Volume 1, Issue 2, 2024

Intuitions & Insights

An Interdisciplinary Research Journal

ISSN: 3048-6793

Evolution of Microfinance and Financial Inclusion in India: 2006-2023

Dr. Nikhil Kumar Mandal

Department of Economics,Chakdaha College, Nadia, West Bengal, India

E-mail: nkm.eco@chakdahacollege.ac.in

Abstract: This study examines the expansion of financial inclusion in India, focusing on regional variations and the impact of related policies. It investigates the factors driving regional growth in financial inclusion, highlighting the beneficiaries and the rationale behind the Government of India's adoption of the National Bank for Agriculture and Rural Development's(NABARD's) 1992 policy. The analysis centre's on key financial indicators such as number of Self-Help Groups (SHGs) with the savings linked to banks; number of SHGs with the loan disbursed to SHGs and number of SHGs with the loan outstanding from 2006-07 to 2022-23. Using simple mathematical methods to calculate annual and combined growth rates, the study found that the southern region registered for the lion's share of financial inclusion through microfinance. The policy has significantly benefited weaker sections of society, leading to asset accumulation, increased incomes, and better access to education, improved living standards, reduced vulnerability, and women's empowerment. This research provides insights into the regional dynamics of financial inclusion and its socio-economic impacts on disadvantaged groups of people.

Keywords: Financial inclusion, Microfinance, Region, Self-Help Groups

*Corresponding author: Dr. N. K. Mandal

Received: 03.08.2024; **Accepted**: 25.10.2024; **Published**: 14.11.2024

1. Introduction

In our country, two credit markets operate simultaneously. The formal credit market offers loans at relatively low and uniform interest rates, but with specific terms and conditions, including the requirement for collateral. Collateral is a significant barrier for many poor households, as banks demand security before disbursing loans. As a result, a large portion of the population is unable to access the formal credit system. In contrast, the informal credit market operates with high interest rates but no formal terms and conditions, making it more accessible to those without collateral. However, the high cost of borrowing can lead to financial distress. Recognizing this issue, the Government of India introduced financial sector reforms in 1991, with one of the key objective being financial inclusion. This aimed to extend banking services to the weaker sections of society, providing them with access to affordable credit and improving their overall economic well-being.The Rangarajan Committee defines financial inclusion as providing vulnerable groups, like weaker sections and low-income individuals, with access to affordable financial services and timely, adequate credit when needed.

In 1991, financial sector reforms in India prioritized financial inclusion, leading to a focus on microfinance as a key strategy. Microfinance offers short-term, collateral-free loans to low-income individuals, focusing on generating income. These small loans have frequent repayment schedules and help extend financial services to underserved populations.In India, the NABARD was the first to recognize the potential of microfinance. Since then, microfinance has steadily expanded through Self-Help Groups (SHGs). An SHG usually consists of 10-20 members, mostly rural women, who contribute small amount monthly savings basis. These pooled savings are used to provide small loans to members. Over time, SHGs leverage their accumulated savings to secure larger bank loans, primarily for income-generating purposes.

The SHG-Bank Linkage Programme (SBLP), initiated by NABARD in 1992, connects traditional banks with informal SHGs to provide financial services to underserved sections. This initiative enables SHG members to pool savings, access bank credit, and launch livelihood projects, fostering both financial inclusion and empowerment.

According to NABARD, microfinance in India operates through two primary models:

A) SHG Bank Linkage Model: In this model, SHGs are linked to banks, including commercial, regional rural, and cooperative banks. These groups pool their financial resources and deposit them by opening a bank account. Loans are then granted to the group based on their needs.

B) MFI Bank Linkage Model: Here, mainstream Microfinance Institutions (MFIs) are connected to banks, which provide financial support to MFIs. The MFIs, in turn, extend financial assistance to SHGs and other marginal borrowers example Bandhan Bank.

Both models aim to channel financial services to poor and underserved households. Microfinance is a strategy aimed at offering financial services such as credit, savings, and insurance to individuals who are excluded from the formal banking system.

2. Review of Literature

In developing countries, especially rural areas, many people cannot afford costly financial services, leading to financial exclusion and trapping them in poverty due to a lack of collateral. Microfinance institutions (MFIs) address this by offering large loans with manageable repayment options, promoting financial inclusion and breaking the poverty cycle.

Ali and Alam (2010)observed that microfinance improved living standards by enhancing health, education, food security, and reducing poverty. Despite high interest rates, people preferred collateral-free loans, which boosted business success and facilitated loan repayment.

Sudipta De and Debnarayan Sarkar (2011) studied microcredit programs in West Bengal, finding that women's involvement in SHGs enhances empowerment through increased autonomy, participation, and capacity-building. Extended participation positively impacts women's empowerment, children’s nutrition, and household protein intake compared to control groups.

S. Sarumathi and Dr. K. Mohan (2011) found that the microfinance strategy significantly enhanced women's literacy, economic status, and social empowerment in rural Pondicherry. Additionally, 92% of participants reported a reduction in poverty, with all respondents experiencing increased self-confidence, skills, and a sense of self-worth. Tara S. Nair (2012) observed that since the mid-2000s, commercial banks increasingly supported large MFIs and adopted innovative capital-raising strategies. MFIs linked neo-liberal restructuring and financialization to local communities' daily lives through product structuring and new debt instruments.

Maheshwari M and Shobhna Goya (2014) suggested that SHG-based microfinance empowers rural women, fosters income generation, and promotes social change. It strengthens the formal banking system, promotes economic growth, and helps lift disadvantaged populations out of poverty.

Sreemoyee Das, A. Mitra, and Md. H. Ali (2015) emphasize women's entrepreneurship in India as vital for addressing rural poverty and urban development. SHGs promote rural entrepreneurship, utilizing local resources, skills, and female potential to improve life quality.

Tahir Mahmoud, Muhammad Farooq, Arby Tauqir Hussain, and Abdul Sattar (2016) found that microfinance credit boosts income and consumption, with a greater impact on productive activities than consumption.

Gurcharan Singh and Sarbjeet Kaur (2017) highlight microfinance's role in poverty alleviation and women empowerment, serving over 28 million clients. Their analysis shows significant growth of SHGs savings, loans, and decreasing NPAs in Central and Southern India.

Srirang Jha (2019) explored microfinance's impact on socio-economic empowerment and sustainable livelihoods in India. His study showed it significantly alleviates poverty, empowers vulnerable groups, and enhances dignity. However, urban microfinance institutions remain scarce.

3. Objective and Methodology

Objectives: The objectives of this study are to:

1. Explore regional disparities in financial inclusion through the bank-linked microfinance savings model across India from 2006-07 to 2022-23.
2. Analyse the yearly disbursed amounts of microfinance to assess financial inclusion trends.
3. Investigate regional loan outstanding for financial inclusion during the same period.
4. Compare financial inclusion levels both regional and India, providing insights into the overall performance and progress of microfinance initiatives across the country.

Methodology: This study relies solely on secondary sources and analyses financial inclusion across India from 2006-07 to 2022-23. The data was collected from the Rural Credit Innovations Department of NABARD, which has served as a key microfinance facilitator in India since 1992. The paper divides India into six regions based on the status of microfinance as reported, encompassing all 36 states and union territories: **I**. Northern Region: Chandigarh, Haryana, Himachal Pradesh, Jammu & Kashmir, New Delhi, Punjab, and Rajasthan **II**. North Eastern Region: Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura; **III**. Eastern Region: Andaman & Nicobar, Bihar, Jharkhand, Odisha, and West Bengal; **IV**. Central Region: Chhattisgarh, Madhya Pradesh, Uttarakhand and Uttar Pradesh; **V**. Western Region: Daman and Diu (UT), Dadra & Nagar Haveli (UT), Goa, Gujarat and Maharashtra and **VI**. Southern Region: Andhra Pradesh, Karnataka, Kerala, Lakshadweep (UT), Puducherry, Tamil Nadu and Telangana.

A section-wise discussion is provided on different variables of microfinance performance, such as the number of SHGs and the amount of savings generated with banks through microfinance models. The study focuses on two key indicators to assess the relative position of different regions in relation to financial inclusion through bank-linked microfinance- the savings of SHGs with banks; the disbursal of bank loans and loan outstanding. Simple mathematical calculations are employed throughout the paper to analyse these factors and to fulfil the objectives of the study.

4. Regional-wise Analysis

We have detailed the regional progression of financial inclusion through microfinance components, such as the number of SHGs and their savings linked with banks, for the period 2006-07 to 2022-23. This section focuses on the regional progress of microfinance components across six regions: northern, northeastern, eastern, central, western, and southern region. While the total data for 2006-07 has been recorded, regional breakdowns for that year are unavailable due to missing data. Due to the lack of reliable data sets before 2006-07, we focus the discussion on the period from 2006-07 onward. The analysis provides insight into how these regions have advanced in financial inclusion through microfinance initiatives over the given period, contributing to overall development across the country.

4.1. Progression of Savings linked with Banks

Table 1 shows that the southern region consistently reports higher per SHG savings linked with banks compared to other regionseach year. The savings in the southern region ranged from Rs. 8,722.56 in 2007-08 to Rs. 70,107.58 in 2022-23. This represents an increase of 8.04 times over the period. Graph 1 illustrates this trend, with the southern region's line consistently positioned above those of the other regions.

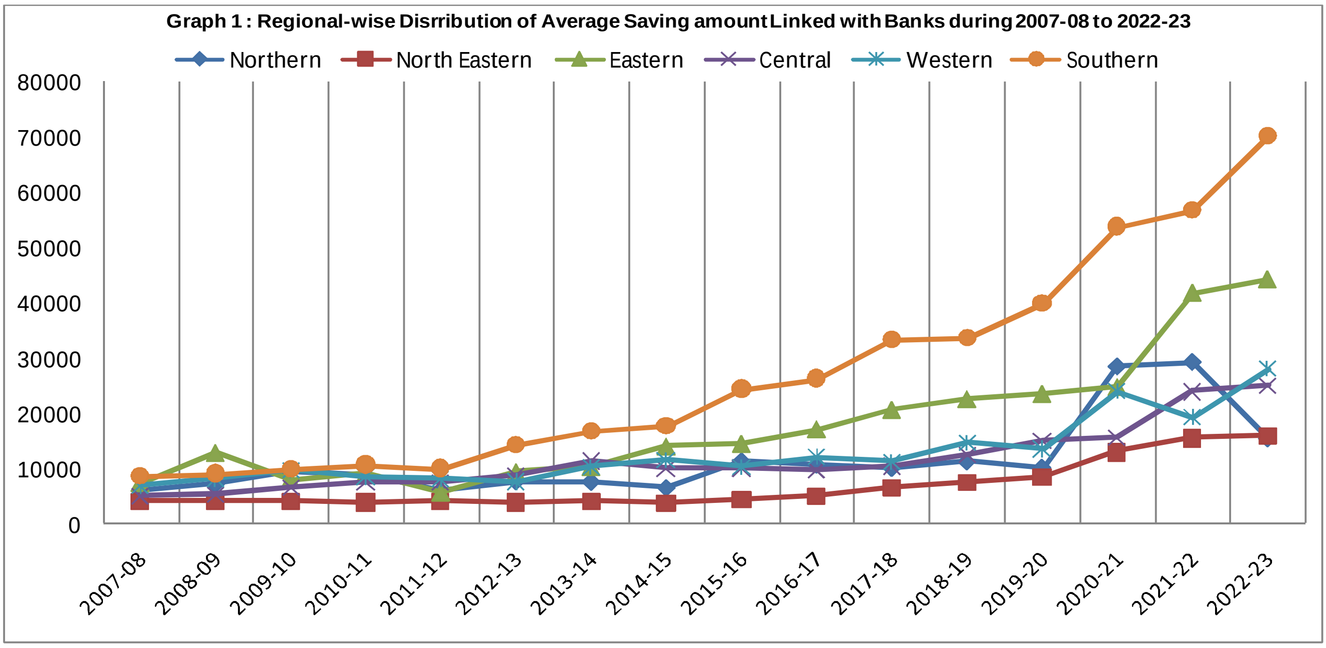
Following the southern region, the eastern region holds the second position in average savings linked with banks. The figures for the eastern region ranged from Rs. 7,504 in 2008-09 to Rs. 22,648 in 2018-19, and further increased to Rs. 44,327.12 in 2022-23. In contrast, the western region's savings figures increased from Rs. 6,994 in 2007-08 to Rs. 28,091.86 in 2022-23, marking a 4.02-fold increase over the period. The central region's savings figures varied from Rs. 5,199.44 in 2007-08 to Rs. 25,036.84 in 2022-23.

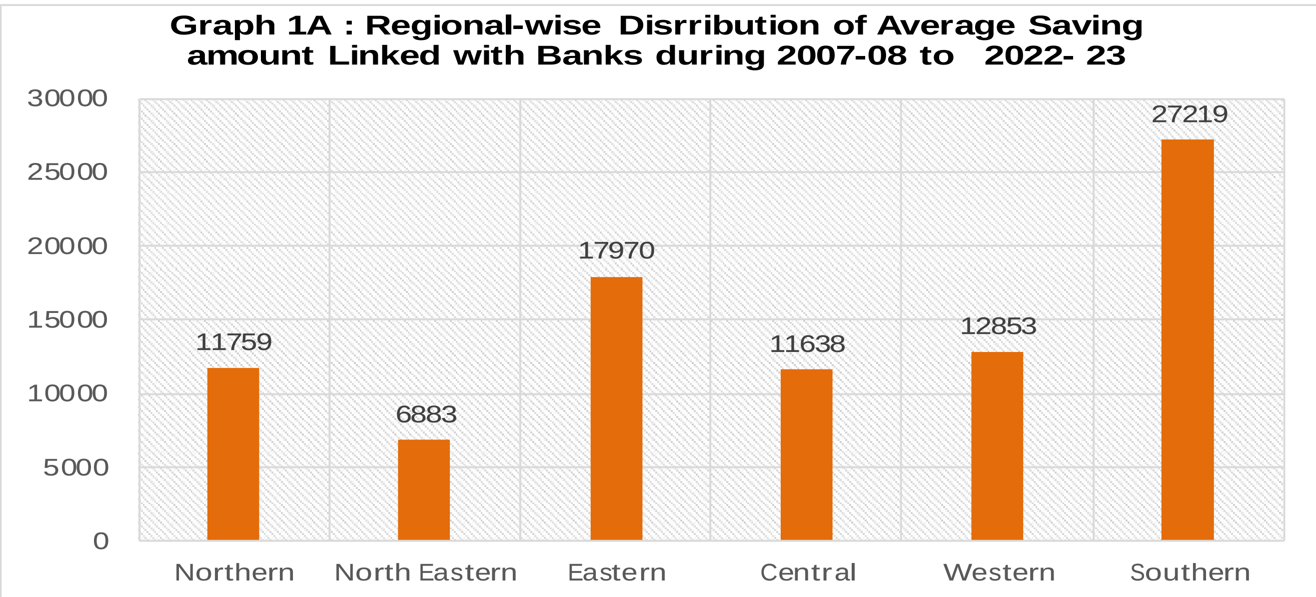
Table 1: Regional-wise of Average Savings Amount linked with Bank during 2006-07 to 2022-23 (Rs. /SHG)

	Northern	North Eastern	Eastern	Central	Western	Southern	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
2006-07	NA	NA	NA	NA	NA	NA	8442.82
2007-08	6133.42	4251.86	7504.32	5199.44	6994.05	8722.56	7555.98
2008-09	7300.32	4254.17	12940.68	5424.82	8345.23	9085.71	9059.99
2009-10	9717.90	4166.78	8152.40	6705.48	9795.67	9849.58	8915.16
2010-11	8820.38	4027.61	9220.69	7671.76	8626.43	10650.62	9402.71
2011-12	6185.82	4168.94	5824.11	7539.98	8210.92	10082.57	8230.41
2012-13	7808.31	4012.35	9469.75	8888.89	7682.12	14350.65	11228.82
2013-14	7753.42	4082.28	10394.83	11516.03	10367.89	16878.84	13322.68
2014-15	6648.62	3899.02	14124.00	10078.88	11594.72	17801.30	14368.15
2015-16	11440.13	4426.55	14608.02	10311.82	10383.50	24448.95	17324.40
2016-17	10870.02	5067.55	17231.90	9881.98	12166.32	26299.54	18787.72
2017-18	10293.52	6632.66	20732.23	10572.24	11362.26	33316.75	22405.23
2018-19	11383.54	7719.09	22647.84	12536.24	14782.73	33623.25	23291.31
2019-20	10320.62	8642.91	23633.33	15085.20	13696.07	39850.50	25531.64
2020-21	28581.15	13111.36	24821.01	15740.71	24130.52	53747.73	33390.60
2021-22	29350.29	15630.10	41880.24	24018.88	19412.97	56692.81	39721.25
2022-23	15543.78	16034.43	44327.12	25036.84	28091.86	70107.58	43936.65
Average	**11759.45**	**6882.98**	**17969.53**	**11638.08**	**12852.70**	**27219.31**	**19154.54**

Source: NABARD - Rural Credit Innovations Department

The northern region ranks fifth in terms of per SHG savings, with amounts growing from Rs. 6,133 in 2007-08 to Rs. 29,350.29 in 2021-22. The northeastern region shows the lowest performance among all regions, with savings increasing from Rs. 4,253 in 2007-08 to Rs. 16,034.43 in 2022-23. This data highlights the disparities in financial inclusion across regions, with the southern region leading in savings growth linked with banks.





The national average for SHG savings linked with banks stands at Rs 19,154.54, higher than most regions. However, the southern region exceeds this significantly, registering Rs 27,219.31, reflecting a notable difference in SHG savings across regions.

Andhra Pradesh, a state in the southern region, has seen significant growth in microfinance largely due to the efforts of Mr. Chandrababu Naidu, a prominent leader of the Telugu Desam Party. Serving as Chief Minister from 1995 to 2004, Naidu kept a strong relationship with the World Bank and actively pursued neoliberal reforms initially introduced by the Congress-led central government in 1991. His reforms included increasing user fees for water and public services, and reducing subsidies for electricity, fertilizers, and credit (Rao 2005:212). Mr. Naidu's Telugu Desam Party lost the Andhra Pradesh state elections in 2004 to (the late) Dr. YS Rajasekhar Reddy (YSR) of the Congress Party.The new government’s strategy focused on increasing lending support to SHGs at subsidized interest rates. As a result, financial inclusion expanded, particularly in the southern region, through the implementation of a microfinance policy that aimed to empower underserved communities and promote economic growth. Table 2 presents the regional percentage distribution of savings linked with banks from 2007-08 to 2022-23.

Table 2 : Regional-wise Percentage Distribution of Savings amount, linked with Bank under Microfinance during 2006-07 to 2022-23

	Northern (%)		North Eastern (%)		Eastern (%)		Central(%)		Western %)		Southern (%)		Total (%)	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
2006-07	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	100	100
2007-08	4.16	3.37	4.05	2.28	21.44	21.29	12.87	8.86	9.44	8.73	48.04	55.46	100	100
2008-09	5.08	4.09	3.92	1.84	20.16	28.80	11.65	6.97	13.00	11.98	46.19	46.32	100	100
2009-10	5.06	5.52	4.20	1.96	19.76	18.07	11.02	8.29	13.61	14.95	46.35	51.21	100	100
2010-11	5.00	4.69	4.37	1.87	20.46	20.07	10.53	8.59	12.88	11.82	46.76	52.96	100	100
2011-12	5.14	3.86	4.61	2.34	20.43	14.45	10.21	9.36	13.34	13.31	46.27	56.68	100	100
2012-13	5.10	3.54	4.43	1.58	20.10	16.95	9.59	7.59	12.38	8.47	48.40	61.86	100	100
2013-14	4.91	2.86	4.25	1.30	19.77	15.43	9.23	7.98	12.07	9.40	49.75	63.03	100	100
2014-15	4.69	2.17	4.34	1.18	19.81	19.47	10.62	7.45	12.23	9.87	48.32	59.87	100	100
2015-16	4.98	3.29	5.44	1.39	21.51	18.14	10.32	6.14	12.88	7.72	44.87	63.32	100	100
2016-17	5.33	3.08	5.28	1.42	22.77	20.88	9.90	5.21	13.29	8.61	43.43	60.79	100	100
2017-18	5.48	2.52	5.55	1.64	24.37	22.55	10.32	4.87	12.55	6.36	41.73	62.06	100	100
2018-19	5.48	2.68	5.23	1.73	26.51	25.77	10.61	5.71	13.87	8.80	38.31	55.30	100	100
2019-20	5.63	2.28	5.44	1.84	27.44	25.40	11.08	6.55	14.39	7.72	36.01	56.21	100	100
2020-21	5.43	4.65	5.65	2.22	27.82	20.68	11.99	5.65	13.81	9.98	35.30	56.82	100	100
2021-22	5.72	4.22	5.73	2.25	27.28	28.76	11.40	6.89	14.19	6.94	35.68	50.93	100	100
2022-23	5.88	2.08	5.92	2.16	29.33	29.59	13.67	7.79	14.38	9.20	30.83	49.19	100	100
Average	**5.19**	**3.43**	**4.90**	**1.81**	**23.06**	**21.64**	**10.94**	**7.12**	**13.02**	**9.62**	**42.89**	**56.38**	**100**	**100**

Note: No. and Amt. indicate Number of SHGs and Amount of Savings with Banks

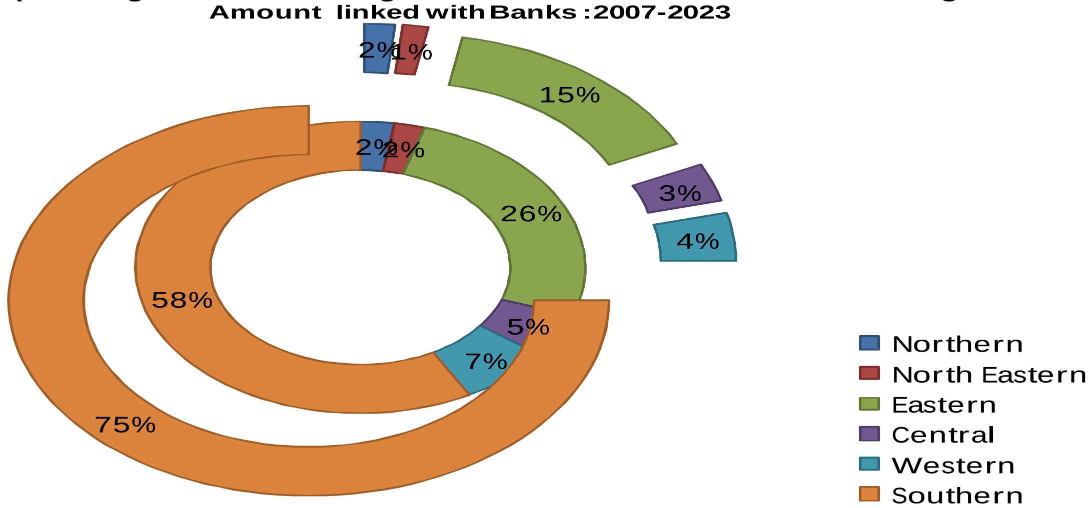
Source: NABARD - Rural Credit Innovations Department

The data highlights that the southern region consistently holds the largest share for both savings amount and number of SHGs. The percentage of savings linked with banks in the southern region increased steadily from 46.32% in 2008-09 to 63.32% in 2015-16, but then showed a declining trend, falling to 49.19% by 2022-23. Similarly, the percentage share of SHGs in the southern region rose from 48.04% in 2007-08 to 49.75% in 2013-14, before declining.

The average percentage shares for the southern region are 42.89% for the number of SHGs and 56.38% for savings amounts, as illustrated in Graph 2. In contrast, the eastern region exhibits a broadly increasing trend, with the share of savings amount rising from 21.29% in 2007-08 to 29.59% in 2022-23, and the share for the number of SHGs growing from 21.44% to 29.33% over the same period. The combined average percentages for the eastern region are 21.64% for savings and 23.06% for SHGs.

The northern, central, and western regions show moderate shares for both variables. For the northern region, the share of savings ranges from 2.17% in 2014-15 to 5.52% in 2009-10, while the share of SHGs ranges from 4.16% in 2007-08 to 5.88% in 2022-23.

Graph 2: Regional-wise Average % Share of Number of SHG and Savings Amount linked with Banks : 2007-2023



Note: Inner circle indicates Number of SHG and outer circle indicates Saving Amount

The average percentage share indicates that financial inclusion through bank-linked microfinance is predominantly concentrated in the southern region throughout the study period. This region has benefited the most from the policy implementation compared to other regions in India. Table 2 reveals that the southern region accounts for 56.38% of the total savings amount and 42.89% of the total number of SHGs, highlighting its significant role in financial inclusion.

Table 3 provides data on the annual and average growth rates of two key variables: the number of SHGs and the amount of savings linked with banks. The average combined growth rate for the amount of savings is 27.19%, with the eastern region showing the highest growth rate among the regions, while the growth rate for the number of SHGs stands at 9.34%. Despite the high percentage share of savings in the southern region (56.38%), its combined average growth rate for the number of SHGs is relatively low at just 7%. However, the growth rate for the amount of savings in the southern region is notably higher at 19.67%.

For the period from 2007-08 to 2022-23, the northern region has an average growth rate of 9.93% for the number of SHGs and 25.77% for the amount of savings. In the northeastern region, the average growth rates are 9.92% for the number of SHGs and 21.26% for the amount of savings. The central region shows a significant disparity, with a growth rate of 7.76% for the number of SHGs but high 20.13% for the amount of savings. Finally, the western region has average growth rates of 11.06% for the number of SHGs and 25.66% for the amount of savings.

Table 3 : The Regional-wise Annual and Average Growth Rate of savings amount linked with Bank for the period 2006-07 to 2022-23

	Northern		North Eastern		Eastern		Central		Western		Southern		**Total**	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
2006-07	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2007-08	-	-	-	-	-	-	-	-	-	-	-	-	20.41	7.76
2008-09	49.40	77.82	18.20	18.26	14.89	98.12	10.56	15.35	68.38	100.91	17.45	22.34	22.18	46.50
2009-10	13.18	50.67	21.67	19.17	11.35	-29.85	7.43	32.80	18.84	39.50	14.01	23.59	13.59	11.78
2010-11	5.97	-3.82	11.64	7.91	11.14	25.70	2.61	17.40	1.59	-10.54	8.25	17.06	7.32	13.19
2011-12	9.65	-23.10	12.58	16.53	6.48	-32.74	3.44	1.66	10.51	5.19	5.56	-0.07	6.67	-6.63
2012-13	-8.80	15.12	-11.72	-15.03	-9.53	47.10	-13.65	1.79	-14.69	-20.18	-3.83	36.88	-8.07	25.43
2013-14	-2.14	-2.83	-2.47	-0.77	-0.14	9.62	-2.28	26.60	-0.99	33.62	4.35	22.73	1.52	20.45
2014-15	-1.13	-15.22	5.69	0.95	3.79	41.02	19.13	4.27	4.92	17.34	0.64	6.14	3.61	11.74
2015-16	9.04	87.62	28.70	46.11	11.51	15.33	-0.20	2.11	8.17	-3.13	-4.67	30.93	2.67	23.79
2016-17	16.14	10.36	5.39	20.65	14.88	35.51	4.09	-0.25	11.98	31.21	5.05	13.00	8.53	17.70
2017-18	4.79	-0.77	7.19	40.30	9.11	31.28	6.27	13.69	-3.73	-10.09	-2.03	24.11	1.95	21.58
2018-19	14.56	26.69	7.80	25.46	24.56	36.07	17.79	39.68	26.53	64.62	5.13	6.09	14.52	19.05
2019-20	5.17	-4.65	6.41	19.14	5.90	10.51	6.80	28.51	6.15	-1.65	-3.84	13.97	2.28	12.12
2020-21	5.72	192.77	13.82	72.67	11.06	16.65	18.59	23.74	5.16	85.27	7.40	44.85	9.58	43.31
2021-22	11.48	14.48	7.41	28.05	3.91	75.32	0.74	53.72	8.90	-12.39	7.12	12.99	5.96	26.05
2022-23	15.88	-38.63	16.45	19.46	21.18	28.26	35.10	40.83	14.22	65.28	-2.64	20.40	12.70	24.67
Average	**9.93**	**25.77**	**9.92**	**21.26**	**9.34**	**27.19**	**7.76**	**20.13**	**11.06**	**25.66**	**3.86**	**19.67**	**7.00**	**20.72**

Note: No. and Amt. indicate Number of SHGs and Amount of Savings with Banks respectively

.These figures highlight the varying performance and growth dynamics across regions, reflecting differing levels of financial inclusion and the impact of microfinance initiatives.

The annual growth rates for the total number of SHGs and the amount of savings linked with banks are generally positive, except for the years 2011-12 and 2012-13. This indicates that, in most years, both the number of SHGs and savings have increased compared to the previous year, reflecting an effective expansion of microfinance across India. However, in certain years, there is a negative growth rate in either the number of SHGs or the amount of savings, suggesting that figures for the current year are lower than those of the previous year. This decline may be attributed to the effective utilization of savings by

SHGs for internal lending purposes, which could impact the recorded growth in these metrics.

4. 2. Regional-wise progression of Loan Disbursement

In the previous section, we discussed the region-wise progression of SHG savings with banks, providing a detailed explanation. This section focuses on the loan disbursement progression to Self-Help Groups from 2006-07 to 2022-23. The analysis explores how loan disbursement evolved across different regions during this period. The data supporting this progression is presented in tables 4 to 6, offering a comprehensive view of the changes in loan distribution and financial inclusion efforts for SHGs over the years.

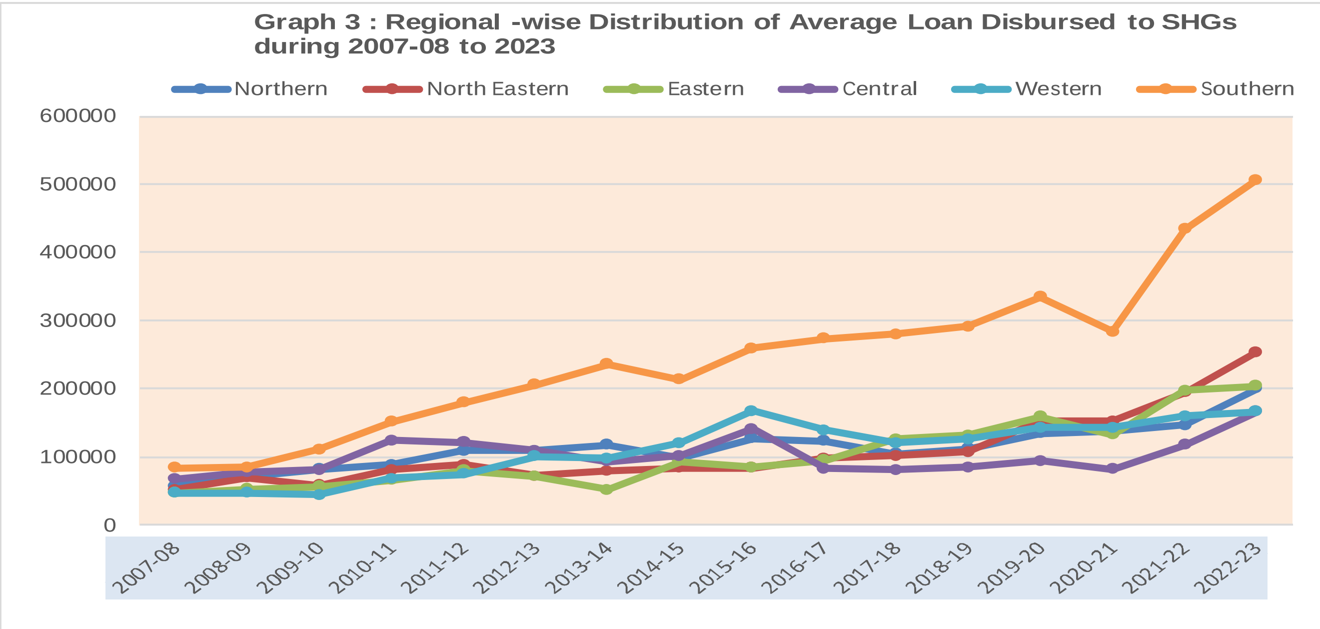
Table 4: Regional-wise Average Loan Disbursed for the period 2006-07 to 2022-23 (Rs. /SHG)

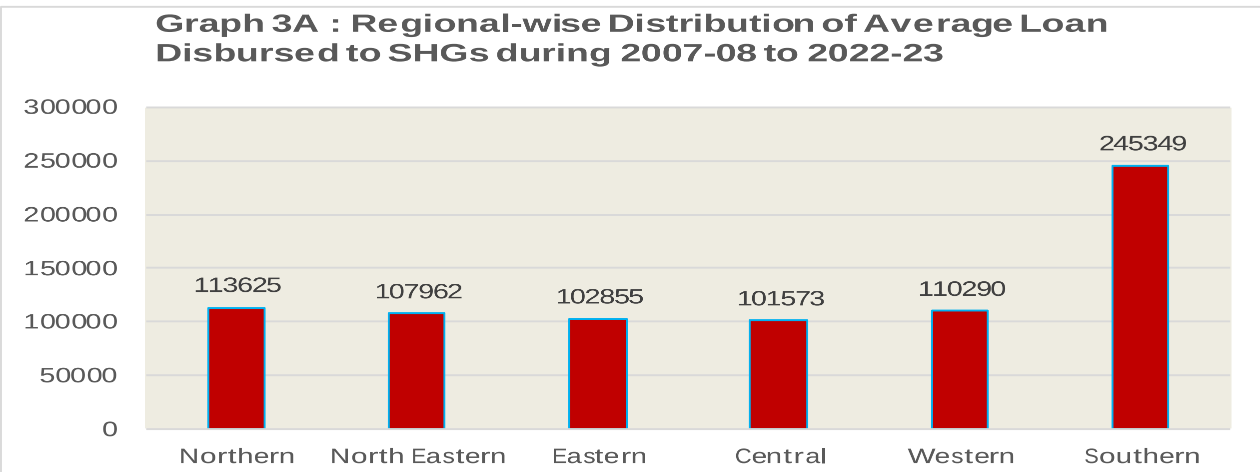
	Northern	North Eastern	Eastern	Central	Western	Southern	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
2006-07	NA	NA	NA	NA	NA	NA	59420.25
2007-08	56848.46	51070.23	46494.95	67077.13	46803.05	84340.73	72075.84
2008-09	70847.17	69401.76	52268.75	77321.21	46649.72	85192.03	76128.36
2009-10	81962.09	58241.20	55513.02	81198.62	43383.32	110880.19	91083.33
2010-11	88843.13	81653.78	65401.73	124666.72	68068.16	151459.40	121622.93
2011-12	109080.03	88482.52	80718.36	121342.51	74507.83	179492.79	144046.40
2012-13	109412.50	71606.21	70570.40	108895.23	100802.81	205261.70	168757.26
2013-14	117268.84	79124.99	50782.64	93092.49	98403.63	235717.59	175768.36
2014-15	97777.16	84055.66	93690.08	101535.86	120278.58	213083.43	169608.08
2015-16	126746.29	84374.93	84709.02	141271.84	167635.82	258995.79	203495.24
2016-17	123293.73	98134.28	95193.57	82864.04	139310.65	272926.33	204313.51
2017-18	104321.66	102012.54	126165.24	80732.45	120257.50	279454.10	208682.54
2018-19	112055.36	107070.85	131637.56	84805.72	125832.70	290749.73	216119.29
2019-20	134434.92	152350.00	158814.50	93918.02	143291.38	335250.37	246851.05
2020-21	138301.47	152427.94	132226.76	81727.13	143062.73	283175.99	201075.80
2021-22	146377.50	194353.68	197310.14	117925.54	159566.11	433879.92	293407.53
2022-23	200424.27	253035.48	204179.39	166788.85	166788.85	505718.11	332679.66
Average	**113624.66**	**107962.25**	**102854.76**	**101572.71**	**110290.18**	**245348.64**	**182857.20**

Source: NABARD - Rural Credit Innovations Department

Table 4 reveals that the average loan disbursed to SHGs in the southern region consistently exceeds that of other regions in every year. The average loan amount in the southern region increased from Rs. 84,340.73 in 2007-08 to Rs. 505,718.11 in 2022-23, marking a six fold increase. The eastern region follows, with an increase from Rs. 46,495 in 2007-08 to Rs. 204,179.39 in 2022-23, a 4.39 times rise. In the western region, the average loan rose from Rs. 46,803.05 in 2007-08 to Rs. 166,788.85 in 2022-23, a 3.56 times increase. Similarly, the north-eastern region saw a rise from Rs. 51,070.23 in 2007-08 to Rs. 253,035.48 in 2022-23, a 4.95 times rise. Lastly, in the northern region, the average loan increased from

Rs. 56,848.46 in 2007-08 to Rs. 200,424.27 in 2022-23, a 3.53 times increae. However, the central region saw the lowest expansion, with an average loan of Rs. 101,572.71 in 2022-23, while the southern region had the highest at Rs. 245,348.64. The significant growth in the southern region is attributed to strong government planning and a supportive environment, contributing to the large-scale success of microfinance initiatives across its seven states and union territories.





The trend lines and average loan disbursed to SHGs over the past sixteen years are depicted in graphs 3 and 3A, respectively. These graphs highlight that both the annual average and the combined average show stronger performance in the southern region compared to other regions. The year-wise analysis reveals a significant drop in the national average loan disbursement to SHGs, which fell to Rs. 169,608.08 in 2014-15. This decline is attributed to reductions in the northern and southern regions. In the northern region, the average loan amount decreased from Rs. 117,268.84 in 2013-14 to Rs. 97,777.16 in 2014-15, while in the southern region, it dropped from Rs. 235,717.59 to Rs. 213,083.43 during the same period.

Table 5 : Regional Wise Percentage distribution of Loan Disburesed to total under Microfinance during 2006-07 to 2022-23

	Northern (%)		North Eastern (%)		Eastern (%)		Central(%)		Western %)		Southern (%)		Total (%)	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
2006-07	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	100	100
2007-08	2.74	2.16	2.37	1.68	18.32	11.82	5.93	5.51	7.37	4.78	63.27	74.04	100	100
2008-09	2.65	2.47	2.21	2.01	14.71	10.10	6.28	6.38	7.78	4.77	66.38	74.28	100	100
2009-10	2.36	2.12	3.11	1.99	17.48	10.66	4.91	4.37	9.40	4.48	62.75	76.39	100	100
2010-11	3.55	2.60	3.29	2.21	20.70	11.13	4.07	4.18	7.69	4.30	60.70	75.59	100	100
2011-12	2.68	2.03	4.44	2.73	17.53	9.82	5.09	4.29	8.80	4.55	61.45	76.58	100	100
2012-13	2.56	1.66	2.06	0.88	14.99	6.27	5.26	3.40	5.77	3.45	69.35	84.35	100	100
2013-14	1.75	1.17	1.19	0.53	21.77	6.29	4.86	2.57	6.43	3.60	64.01	85.84	100	100
2014-15	2.70	1.55	1.16	0.57	21.63	11.95	6.72	4.02	5.99	4.24	61.81	77.66	100	100
2015-16	2.08	1.30	1.42	0.59	22.52	9.37	4.60	3.19	6.14	5.06	63.24	80.49	100	100
2016-17	2.45	1.48	1.53	0.73	26.19	12.20	4.32	1.75	5.63	3.84	59.89	80.00	100	100
2017-18	2.29	1.15	1.55	0.76	31.86	19.26	3.06	1.19	5.70	3.29	55.53	74.36	100	100
2018-19	2.07	1.07	1.00	0.50	33.70	20.53	3.16	1.24	5.44	3.16	54.63	73.50	100	100
2019-20	2.00	1.09	1.21	0.75	35.73	22.99	3.53	1.34	5.53	3.21	52.00	70.63	100	100
2020-21	2.35	1.62	2.35	1.78	38.95	25.62	4.47	1.82	5.57	3.97	46.30	65.20	100	100
2021-22	2.35	1.17	2.79	1.85	38.31	25.76	5.41	2.18	7.03	3.82	44.10	65.22	100	100
2022-23	2.39	1.44	2.88	2.19	38.01	23.33	6.46	3.24	6.46	3.24	43.78	66.55	100	100
Average %	**2.44**	**1.63**	**2.16**	**1.36**	**25.78**	**14.82**	**4.88**	**3.17**	**6.67**	**3.99**	**58.07**	**75.04**	**100**	**100**

Note: No. and Amt. indicates Number of SHGs and Amount of Loan Disbursed
Source: NABARD - Rural Credit Innovations Department

This suggests that banks implemented tighter policies for these regions in 2014-15.Similarly, the national combined average for loan disbursement per SHG follows a pattern like savings, estimated at Rs 182,857.20. This amount surpasses five regions, though it remains lower than the southern region’s Rs 245,348.64.

Graph 3 shows that the southern region’s trend line consistently remains above the others region. The largest difference in average loan disbursement occurred between the eastern and southern regions in 2013-14, shifting to the southern and central regions in 2018-19. Overall, the annual average loan disbursement to SHGs shows a strong, upward trend, especially in the southern region, which continues to lead in loan disbursement.

The southern region holds the lion’s share of loan disbursements to SHGs, as shown in table 5. We have already noted that the average savings amount of SHGs with banks is consistently higher in the southern region. This suggests a positive relationship between savings and loan disbursement to SHGs, even though microfinance is a collateral-free loan. Table 5 reveals that the southern region accounts for 58.07% of SHGs and 75.04% of the total loan disbursed, demonstrating its dominance. The eastern region follows, with 25.78% of SHGs and 14.82% of loan disbursement.

Table 6 : The Regional-wise Annual and Average Growth Rate of Loan Disburesed during 2006-07 to 2022-23

	Northern		North Eastern		Eastern		Central		Western		Southern		Total	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
2006-07	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2007-08	-	-	-	-	-	-	-	-	-	-	-	-	11.04	34.68
2008-09	26.75	57.96	21.93	65.70	5.27	18.34	38.92	60.14	38.40	37.95	37.53	38.91	31.10	38.47
2009-10	-12.45	1.29	38.87	16.54	17.17	24.44	-22.97	-19.11	19.14	10.80	-6.80	21.30	-1.41	17.95
2010-11	13.69	23.24	-20.28	11.77	-10.75	5.15	-37.40	-3.88	-38.34	-3.26	-27.09	-0.40	-24.62	0.65
2011-12	-27.63	-11.15	29.76	40.61	-18.75	0.28	19.96	16.76	9.89	20.28	-2.84	15.15	-4.03	13.66
2012-13	1.74	2.05	-50.65	-60.07	-9.13	-20.56	9.78	-1.48	-30.30	-5.70	19.92	37.14	6.27	24.50
2013-14	-23.55	-18.06	-35.63	-28.87	62.71	17.09	3.45	-11.56	24.73	21.76	3.39	18.73	12.02	16.67
2014-15	83.33	52.86	15.99	23.21	18.26	118.18	64.52	79.44	10.81	35.44	14.94	3.90	19.01	14.84
2015-16	-13.10	12.65	38.56	39.09	17.28	6.03	-22.84	7.36	15.60	61.11	15.28	40.12	12.67	35.18
2016-17	22.20	18.88	11.23	29.37	20.48	35.39	-2.69	-42.92	-5.07	-21.11	-1.91	3.37	3.59	4.01
2017-18	11.24	-5.88	20.91	25.69	44.94	92.10	-15.51	-17.68	20.73	4.22	10.46	13.10	19.12	21.67
2018-19	7.96	15.96	-22.65	-18.81	26.22	31.70	22.86	29.06	13.72	19.00	17.41	22.16	19.34	23.59
2019-20	12.66	35.16	40.29	99.62	23.60	49.12	30.38	44.39	18.63	35.09	10.97	27.96	16.59	33.17
2020-21	7.94	11.04	78.95	79.04	0.09	-16.67	16.22	1.13	-7.47	-7.62	-18.28	-30.97	-8.20	-25.22
2021-22	17.65	24.52	39.71	78.13	15.73	72.70	42.64	105.81	48.45	65.57	12.12	71.78	17.69	71.74
2022-23	28.75	76.29	30.53	69.94	25.58	29.95	51.09	113.69	16.32	21.58	25.62	46.42	26.54	43.47
AGR	**10.48**	**19.79**	**15.83**	**31.40**	**15.91**	**30.88**	**13.23**	**24.08**	**10.35**	**19.68**	**7.38**	**21.91**	**9.71**	**22.29**

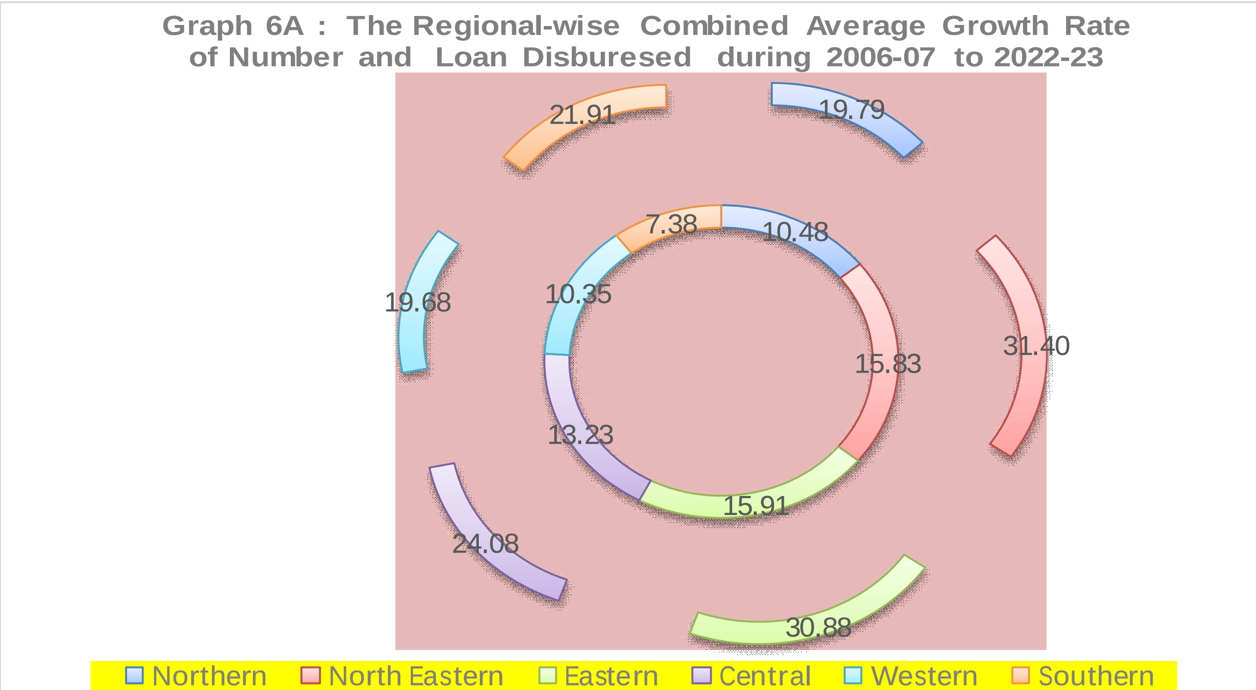
Note: AGR indicates Average Growth Rate of Number of SHGs and Amount of Loan Disbursed respectively.

Source: NABARD - Rural Credit Innovations Department

Other regions show significantly smaller shares: the western region accounts for 6.67% of SHGs and 3.99% of loan disbursed, while the central region has 4.88% of SHGs and 3.17% of the loan amount. The northern region holds 2.44% of SHGs and 1.63% of loan disbursed, and finally, the northeastern region has 2.16% of SHGs and only 1.36% of loan disbursed.

In summary, the analysis highlights that financial inclusion through bank linkage and microfinance has been more concentrated in the southern region over the study period (2007-08 to 2022-23), while financial inclusion in the northern region has shown lower performance in this regard.

Although the southern region accounts for more than 75% of the total loan disbursed to SHGs, it has not maintained the highest status in terms of average growth. The north eastern region leads with the highest average growth rate of 31.40% for loan disbursement and 15.83% for the number of SHGs, compared to 21.91% for loan amount and only 7.38% for the number of SHGs in the southern region, as shown in Table 6. Interestingly, the growth rates for loan disbursement in the north eastern (31.40%), eastern (30.88%), and central regions (24.08%) surpass the national average of 22.29%.



Note: Inner circle indicates Number of SHG and outer circle indicates loan disbursed

The eastern region, which includes West Bengal, Odisha, and Bihar, has seen significant growth, possibly influenced by state policies promoting microfinance as a tool for poverty reduction. For instance, the Government of West Bengal has actively supported microfinance programs, particularly benefiting women in both rural and urban areas. In the western region, the average growth rates stand at 10.35% for the number of SHGs and 19.68% for the loan amount, indicating more modest growth compared to other regions.

Graph 6A highlights the average growth rates of both the number of SHGs and the loan amounts disbursed to SHGs. In the southern region, these growth rates are 21.91% for loan amounts and 7.38% for the number of SHGs during the period 2007-08 to 2022-23. In contrast, SHGs in other regions receive loans at lower percentage shares, indicating an unequal expansion of microfinance across India.

Looking at the annual growth rates, 2008-09 stands out with particularly high positive growth across all regions. The northeastern region, for instance, saw an annual growth of 21.93% for the number of SHGs and 65.70% for loan disbursement. Similarly, the central region experienced 38.92% growth in the number of SHGs and 60.14% in loan disbursement. The northern region recorded 26.75% and 57.96% growth, respectively, while the southern region had 37.53% growth in SHG numbers and 38.91% in loan amounts. The western region followed with 38.40% for SHG numbers and 37.95% for loan disbursement. Finally, the eastern region saw more modest growth, with 5.27% for SHG numbers and 18.34% for loan amounts disbursed in 2008-09.

However, in subsequent years (2009-10 to 2022-23), the annual growth rates for many regions did not consistently maintain positive figures. Despite this, the combined average growth rates for both the number of SHGs and the loan amounts disbursed remained positive and substantial during this period, signaling that financial inclusion through microfinance is progressing on a large scale across India. Although the growth rates vary by region, it is clear that microfinance plays a crucial role in promoting financial inclusion nationwide.

The primary goal of microfinance is to transition customers from the informal money market, which often operates with high interest rates than the formal money market. This shift is essential to prevent borrowers from falling into debt traps associated with the informal credit market, thus enhancing financial stability and inclusion across the country.

4.3. Region-wise outstanding Loan

Tables 7 to 9 provide the regional distribution of outstanding loans to SHGs. The data reveal that the average outstanding loan in the southern region has shown a steady upward trend from 2007-08 to 2022-23. It increased from Rs. 55,340 in 2007-08 to Rs. 253,242 in 2018-19 and further rose to Rs. 405,443.53 in 2022-23, marking a 4.58-fold increase over the period. In contrast, other regions display a more cyclical pattern in average outstanding loans, as seen in graph 7A.

In the western region, the average outstanding loan generally follows an upward trend, rising from Rs. 26,057 in 2007-08 to Rs. 85,840 in 2018-19, representing a 3.42-fold increase, except for a dip in 2009-10. The eastern region experienced a similar increase, from Rs. 35,571 in 2007-08 to Rs. 97,754 in 2018-19, or 2.75 times more. The north eastern region's outstanding loan increased from Rs. 34,386 in 2007-08 to Rs. 67,284 in 2018-19, a 1.96-fold rise. The northern region saw an increase from Rs. 41,981 in 2007-08 to Rs. 80,057 in 2018-19, or 1.91 times more.

In the central region, however, the average outstanding loan showed only marginal growth, increasing from Rs. 59,230 in 2007-08 to Rs. 61,838 in 2018-19, or just 1.04 times more. The central region exhibited sharp cyclical fluctuations, rising from Rs. 49,453 in 2009-10 to Rs. 78,884 in 2011-12, then decreasing until 2017-18, except for a brief increase in 2015-16. It later rose from Rs. 53,468 in 2017-18 to Rs. 103,252.22 in 2022-23. Due to these fluctuations, no definitive conclusion can be drawn for the central region's trend.

Graph 7A indicates that the distribution of outstanding loans closely mirrors the pattern of loan disbursement to SHGs over the same period. The central region's progression of outstanding loans remains nearly stagnant, revealing that the microfinance program has not significantly improved in this area.

Table 7: Regional-wise Distribution of Average Loan Outstanding as on 31st March under Microfinance for the period 2006-07 to 2022-23 (Rs. /SHG)

	Northern	North Eastern	Eastern	Central	Western	Southern	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
2006-07	NA	NA	NA	NA	NA	NA	42724.04
2007-08	41980.67	34385.74	35571.21	59230.46	26056.63	55339.65	46884.12
2008-09	40773.26	39835.10	32383.92	61584.85	39419.35	65377.98	53688.51
2009-10	53454.52	50340.31	35957.73	49453.45	29935.66	73671.78	57794.73
2010-11	60569.80	46343.57	38013.81	65911.95	39335.47	80581.32	65223.96
2011-12	55568.28	62306.69	46987.34	78884.25	47112.78	107799.13	83455.01
2012-13	54248.72	55461.22	54260.54	76598.32	49670.46	114423.08	88455.31
2013-14	59840.24	60512.58	50509.02	64231.69	60981.85	143137.28	102273.21
2014-15	87035.79	58686.69	57704.05	56733.27	73411.73	161674.22	115361.20
2015-16	74912.11	58645.59	62230.55	66603.57	78824.71	169498.78	122242.39
2016-17	63352.26	58063.91	66147.86	55562.87	75120.49	183562.04	127016.62
2017-18	60143.88	61990.70	82715.12	53457.91	85840.16	218324.47	150583.79
2018-19	80056.70	67284.00	97753.91	61838.06	89129.49	253242.44	171543.15
2019-20	91205.22	78774.81	116494.17	63586.72	106729.23	275893.12	190391.16
2020-21	86037.76	88082.32	115317.87	68554.89	105379.81	271199.72	178825.64
2021-22	102085.19	111435.38	143530.91	79896.31	114910.23	334608.33	224145.27
2022-23	122660.82	145137.55	167731.64	103252.22	160338.23	405443.53	270344.69
Average	**70870.33**	**67330.38**	**75206.85**	**66586.30**	**73887.27**	**182111.05**	**128014.30**

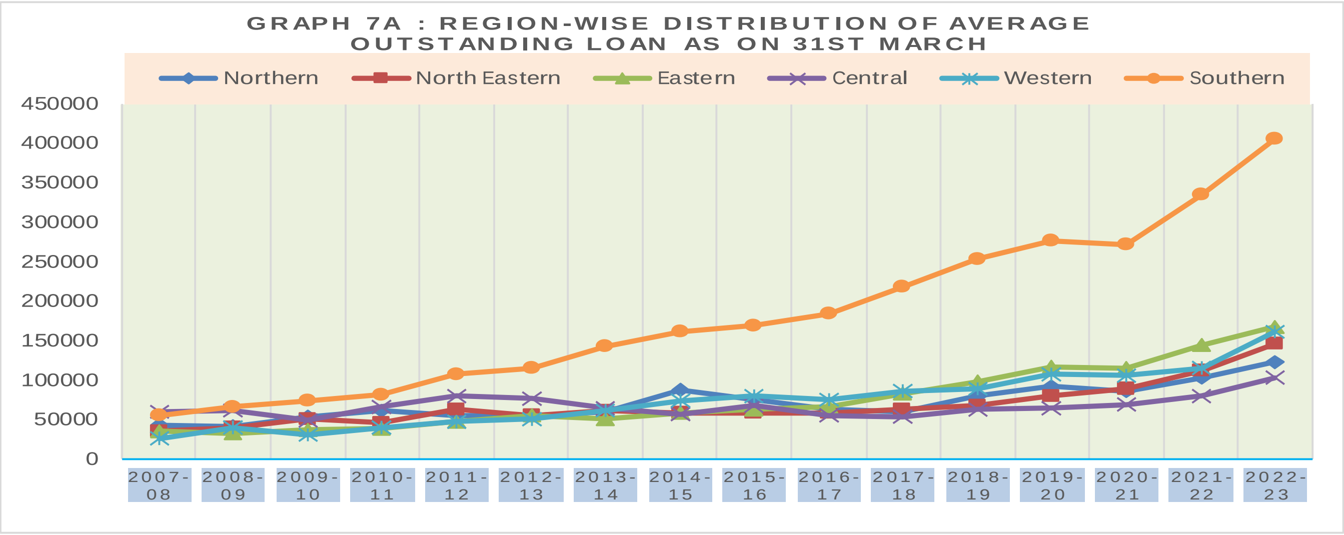
Source: NABARD - Rural Credit Innovations Department

This stagnation may be due to state policies in the four states of Chhattisgarh, Madhya Pradesh, Uttarakhand, and Uttar Pradesh, which could be limiting the growth and impact of microfinance programs in this region.

Table 8 presents the region-wise percentage share of outstanding loan amounts and the number of SHGs. The southern region holds the highest average percentage shares, with 70.69% of the outstanding loan amount and 51.57% of the total number of SHGs. The eastern region follows with 16.13% for outstanding loans and 27.34% for SHGs. The central region accounts for 5.36% of outstanding loans and 8.03% of SHGs, while the western region registers 3.95% for outstanding loans and 6.75% for SHGs. The northern and north eastern regions contribute minimal shares, as illustrated in graph 8A.

Similarly, the national combined average for loan outstanding per SHG is Rs 128014.30, exceeding that of five regions. However, the southern region stands out with a significantly higher loan outstanding average of Rs 182111.05, this follows a similar pattern to savings and loan disbursement.

Table 9 highlights the average growth rates, with the eastern region surpassing the national average (4.70% for SHGs and 17.97% for loan amounts) by achieving 8.39% growth in SHG numbers and 20.46% in outstanding loan amounts. In comparison, the southern region, despite holding the highest share of outstanding loans (70.69%), records lower growth rates of 4.19% for SHGs and 19.29% for loan amounts. The other regions lag behind the national average in terms of growth rates. For instance, the northern region has average growth rates of 2.56% for SHGs and 10.87% for outstanding loans, while the north eastern region shows 7.51% and 20.14%, respectively. The central region posts growth rates of 4.20% for SHGs and 8.19% for loans, and the western region records 0.59% for SHGs and 13.75% for outstanding loan amounts.



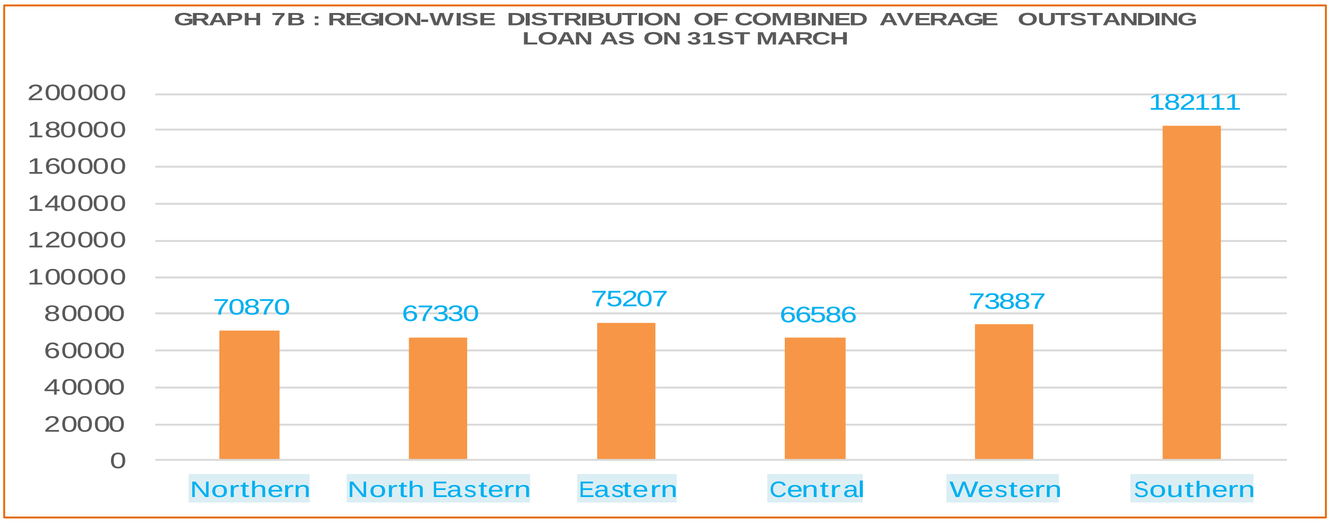


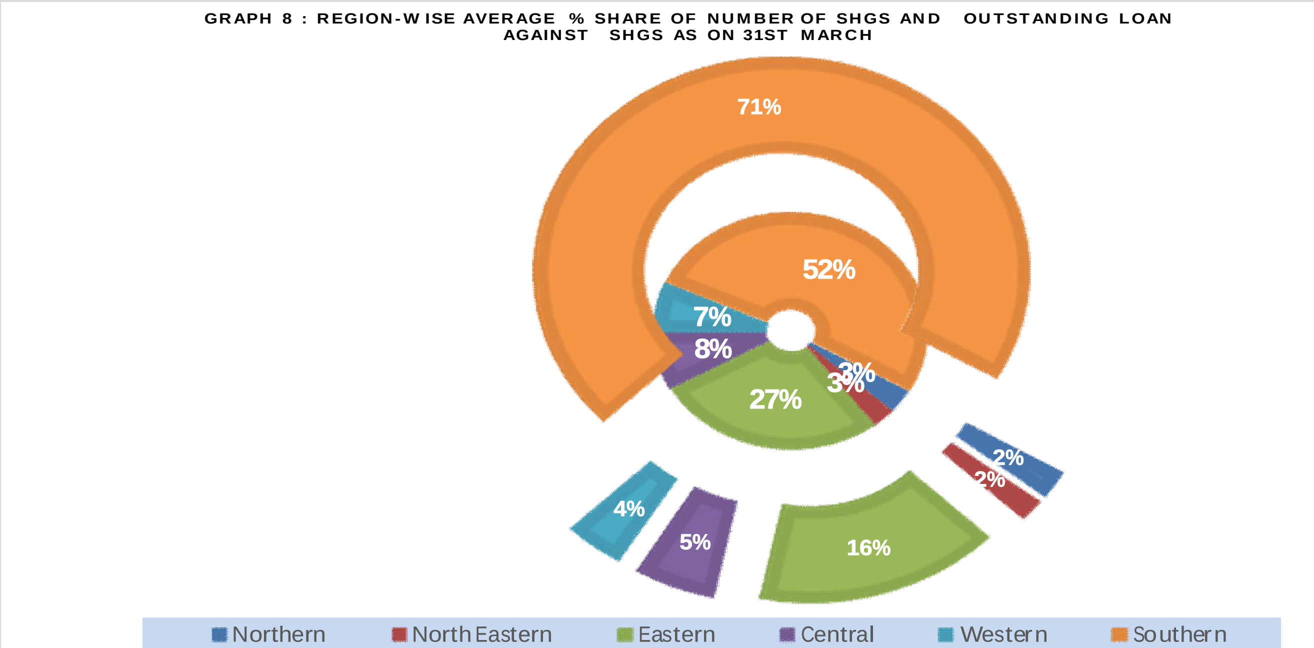
Table 8 : Regional-wise Percentage Share of Loan Outstanding as on 31st March - during 2006-07 to 2012-23

	Northern (%)		North Eastern (%)		Eastern (%)		Central(%)		Western %)		Southern (%)		Total (%)	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
2006-07	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	100	100
2007-08	3.72	3.33	2.85	2.09	20.77	15.76	9.01	11.38	12.32	6.84	51.33	60.59	100	100
2008-09	3.94	2.99	2.79	2.07	22.10	13.33	7.86	9.02	9.32	6.84	53.99	65.75	100	100
2009-10	3.14	2.91	2.76	2.40	21.18	13.18	10.26	8.78	9.43	4.88	53.22	67.85	100	100
2010-11	3.12	2.89	3.13	2.23	23.10	13.46	7.50	7.58	6.62	3.99	56.54	69.85	100	100
2011-12	4.87	3.24	3.66	2.73	22.63	12.74	8.09	7.65	6.65	3.75	54.10	69.88	100	100
2012-13	4.81	2.95	3.23	2.02	22.93	14.06	8.14	7.05	6.64	3.73	54.26	70.18	100	100
2013-14	4.38	2.56	2.97	1.76	23.32	11.52	10.00	6.28	6.41	3.82	52.92	74.06	100	100
2014-15	3.96	2.99	2.75	1.40	23.93	11.97	9.81	4.82	6.06	3.86	53.49	74.96	100	100
2015-16	3.31	2.03	3.23	1.55	24.20	12.32	9.31	5.07	5.52	3.56	54.43	75.47	100	100
2016-17	2.97	1.48	2.95	1.35	27.71	14.43	8.22	3.59	5.74	3.39	52.42	75.75	100	100
2017-18	2.88	1.15	2.86	1.18	28.13	15.45	8.05	2.86	5.50	3.14	52.57	76.22	100	100
2018-19	2.44	1.14	2.43	0.95	33.30	18.97	6.38	2.30	5.45	2.83	49.99	73.80	100	100
2019-20	2.36	1.13	2.31	0.95	34.44	21.07	6.24	2.08	5.00	2.80	49.66	71.96	100	100
2020-21	2.48	1.19	2.84	1.40	38.95	25.12	6.37	2.44	5.40	3.18	43.96	66.66	100	100
2021-22	2.40	1.09	3.15	1.56	36.49	23.37	6.04	2.15	5.80	2.97	46.12	68.85	100	100
2022-23	2.46	1.12	3.87	2.08	34.25	21.25	7.13	2.72	6.17	3.66	46.13	69.18	100	100
Average%	**3.33**	**2.14**	**2.99**	**1.73**	**27.34**	**16.13**	**8.03**	**5.36**	**6.75**	**3.95**	**51.57**	**70.69**	100	100

Note: No. and Amt. indicate Number of SHGs and Amount of Loan Outstanding

Source: NABARD - Rural Credit Innovations Department

To sum up, while the southern region remains dominant in terms of absolute loan disbursement, the eastern region shows better performance in terms of average growth rates for both SHGs and outstanding loans. This suggests a strong microfinance expansion in the eastern region alongside the southern region's established presence.



Note: Inner circle indicates Number of SHG and outer circle indicates Outstanding loan

The annual growth rate of the number of SHGs in the western region was notably poor, contributing to a negligible combined average growth rate. In 2008-09, the growth rates for SHGs were relatively better compared to other years. However, in 2010-11, three regions—northern (-2.22%), central (-27.93%), and western (-30.75%)—experienced negative growth rates. This led to a negative overall growth rate of -1.33% for SHGs in 2010-11. Similarly, national growth rates for SHGs were negative in 2011-12 (-9.03%) and 2013-14 (-5.71%).

Table 9 : The Regional-wise Annual and Average Growth Rate of Loan Outstanding as on 31st March during 2006-07 to 2022-23

	Northern		North Eastern		Eastern		Central		Western		Southern		Total	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
2006-07	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2007-08	-	-	-	-	-	-	-	-	-	-	-	-	25.27	37.47
2008-09	23.54	19.99	13.91	31.96	23.96	12.85	1.64	5.68	-11.88	33.31	22.54	44.77	16.50	33.41
2009-10	-8.42	20.06	13.56	43.51	10.08	22.23	49.92	20.39	16.26	-11.71	13.21	27.57	14.84	23.63
2010-11	-2.22	10.80	12.14	3.23	7.59	13.74	-27.93	-3.94	-30.75	-9.00	4.81	14.64	-1.33	11.35
2011-12	42.21	30.46	6.26	42.86	-10.87	10.17	-1.79	17.54	-8.63	9.43	-12.96	16.44	-9.03	16.40
2012-13	0.90	-1.49	-9.88	-19.78	3.59	19.62	2.86	-0.12	2.07	7.61	2.52	8.82	2.23	8.35
2013-14	-14.03	-5.17	-13.29	-5.39	-4.09	-10.72	15.81	-2.89	-8.95	11.78	-8.04	15.04	-5.71	9.02
2014-15	-3.82	39.89	-1.23	-4.21	9.23	24.79	4.38	-7.81	0.64	21.15	7.61	21.54	6.45	20.08
2015-16	-12.54	-24.72	22.61	22.52	5.76	14.05	-0.78	16.48	-4.65	2.38	6.41	11.56	4.58	10.81
2016-17	-6.99	-21.34	-5.06	-6.00	18.78	26.26	-8.37	-23.56	7.74	2.68	-0.07	8.22	3.76	7.81
2017-18	0.36	-4.72	0.30	7.08	5.13	31.46	1.50	-2.35	-0.63	13.55	3.86	23.53	3.55	22.76
2018-19	-14.05	14.40	-13.99	-6.64	19.71	41.48	-19.84	-7.28	0.20	4.04	-3.84	11.54	1.13	15.21
2019-20	7.95	22.98	6.03	24.13	15.65	37.82	9.21	12.30	2.56	22.82	11.07	21.00	11.81	24.10
2020-21	6.72	0.67	25.19	39.98	15.09	13.93	3.95	12.08	9.86	8.47	-9.93	-11.46	1.74	-4.44
2021-22	13.29	34.42	29.27	63.54	9.29	36.03	10.60	28.89	25.32	36.65	22.41	51.03	16.67	46.24
2022-23	5.56	26.83	26.89	65.26	-3.09	13.25	21.87	57.49	9.72	53.09	3.25	25.11	3.23	24.51
AGR	**2.56**	**10.87**	**7.51**	**20.14**	**8.39**	**20.46**	**4.20**	**8.19**	**0.59**	**13.75**	**4.19**	**19.29**	**4.70**	**17.95**

Note: AGR , No. and Amt. indicate Average Growth Rate Number of SHGs and Amount of Loan Outstanding respectively.

In brief, the distribution of outstanding loans is biased. The southern region's average outstanding loan in 2022-23 is 8.04 times higher than in 2007-08. In contrast, other regions exhibit a more cyclical pattern in their average outstanding loans. The central region shows nearly stagnant growth, indicating that the microfinance program has not achieved its goals there. This region, including Chhattisgarh, Madhya Pradesh, Uttarakhand, and Uttar Pradesh, may be affected by state policies influencing microfinance outcomes.

5. Summary and conclusions

This study, based entirely on secondary sources, examines financial inclusion across India from 2006-07 to 2022-23, highlighting significant regional disparities in the bank-linked microfinance savings model. Our findings reveal that the southern region stands out with approximately 56% of the national savings and 43% of the total number of SHGs. This dominance suggests that the southern states have effectively communicated with the central government and implemented appropriate policies to advance financial inclusion through microfinance.

In contrast, the average savings amounts in the Northern, North Eastern, Central, and Western regions fall below the national average of Rs. 19,156, with the southern region reporting a higher average of Rs. 27,219. This discrepancy reflects the impact of state leadership and proactive policy measures in the southern region.

The southern region also exhibits a sharp increasing trend in average annual income over the study period, outperforming other regions. The eastern region follows but at a lower rate compared to the southern region. Conversely, the North Eastern region shows a very slow rate of increase in average savings compared to other regions.

Regarding loan disbursement, the southern region again leads with a significant share—75.04% of the total loan disbursed and 58.07% of the number of SHGs. Other regions, including Northern, North Eastern, Eastern, Central, and Western, have lower and more evenly distributed average loan disbursements.

The distribution of average outstanding loans is notably skewed. In the southern region, the average outstanding loan amount increased 8.04 times from 2007-08 to 2022-23. In contrast, other regions display a cyclical pattern, with the central region experiencing nearly stagnant growth. This stagnation suggests that the microfinance program has not achieved its goals in the central region, which includes Chhattisgarh, Madhya Pradesh, Uttarakhand, and Uttar Pradesh. Local state policies may be affecting the effectiveness of microfinance strategies in these areas.

Overall, this study reveals a regional imbalance in financial inclusion through microfinance, evident in savings linked with banks, loan disbursements, and outstanding loans. Consequently, vulnerable populations may not be benefiting equally from microfinance initiatives in terms of income generation, asset accumulation, decision-making, empowerment, and other benefits.

References:

[1] Ali, A. and M. A. Alam (2010), ‘Role and performance of microcredit in Pakistan. Master’s thesis in International Business, Department of Economics and Informatics’, University West, pp. 1-43.

[2] De, S and S. Debnarayan (2011), Women's Empowerment through Self-help Groups and its Impact on Health Issues: Empirical Evidence. Journal of Global Analysis. Vol. 2 Issue 1, pp 49-73.

[3] Iqbal Z, Iqbal S, and Mushtaq M.A(2015) Impact of Microfinance on Poverty Alleviation: The Study of District Bahawal Nagar, Punjab, Pakistan , Management and Administrative Sciences Review Volume 4, Issue 3 Pages: 487-503 May e-ISSN: 2308-1368 P-ISSN: 2310-872X

[4] Jha, Srirang (2019), 'Role of Micro-Financing in Poverty Alleviation (October 28,). Available atSSRN:https://ssrn.com/abstract=2442756or http://dx.doi.org/10.2139/ssrn.2442756

[5] Maheshwari M and Goya S (2014), Role of Self Help Groups in Socio-Economic Empowerment of Women:A Review of Studies, Pacific Business Review International Volume 7, Issue 2, August.

[6] NABARD - Rural Credit Innovations Department.

[7] Nair Tara S (2005). *The Transforming World of Indian Microfinance" Economic and Political Weekly*. pp- 1695-98.

[8] Nair Tara S (2012) Financing of Indian Microfinance: Evidence and Implications, Economic and Political Weekly *Vol. 47, No. 25, pp. 33-40*

[9] Sarumathi S.and Mohan K. (2011), 'Role of Micro Finance in Women's Empowerment (An Empirical study in Pondicherry region rural SHG's)', Journal of Management and Science Vol.1, No.1 (Sep'2011) ISSN: 2249-1260

[10] Singh G. and Kaur S. (2017), Microfinance- Trend Analysis of Self Help Group- Bank Linkage Programme in MANAGEMENT INSIGHTA Glimpse of Contemporary Research edited by Arora U. Verma A. and Singh S DBH Publishers and Distributors New Delhi-110002 ISBN: 978-93-84710-4-8

[11] Singh PK, Chudasama H (2020), "Evaluating poverty alleviation strategies in a developing country" PLoS ONE 15(1): e0227176. https://doi.org/10.1371/journal.pone.0227176