial Footprints: The Journey Of SHG Linkage Programs In India's Microfinance Ecosystem

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## ABSTRACT

Microfinance has become a significant tool for socio-economic development, gaining prominence in India with the 1992 introduction of the Self Help Groups (SHGs) Linkage program model. This indigenous model has been highly successful in India's microfinance sector. This paper evaluates its current status of microfinance by analysing the report published by NABARD. Key areas of examination include the formation of SHGs, their linkage with banks, loan disbursement.

The paper also assesses the regional progress of the SHG Linkage program. Since its inception, the SHG bank linkage has been the most effective means of reaching impoverished communities. The model's success is evident in the positive trends in SHG formation, bank linkage, loan disbursement, and loan collection, which indicate promising future prospects for the program.

The SHG bank linkage model's success underscores microfinance's importance in driving economic development. By providing access to financial services to those traditionally excluded, SHGs have empowered millions, promoting financial inclusion and economic stability. This paper highlights the critical role of microfinance in poverty alleviation and economic progress in India, demonstrating the effectiveness of the SHG bank linkage model and its potential for furthering socio-economic development.

In conclusion, the SHG linkage program has proven to be a robust framework for delivering microfinance, fostering significant improvements in economic development and poverty reduction. The model's success stories and positive trends suggest a bright future for microfinance initiatives in India

Keywords : Micro Finance, Self Help Group, NABARD, FY(Financial Year), SHG Linkage

## 1.0 INTRODUCTION

Microfinance has steadily gained recognition as a transformative tool for socio-economic development, particularly in regions grappling with persistent poverty and financial exclusion. In India, the microfinance landscape was revolutionized in 1992 with the introduction of the Self Help Groups (SHGs) Linkage program model. This uniquely indigenous model has charted a successful path, leaving significant financial footprints across the nation.

Titled "Financial Footprints: The Journey of SHG Linkage Programs in India's Microfinance Ecosystem," this research paper explores the evolution, mechanisms, and impact of the SHG Linkage programs. The focus is on the initiatives spearheaded by the National Bank for Agriculture and Rural Development (NABARD), which have played a pivotal role in structuring and supporting these programs. By examining the formation of SHGs, their integration with banking institutions, loan disbursement processes, outstanding loans, and the contributions of Commercial banks, Co-operative banks, and Regional Rural Banks, this study provides a thorough analysis of the current microfinance ecosystem in India.

The SHG Linkage program has emerged as the most effective method for reaching marginalized communities, enabling financial inclusion and economic empowerment. This paper traces the positive trends in SHG formation, bank linkage, loan disbursement, and collection, offering insights into the program's success and its future prospects. By highlighting the significant impact of microfinance on economic development, this study underscores the importance of SHG Linkage programs in India's journey towards a more inclusive and equitable financial system.

### 1.1 INITIATIVE FOR MICROFINANCE IN INDIA

Microfinance through self-help groups (SHGs) is championed as an alternative credit delivery system specifically designed for the most economically disadvantaged groups. The concept of SHGs traces its roots back to the Grameen Bank of Bangladesh, established by Muhammad Yunus. In India, this idea was pioneered by the Self-Employed Women's Association (SEWA), which was originally founded as a trade union for women in the unorganized sector in 1972. SEWA took a significant step by establishing the first women's bank in India, and by the year 2000, its membership had grown to 20,99,250.

The formal initiation of the microfinance program in India took place in 1992 under the aegis of the National Bank for Agriculture and Rural Development (NABARD). Currently, it stands as the world's largest microfinance program in terms of client outreach. The program originated and developed primarily in the Southern region of India, gradually expanding to other regions, particularly in the current decade. Microfinance in India primarily operates through Self-Help Groups (SHGs), Microfinance Institutions (MFIs), and various other methodologies.

The delivery of microfinance in India involves a network of financial institutions, including public and private sector commercial banks, co-operative banks, regional rural banks, and MFIs, working collectively to provide financial assistance to impoverished individuals.

### 1.3 CONCEPT OF MICROFINANCE

Microfinance is defined as the provision of modest financial services, including thrift, credit, and various other products, to individuals in rural, semi-urban, or urban areas with the aim of enhancing their income levels and elevating their living standards. According to the Task Force on Microfinance established by NABARD, microfinance is integral to enabling the economic empowerment of the poor.

Robinson (2001) characterizes microfinance as the delivery of small-scale financial services, predominantly credit and savings, to individuals engaged in farming, fishing, or herding. He expands the definition to encompass all forms of financial services provided to low-income households and enterprises. The overarching goal of microfinance is recognized as a new development paradigm, focusing on poverty alleviation through the social and economic empowerment of the impoverished, with a particular emphasis on women.

Microfinance encompasses a wide array of financial services, including savings, money transfers, insurance, production and investment credit, housing, as well as the need for skill enhancement and entrepreneurial development. This comprehensive approach aims to enable individuals with limited resources to engage in economic activities. Microfinance operates on key principles:

- Self-employment and enterprise formation are viable means for poverty alleviation.
- Limited access to capital assets and credit is a significant constraint for existing and potential microenterprises.
- Despite their low and sporadic incomes, the poor are capable of saving.

In summary, microfinance seeks to provide financial support in small amounts, accompanied by training and related services, to empower resource-poor individuals to undertake economic activities and overcome poverty.

### 1.4 LITERATURE REVIEW

Numerous studies consistently highlight the favorable outcomes of microfinance through Self-Help Groups (SHGs) on various dimensions, including economic, social, political, and psychological empowerment. The positive impacts include increased income and employment opportunities, the development of leadership qualities, enhanced participation in community activities, and a heightened degree of involvement in both domestic and societal spheres. Manimekalai and Rajeshwari (2001) found that SHGs play a crucial role in achieving economic and social empowerment. These groups foster a sense of leadership, organizational skills, and efficient management of business activities—from acquiring finance and identifying raw materials to market exploration and suitable diversification and modernization. Similarly, Lalitha and Nagarajan (2004) revealed that SHGs lay the foundation for the economic and social empowerment of women. Participation in group activities contributes to changed self-image, increased access to information and skills, and broadened knowledge about resources. Satyasai (2003) demonstrated the positive impact of microfinance in Andhra Pradesh on self-confidence, economic and social development, and skill formation, while Purushotham (2004) highlighted that micro-credit borrowers use it to transition from wage work to self-employment, benefiting from the acquisition of productive assets.

A 2011 NABARD study revealed significant improvements among SHG members, with 76% able to interact with officials and 28% saving in banks. This led to positive changes in decision-making within households, education for children, addressing undesirable habits of spouses, and participation in Gram Panchayat elections. Basu (2006) asserted that microfinance, as a trickle-up approach, benefits the poor directly, challenging the classic trickle-down model. Myrada's study in 2002, supported by NABARD, identified the financial services needed by poor households: safekeeping of small surpluses, access to consumption loans for emergencies, and financial products not requiring collateral. Sekhri (2007) emphasized microfinance as a powerful poverty alleviation tool, particularly its potential for financial self-sustainability. However, despite over 30 years of industry efforts, 80% of the working poor still lack access to microfinance services. To fully realize its potential, the microfinance industry must achieve greater scale. Surender et al. (2011) studied the status of SHGs in Haryana, affirming the positive impact on employment generation. Beneficiaries experienced increased working days in livestock, business, and other professions after joining SHGs, indicating that SHGs contribute to employment generation and improvements in economic conditions.

## 1.5 OBJECTIVE OF THE STUDY

The main objective of the present study to analyze the progress of SHG Bank Linkage Programme in India, to accomplish this object following to subobjective is formed which are as follows:

1. To evaluate the role of banking sector in SHGBLP.
2. To study the region wise progress of SHGBLP.

## 1.6 RESEARCH METHODOLOGY

### 1.6.0 Data Collection

This study predominantly relies on secondary data, which has been sourced from the annual reports of the National Bank for Agriculture and Rural Development (NABARD) and the "Status of Microfinance in India" reports. These documents provide comprehensive and authoritative insights into the operations, performance, and impact of microfinance initiatives over the years.

### 1.6.1 Time Period

The analysis covers a five-year period, from 2018-19 to 2022-23. This timeframe allows for the examination of trends, patterns, and developments in the microfinance sector, particularly focusing on the SHG Linkage programs administered by NABARD.

### 1.6.2 Data Analysis

The methodology adopted for this research is primarily descriptive. Descriptive analysis enables a detailed examination of the data to understand the current state and impact of microfinance through SHGs.

### 1.6.3 Data Presentation

Data has been systematically organized and presented in tabular form. Tables facilitate a clear and concise presentation of numerical data, making it easier to identify trends, compare year-on-year performance, and draw meaningful conclusions.



## 16.4 Tools for Analysis

For data analysis, Microsoft Office tools, especially Excel, have been utilized. Excel's robust data analysis features, charts, and statistical functions, are employed to organize, interpret, and visualize the data effectively. These tools help in performing detailed analysis, including:

- **Trend Analysis:** Examining changes over the specified period.
- **Comparative Analysis:** Comparing different years to identify significant variations.
- **Graphical Representation:** Using charts and graphs to visually present data, highlighting key findings.

## 1.7 Comprehensive Overview of the SHG Bank Linkage Programme (SHG-BLP)

Initiated by NABARD in 1992, the Self Help Group – Bank Linkage Programme (SHG-BLP) aims to enhance rural accessibility to credit and alleviate poverty. This programme has evolved into India's largest microfinance initiative, with widespread participation from nearly all banking institutions. As of March 31, 2023, 134.03 lakh SHGs have been linked to banks, facilitating loans to 42.96 lakh groups, of which 41.42 lakh (96.42%) are women-led. The cumulative loan disbursed amounts to Rs. 145200.23 crore, marking a substantial increase of 45.59% from the previous year.

The SHG-BLP has traversed significant milestones, starting with a pilot of 500 SHGs two decades ago and expanding to encompass over 13 million groups today. The savings corpus has grown exponentially, reaching Rs. 58892.68 crore, while the credit extended has surged to Rs. 145200.23 crore. Geographically, the programme has expanded from its origins in Andhra Pradesh and Karnataka to include even the remotest regions of India. Currently, it serves over 134 million rural households, making it the world's largest microcredit initiative.

Unlike similar programmes in other developing nations, the SHG-BLP places emphasis on regular savings by members. This collective savings corpus is utilized for internal lending among members, supplemented by bank credit when required. This approach not only promotes financial discipline but also fosters a supportive community environment where members help each other thrive economically.

This study analyzes the progress of the SHG formulation from 2018-19 to 2022-23, focusing on SHG formation trends and the proportion of women-led SHGs. Data sourced from NABARD's annual reports and other reliable sources are tabulated in Table 1 and graphically represented in Figure 1. Microsoft Excel is employed for detailed data analysis, enabling insightful comparisons and trend identification.

The SHG-BLP stands as a testament to the resilience and bankability of India's rural poor. By providing access to credit and fostering community-driven economic empowerment, it has significantly contributed to poverty reduction and socio-economic development. This study aims to provide a comprehensive understanding of the programme's impact and effectiveness, offering insights to inform future policy decisions and enhance the sustainability of microfinance initiatives in India.

This approach ensures a thorough examination of SHG-BLP's evolution and its profound implications for rural development, underscoring its role in transforming lives and communities across the nation.

**TABLE NO. 1**  
**TOTAL NO. OF SHG FORMED**

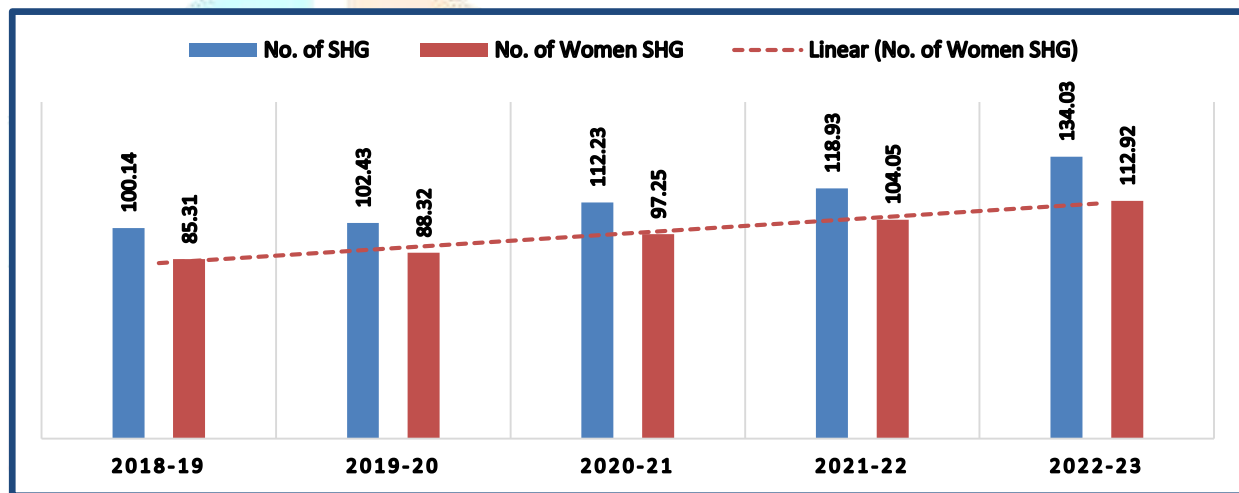
(Number in lakh/Amount in crore)

Year	2018-19	2019-20	2020-21	2021-22	2022-23
<b>No. of SHG</b>	100.14	102.43 (2.286)	112.23 (9.56)	118.93 (5.96)	134.03 (12.70)
<b>No. of Women SHG</b>	85.31	88.32	97.25	104.05	112.92

Source: Status of Micro Finance in India 2018-19 to 2022-23

**FIGURE NO.1**

**TOTAL NO. OF SHG FORMED**



Source: Status of Micro Finance in India 2018-19 to 2022-23

Table 1 revealed that total group of 134.03 lakh were formed till financial year 2022-23 out of total group formed 112.92 groups are related with Womens group, which is near about 84.52% of the total group formed till 2022-23. Table also revealed that from 2018-19 to 2022-23 there is increase of 33.89 lakh groups.

### 1.8 Evaluation of Role of Bank in SHGBLP

The SHG-BLP programme has indeed become an example of success of a microfinance programme globally with an outreach to 13.87 crore families, providing social, economic and financial empowerment to the rural poor, especially women. The year wise progress (2018-19 to 2022-23) in savings under the SHG-BLP is enumerated in Table 2 and depicted in Figure 2 which gives an account of savings.

TABLE NO.2

## SHG SAVINGS WITH BANK

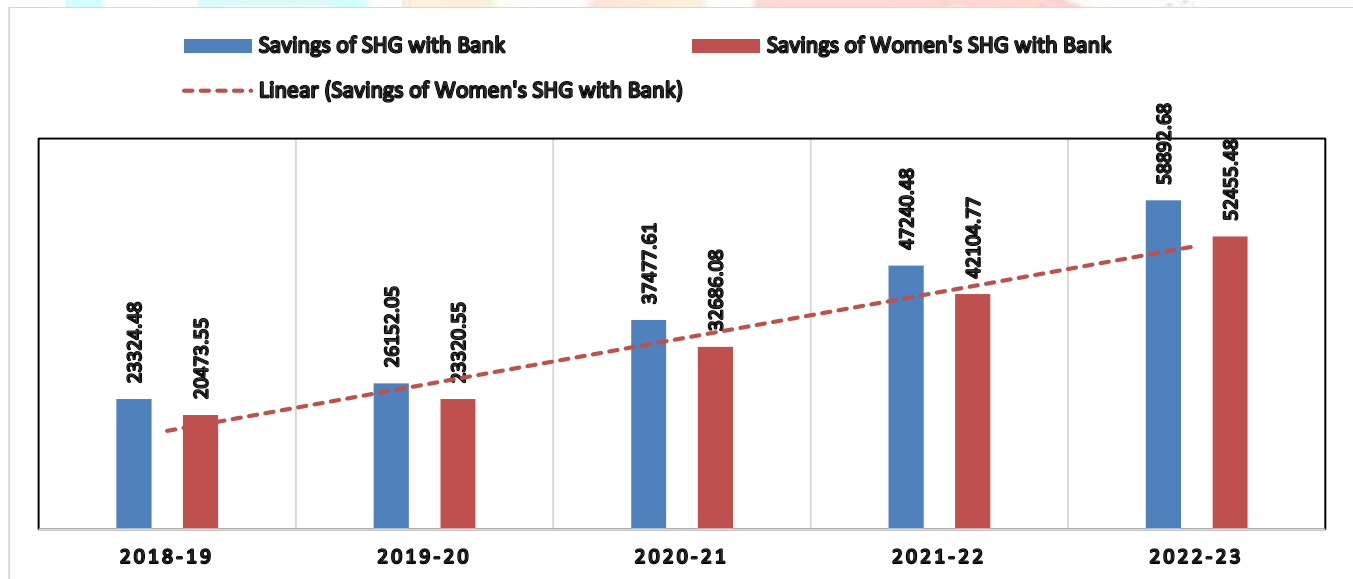
(Number in lakh/Amount in crore)

Year	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Savings SHG with Bank</b>	23324.48 (19.05%)	26152.05 (12.12%)	37477.61 (43.31%)	47240.48 (26.05%)	58892.68 (24.67%)
<b>Savings of Women's SHG with Bank</b>	20473.55 (17.01%)	23320.55 (13.91%)	32686.08 (40.16%)	42104.77 (28.81%)	52455.48 (24.58%)

Source: Status of Micro Finance in India 2018-19 to 2022-23

FIGURE NO.-2

## SHG SAVINGS WITH BANK



Source: Status of Micro Finance in India 2018-19 to 2022-23

Table 2 and figure 2 depicted that there is a growth in saving, if we compare the savings of 2022-23 and 2018-19 it is found that that the total savings of the group increased from 23324.48 crore from 2018-19 to Rs. 58892.68 crore in 2022-23, there is a growth of 24.67% of saving in comparison with 2018-19.

TABLE 3

## TOTAL NO. OF LOAN DISBURSED TO SHGs

(Number in lakh/Amount in crore)

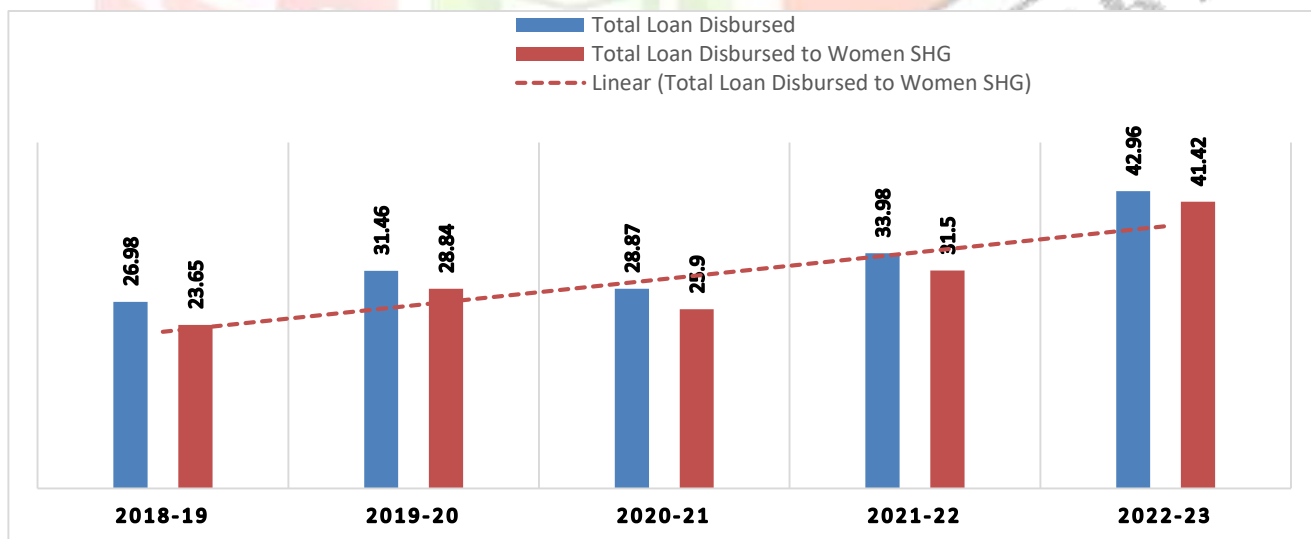
Year	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Total Loan Disbursement</b>	26.98 (19.33%)	<b>31.46</b> (16.60%)	28.87 (-8.23%)	33.98 (17.71%)	42.96 (26.42%)
<b>Loan Disbursement to Women SHG</b>	23.65 (13.98%)	<b>28.84</b> (21.95%)	25.9 (-10.19%)	31.5 (21.63%)	41.42 (31.49%)

Source: Status of Micro Finance in India 2018-19 to 2022-23

Table 3 and figure 3 depicted that total loan disbursed to the SHG showing an increasing trend, during the year 2022-23 total loan disbursed to the groups were 42.96 which is 26.42% higher than the previous year i.e 2021-22. Out of the total number of loan disbursed 41.42 during the year 41.42 i.e 96.41% are of women group, if we review the data than it will be found that there is a decrease in total loan disbursement during the year 2020-21 because of Pandemic, however in coming years the situation changed and total loan disbursement showing an increasing trend.

FIGURE 3

## TOTAL NO. OF LOAN DISBURSED TO SHGs



Source: Status of Micro Finance in India 2018-19 to 2022-23



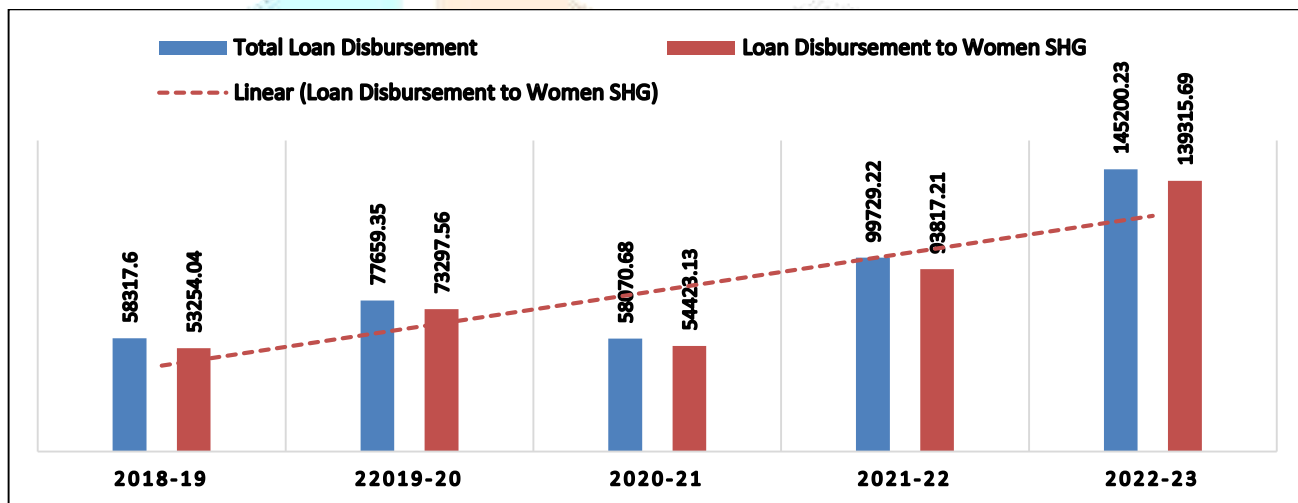
**TABLE 4**  
**TOTAL AMOUNT OF LOAN DISBURSED TO SHGs**

(Number in lakh/Amount in crore)

Year	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Total Loan Disbursement</b>	58317.6 (23.59%)	77659.35 (33.17%)	58070.68 (-25.22%)	99729.22 (71.74%)	145200.23 (45.59%)
<b>Loan Disbursement to Women SHG</b>	53254.04 (19.51%)	73297.56 (37.64%)	54423.13 (-25.75%)	93817.21 (72.38%)	139315.69 (48.50%)

Source: Status of Micro Finance in India 2018-19 to 2022-23

**FIGURE 4**  
**TOTAL AMOUNT OF LOAN DISBURSED TO SHGs**



Source: Status of Micro Finance in India 2018-19 to 2022-23

As savings grow, the eligibility of SHGs for loans from banks/FIs augment and thus business investment potential increases. Table 4 and Figure 4 provide total loan amount disbursement to the groups, table shows Rs. 145200.23 crore disbursed upto 2022-23 which is 45.59% greater than the previous year. If we compare the data of saving and loan amount disbursement then it is found that total saving is Rs. 58892.68 crore but the total loan amount disbursed to the SHG is Rs. 145200.23 crore which is more than 100 times of saving.

### 1.9 Evaluation of Region Wise Progress of SHGBLP in India

Table 8 depicts the fact that sets out region-wise number of SHGs-saving linked to banks for 5 years period from 2018-19 to 2022-23. It was found that there is a minor decline in Southern region specially in the year 2022-23. With higher growth in SHG-BLP in North East Region and other priority states during the study period, there has been slight correction in the southern bias of SHG - BLP.

TABLE 5

## Region-wise progress of Savings Linked SHGs with Banks (2018-19 to 2020-21)

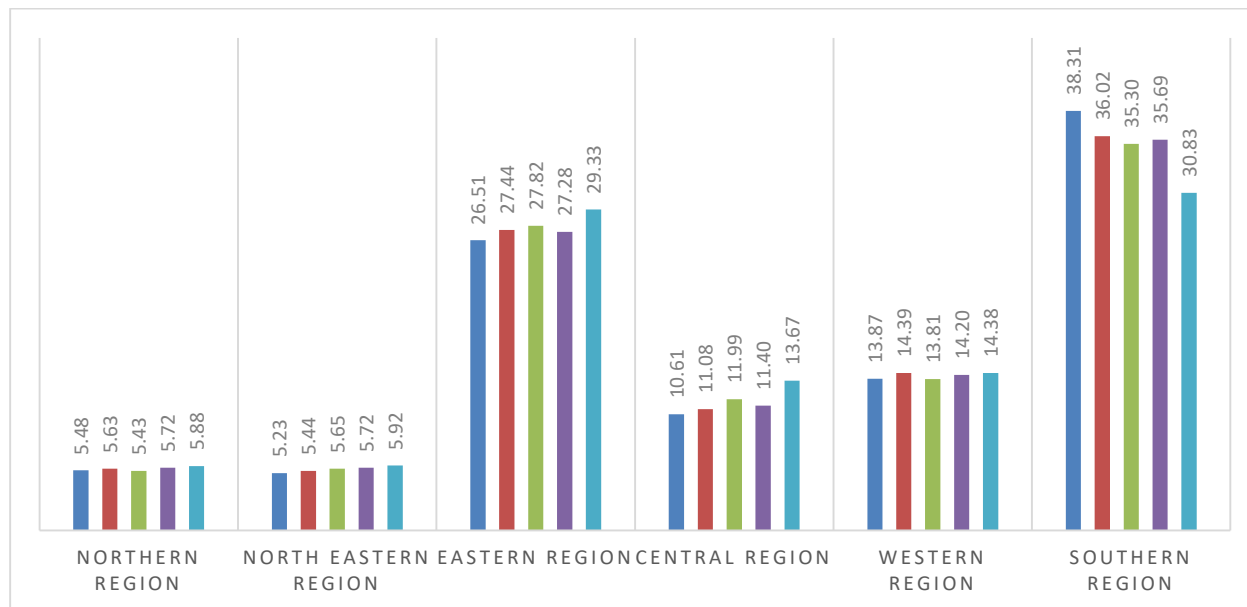
(Number in lakh/Amount in crore)

S.N	Region	2018-19		2019-20		2020-21		2021-22		2022-23	
		No. of SHG	Saving Amount	No. of SHG	Saving Amount	No. of SHG	Saving Amount	No. of SHG	Saving Amount	No. of SHG	Saving Amount
1	Northern Region	5,48,624	62,453	5,77,122	59,550	6,09,808	1,74,345	6,80,143	1,99,582	7,87,807	1,22,485
2	North Eastern Region	5,23,469	40,407	5,56,899	48,141	6,33,714	83,126	6,80,845	1,06,441	7,93,320	1,27,153
3	Eastern Region	26,54,358	6,01,155	28,11,130	6,64,333	31,22,424	7,74,912	32,43,980	13,58,595	39,30,551	17,42,499
4	Central Region	10,62,759	1,33,230	11,35,083	1,71,217	13,45,575	2,11,870	13,55,564	3,25,696	18,32,040	4,58,675
5	Western Region	13,88,615	2,05,275	14,73,853	2,01,880	15,50,176	3,74,023	16,88,451	3,27,691	19,27,560	5,41,611
6	Southern Region	38,36,418	12,89,928	36,89,236	14,70,085	39,61,703	21,29,485	42,44,070	24,06,043	41,31,805	28,96,845
<b>Total</b>		1,00,14,243	23,32,448	1,02,43,323	26,15,205	1,12,23,400	37,47,761	1,18,93,053	47,24,048	1,34,03,083	58,89,268

Source: Status of Micro Finance in India 2018-19 to 2022-23

FIGURE 5

## REGION WISE SHARE IN NUMBER OF SAVINGS-LINKED SHGs



	North ern Regio n	North Eastern Region	Eastern Region	Central Region	Western Region	Southern Region
2018-19	5.48	5.23	26.51	10.61	13.87	38.31
2019-20	5.63	5.44	27.44	11.08	14.39	36.02
2020-21	5.43	5.65	27.82	11.99	13.81	35.30
2021-22	5.72	5.72	27.28	11.40	14.20	35.69
2022-23	5.88	5.92	29.33	13.67	14.38	30.83

Source: Status of Micro Finance in India 2018-19 to 2022-23

In terms of the percentage share of savings linked to Self-Help Groups (SHGs) during the fiscal year 2022-23, the Southern region recorded the highest proportion at 31%, followed by the Eastern region at 29%, and the Western region at 14% [refer to Fig. 5]. Demonstrating a positive trend in savings linkage throughout the year, the cumulative savings of SHGs with banks experienced a notable increase of 25%, rising from Rs. 47,240.48 crore in 2021-22 to Rs. 58,892.68 crore in 2022-23. Savings of SHGs in 2022-23 exhibited growth in all regions, with the exception of the Northern region, which saw a decrease of 39%. The Western region demonstrated the highest growth at 65%.

The average savings per SHG witnessed a growth of 10.62%, increasing from Rs. 39,721 in 2021-22 to Rs. 43,940 in 2022-23 [see Fig. 2.4]. Region-specific data indicates an increase in average savings for all regions, except the Northern region. Notably, the Western region experienced a substantial growth of 45%, rising from Rs. 19,408 to Rs. 28,098. The Southern region maintained the highest average savings per SHG at Rs. 70,111, while the Northern region reported the lowest at Rs. 15,548.

## CONCLUSION

This paper delves into the dynamic landscape of the Self Help Group (SHG) Bank Linkage Programme, a cornerstone of microfinance spearheaded by NABARD since 1992. With a staggering 134.03 lakh SHGs linked to banks by March 2023, of which an impressive 84.25% are women-led, the programme stands as a beacon of financial inclusion and empowerment in India.

The SHG bank linkage model has emerged triumphant as a pioneering microfinance initiative. It operates on the principle of collateral-free loans, where peer group accountability substitutes traditional collateral requirements. This approach not only reduces transaction costs but also empowers SHG members through collective decision-making and responsible fund management.

The southern region has showcased exemplary progress, leading in SHG formation, bank linkages, savings deposits, and loan disbursements. In contrast, the eastern region has experienced slower growth, presenting opportunities for targeted interventions to accelerate development.

Microfinance through SHGs has revolutionized rural economies, particularly in remote villages, liberating communities from the clutches of local moneylenders. It has fostered economic resilience and social cohesion, empowering women and marginalized groups to actively participate in economic activities and decision-making processes.

The SHG-Bank Linkage Programme remains pivotal in NABARD's strategy for rural poverty alleviation. Its status as the world's largest microfinance programme underscores its potential for sustained impact and inclusive growth. Moving forward, continued support and expansion of microfinance initiatives are essential to further empower rural communities and ensure their sustainable development.

In conclusion, the SHG Bank Linkage Programme epitomizes a transformative force in India's development narrative. By enabling access to credit and promoting financial literacy, it has catalyzed socio-economic progress across diverse regions. As NABARD continues to champion microfinance through SHGs, it is poised to unlock new opportunities and pathways for rural prosperity and gender equality.

This study illuminates the profound impact and ongoing evolution of the SHG Bank Linkage Programme, advocating for its sustained momentum and expansion to empower the most vulnerable communities in India.

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