

Financial Inclusion in India: An Analysis of SHG – Bank Linkage Programme

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Abstract

The research paper will analyse the extent of financial exclusion in the country and measure financial inclusion. Financial exclusion leads to non accessibility, non-affordability and non-availability of financial products. Limited access to funds in an underdeveloped financial system restricts the availability of their own funds to individuals and also leads to high cost credit from informal sources such as money lenders. Due to lack of access to a bank account and remittance facilities, the individual pays higher charges for basic financial transactions. Absence of bank account also leads to security threat and loss of interest by holding cash. All these impose real costs on individuals. The paper further assess the relevance of Self Help Group -Bank Linkage programme, initiated by NABARD in 1992 as an important initiative for the financial inclusion in the country. Further, the programme has enabled an estimated 409.5 lakh poor households to gain access to micro finance from the formal banking system as on 31 March 2007.

I. Introduction:

THE IMPORTANCE OF the rural banking and microfinance in the economic development of a country cannot be overlooked. As Mahatma Gandhi pointed out "Real India lives in village economy. The existing extensive formal banking structure is still not sufficient to meet the growing demand of rural credit. Financial inclusion is delivery of financial services more especially the banking services at an affordable cost to vast sections of disadvantaged and low income groups. Financial inclusion aims at drawing the "Unbanked" population into the formal financial system so that they have the opportunity to access financial services ranging from savings, payments, and transfers to credit and insurance. Major commercial banks

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taken up during 1992 to 69.53 lakh SHGs (including SGSY groups) at the end of March 2010 of whom 53.10 lakh were exclusively women SHGs in the entire country. Total number of SHGs having loan outstanding as on 31.3.2010 was 48.51 lakh of which 38.98 lakh were women SHGs.

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