

“Financial Inclusion in SHG-bank Linkage Model under SGSY with special reference of Jhansi District”

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Abstract: *Financial Inclusion is a very big challenge to banking sector. Till now most of the banking facilities are not reaching to deprive. Micro financing through SHGs is a vital weapon for poverty eradication. But due to lack of uniformity it is not complete its target efficiently. In this paper try to focus on the financial inclusion in SHGs-Bank Linkage Programme under SGSY scheme in Jhansi district. SBLP is the banking link with poors to uplift their socio-economoc, health, nutrition, insurance, saving, education aspects. It is an attempt to clarify how much this programme reach to beneficiaries of SHGs.*

The present study differs from previous studies as it is focused its basic cause for reduction in quality numbers of SHGs come out after complete all stages. Further, this paper tries to access the grass root issues relating to SHGs and the normal course in decrease the number of SHGs at last stage in the study area. The study is undertaken in four development blocks of jhansi Districts of Uttar Pradesh during 2009-13. It is observed that due to fast growing of the SHG-bank linkage programme, quality credit linked SHG has not cover all stages of the programme.. Some of the factors affecting the decline of SHGs are the target oriented approach of the government in preparing group, inadequate incentive to NGO's for nurturing their groups etc.

I. Introduction

Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. "Financial inclusion is delivery of banking services at an affordable cost ('no frills' accounts,) to the vast sections of disadvantaged and low income group. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy." As a large number of the weaker and disadvantaged sections of rural society suffer from financial exclusion, there is a need to bring about financial inclusion using technological inputs, on a massive scale, over the next 5 years. This means that every rural family will have at least one member of the household with a bank account. This 'no-frills' bank account is expected to enhance access to deposit account, low cost credit, micro insurance, safe money transfers, and financial counseling.

II. Existing Banking System and Financial Inclusion

The banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to reach and bring vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. Internationally also efforts are being made to study the causes of financial exclusion and design strategies to ensure financial inclusion of the poor and disadvantaged. The reasons may vary from country to country and so also the strategy but all out efforts are needed as financial inclusion can truly lift the standard of life of the poor and the disadvantaged.

"Nearly forty years after nationalization of banks, 60% of the country's population do not have bank accounts and nearly 90% do not get loans," India has been currently the second-highest number of financially excluded households in the world. While, 40% of India's population have

bank accounts, and about 10% have life insurance cover, a meagre 0.6% has non-life insurance cover. In this programme basically linked the poors through saving accounts and generate the habits of saving then passed the all stages like Ist grading, receive revolving fund IInd grading, complete cash credit limits and in last credit linked with banks. The member of SHGs takes the loan and engaged in any income generating activities through which SHGs are empowered themselves.

III. Financial Inclusion in SBLP under SGSY:

Despite the phenomenal expansion of the organized banking system in India, a very large number of the poor continued to remain excluded from the formal banking system. The existing banking policies, systems and procedures were not ideally designed to enable the poor to be a part of the formal banking system. Hence,

the need for an alternative credit delivery mechanism which would meet the requirements of the poor was acutely felt in the late 1980s. In the above backdrop, the National Bank for Agriculture and Rural Development (NABARD) initiated a search for alternative policies, systems and procedures, savings and loan products, other complementary services, and new delivery mechanisms that would fulfill the requirements of the poorest, especially of the women members of such households. National Bank for Agriculture and Rural Development (NABARD) has designed, developed and has been facilitating SHG- Bank Linkage Programme in India since 1992 with various partner agencies like Banks, NGOs, Government Agencies/ Departments, etc. The SHG – Bank Linkage Programme and other microfinance initiatives by NABARD has contributed much towards financial inclusion process in India.

Objective of the study:

1. To analyze financial inclusion in SHGs-Bank linkage programme under SGSY in Jhansi district.
2. To find out growth in credit linkage SHGs of SBLP under SGSY in blocks of Jhansi district.
3. To study the financial inclusion during in different stages in the blocks of Jhansi district.

IV. Research Methodology:

The research design and methodology devised in this paper is being presented which has been designed keeping in mind the focused objectives and with the aim of acquiring accurate and authentic data. The study was restricted to only four Development Blocks out of eight Development Blocks of the jhansi district of Uttar Pradesh. viz. Bangra Development Block, Mauranipur Development Block Gursari and Bamour Development Blocks. These revenue Data has been collected from secondary sources from District Rural Development Agencies of Development Office, Jhansi district. Only SHGs under SGSY which are enlisted with Directorate of SHGs under SGSY in Jhansi district. 2009-12 years are taken for the study

V. Review Literature

Financial inclusion is defined as the process of ensuring access to timely and adequate credit and financial services by vulnerable groups at an affordable cost (Kamath, 2007). Financial inclusion was envisaged and embedded in Indian credit policies in the earlier decades also, though in a disguised form and without the same nomenclature (Rao, 2007) empirical evidence shows that inclusive financial system significantly raise growth, alleviate poverty and expand economic opportunity (More and Ananth, 2007). Financial inclusion is very much needed to reach the unreached section of people and to bring them to the mainstream economy. A World Bank NCAER Survey (2003). On ‘Rural Access to Finance’ indicates that 70% of the rural poor do not have a bank account and 87% have no access to credit from a formal source. In the era of financial globalization, financial inclusion has been considered as a major requirement. Micro finance being used in India for the purpose accomplishing universal financial inclusion (Economic Research Journal 2009)

VI. Analysis and Interpretation:

Table-1 Status of different stages of SHGs-Bank Linkage Programme under SGSY in Bangra Block

Year	Formed SHGs (Saving Linkage SHGs)	Passed Ist Grading	Receive Revolving Fund	Cash Credit Limits(CCL)	Passed IInd Grading	Apply for Loan	Loan Disbursed (Credit Linkage SHGs)
2009	287	176	176	150	102	102	99
2010	316	186	186	159	122	122	122
2011	391	222	222	179	139	135	135
2012	457	240	240	194	171	170	164

(Source: Annual report of DRDA, Development Office, Jhansi)

Fig-1.1 Growth in credit Linkage SHGs

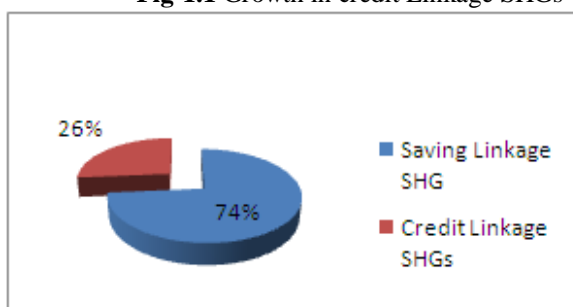
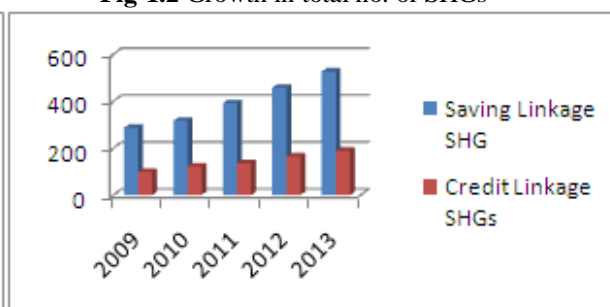


Fig-1.2 Growth in total no. of SHGs



Bangra block consist with 26% credit linkage SHGs and 74% saving linkage SHGs. Fig-6.2 show that in this block SHGs are also growing but the important problem is that the growth of credit Linkage SHGs is not increasing with saving linkage SHGs.

Table-2 Status of different stages of SHGs-Bank Linkage Programme under SGSY in Mauranipur Block

Year	Formed SHGs (Saving Linkage SHGs)	Passed Ist Grading	Receive Revolving Fund	Cash Limits(CCL)	Credit	Passed Grading	IInd	Apply for Loan	Loan Disbursed (Credit Linkage SHGs)
2009	288	147	147	116		83		78	72
2010	309	151	151	124		112		106	102
2011	378	185	185	146		115		119	117
2012	440	208	208	161		141		140	140

(Source: Annual report of DRDA, Development Office, Jhansi)

Fig-2.1 Growth in credit Linkage SHGs

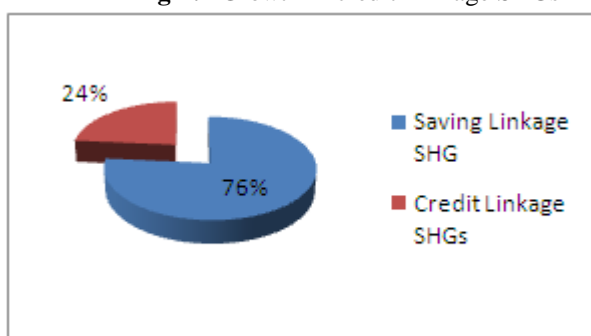
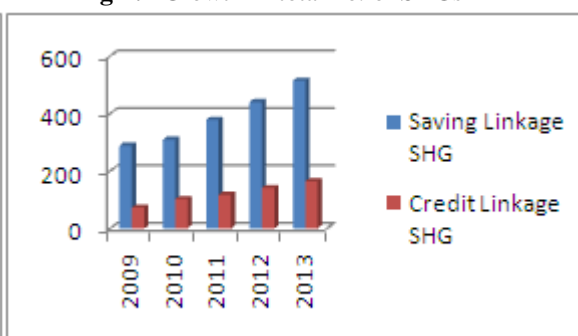


Fig-2.2 Growth in total no. of SHGs



Both of the above fig explain again all the credit linkage SHGs are not increasing like saving linkage SHGs.

Table-3 Status of different stages of SHGs-Bank Linkage Programme under SGSY in Gursarai Block

Year	Formed SHGs (Saving Linkage SHGs)	Passed Ist Grading	Receive Revolving Fund	Cash Limits(CCL)	Credit	Passed Grading	IInd	Apply for Loan	Loan Disbursed (Credit Linkage SHGs)
2009	266	137	137	93		74		71	51
2010	288	141	141	97		85		83	80
2011	343	150	150	104		86		85	86
2012	378	156	156	108		92		93	92
2013	451	159	159	110		117		117	116

(Source: Annual report of DRDA, Development Office, Jhansi)

Fig-3.1 Growth in credit Linkage SHGs

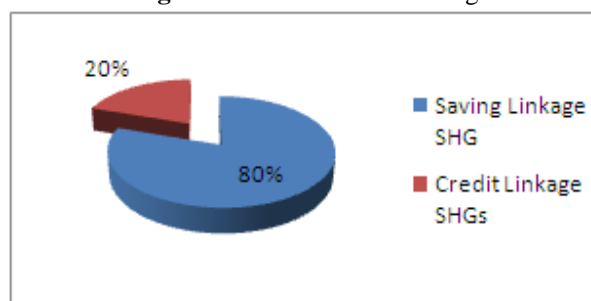
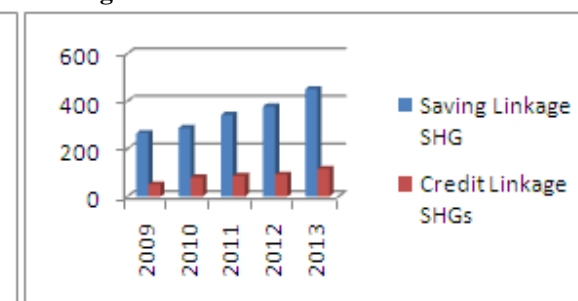


Fig-3.2 Growth in total no. of SHGs



In Gursarai block compare to other blocks 20% are linked with bank and take loan and 80% are saving linkage SHGs and formed and growth credit linkage SHGs in No. is very low

Table-4 Status of different stages of SHGs-Bank Linkage Programme under SGSY in Bamour Block

Year	Formed SHGs (Saving Linkage SHGs)	Passed Ist Grading	Receive Revolving Fund	Cash Limits(CCL)	Credit	Passed Grading	IInd	Apply for Loan	Loan Disbursed (Credit Linkage SHGs)
2009	266	131	131	109		86		58	58
2010	278	148	148	120		155		84	80
2011	342	173	173	155		137		107	102
2012	420	192	192	184		169		143	129
2013	495	226	226	217		193		166	153

(Source: Annual report of DRDA, Development Office, Jhansi)

Fig-4.1 Growth in credit Linkage SHGs

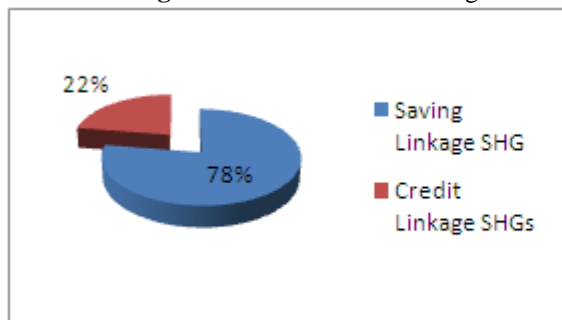


Fig-4.2 Growth in total no. of SHGs

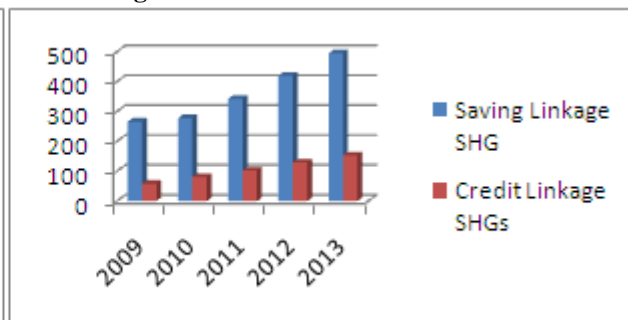


Fig-9.1 and 9.2 are also shows the growth in no. of credit linkage SHGs are not acceptable in Bamour Block. It is show that 22% is take loan and 78% are formed.

VII. Findings:

1. After the formation number is decrease continuously. The rate of conversion to Grade I is 60% while the said conversion of grade I to Grade II is very low in all the selected Development Blocks.
2. It is also found that in bangra block comparative to another blocks 26% credit linkage SHGs are benefited.
3. It is found that in Jhansi district saving linkage SHGs are compare to credit linkage SHGs are increased.
4. It is observed that credit linkage SHGs comparatively low growth than saving linkage SHGs.
5. It is also observed that all the blocks in Jhansi are not achieve satisfactory target of credit linkage.
6. It is found that prerequisite in expansion of credit linkage SHGs.

VIII. Conclusion

worldwide microfinance is an effective tool for financial inclusion. In India it is most required that financial inclusion will be shrink but unfortunately it have no positive result. In this paper focused on the financial inclusion in SGSY Govt. sponsored scheme. It has found that in Jhansi district SHGs are formed in a positive direction but it was not able to achieve its ultimate target. In overall credit linkage with bank was not more than 26%.This condition is not adequate because financial inclusion is decrease only on the basis of opening the saving account but it is not maintain its performance till passed the IInd grading and benefited with credit continuously. It is also required that SHGs should be engage in income generating activities also after taking the loan and subsidies.

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