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Evaluating the SHG-BLP and MFI Models in India's Microfinance Sector: Insights and Developments (2021-2022)

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Abstract
The Self-Help Group-Bank Linkage Programme (SHG-BLP) has emerged as a transformative microfinance initiative, positively impacting around 14.2 crore households globally. This paper assesses the programme's progress and outcomes from 2019-20 to 2021-22, with a focus on savings, credit disbursement, and non-performing assets (NPAs). Findings demonstrate a steady increase in SHG savings with banks, with a growth rate of 26%, rising from ₹37,477.61 crore in 2020-21 to ₹47,240.48 crore in 2021-22. Furthermore, the number of SHGs with savings-linked accounts grew by 5.97% in 2021-22. Credit disbursement also expanded significantly, recording a 72% increase, with ₹99,729 crore distributed across 34 lakh SHGs. However, regional disparities were observed, with the Southern region leading in both savings-linked and credit-linked SHGs. Although NPAs showed a general decline to 3.8%, the Southern region exhibited a rise in absolute NPA figures. A deeper look at agency performance revealed that commercial banks dominate both savings and credit disbursement activities, while cooperative banks face challenges with higher NPAs. This analysis underscores the effectiveness of the SHG-BLP in fostering financial inclusion while also identifying regional and institutional variations. The study offers valuable insights to guide future policy development and enhance implementation strategies.**Keywords:** Self-Help Groups (SHGs), Bank Linkage Programme, Microfinance, Credit Disbursement, Non-Performing Assets (NPAs)

MICROFINANCE IN INDIA

Providing affordable banking and credit services to individuals in economically and geographically marginalized regions posed significant challenges before the introduction of the Self-Help Group (SHG) approach. This model was designed to foster social capital and facilitate access to savings and credit products (Kumar & Bhatnagar, 2023). The integration of the SHG framework with formal banking systems led to the establishment of the Self-Help Group Bank Linkage Programme (SHG-BLP). This initiative, centered on savings-led groups, has become a pioneering financial inclusion effort by offering a variety of financial services directly at individuals' doorsteps (Thirunavukkarasu & Thirunavukkarasu, 2023).

Over the past three decades, the Self-Help Group (SHG) movement has evolved into a robust intervention, addressing the financial and social needs of small and marginalized communities (Pradeep & Rakshitha, 2016). The SHG-Bank Linkage Programme (SHG-BLP), formed through a collaborative effort involving NGOs, financial institutions, the Government, and more recently, the National Rural Livelihoods Mission (NRLM), has expanded its reach to 14.2 crore families through 119 lakh SHGs, with women leading 87% of these groups. As of 31 March 2022, SHGs have accumulated savings deposits totaling ₹47,240.48 crore. Furthermore, 67 lakh SHGs have availed collateral-free loans, contributing to an outstanding loan portfolio amounting to ₹1,51,051.30 crore. In the fiscal year 2021-22, the average outstanding loan per SHG rose to ₹2.24 lakh from ₹1.79 lakh in the previous year. The credit gap also narrowed, reducing from 48.5% in 2020-21 to 43.33% in 2021-22, indicating improved credit accessibility.

A Self-Help Group (SHG) comprises up to 20 individuals with similar social and economic backgrounds who voluntarily collaborate to save and lend money among themselves. These groups operate without requiring collateral for loans, offering members the freedom to utilize the credit according to their needs. SHGs are guided by a framework of transparent governance and financial discipline. They are expected to develop and adhere to clear rules and procedures, conduct regular meetings, maintain accurate records of their operations, manage savings and loans prudently, and enforce credit discipline. Additionally, they emphasize democratic functioning, ensuring that all members participate actively in decision-making (Pant, 2021; Kumar et al., 2018).

SHG BANK LINKAGE PROGRAMME

After the nationalization of banks in 1969, the banking network expanded significantly. However, despite this growth, financial inclusion remained limited, with many individuals still lacking access to institutional finance (Malhotra, 2023). In 1987, the National Bank for Agriculture and Rural Development (NABARD), in collaboration with the Mysore Resettlement and Development Agency (MYRADA), initiated an Action Research Programme to explore the underlying causes of income inequality (Simatupang, 2022). The insights gained from this research led to the launch of a pilot project in 1992 aimed at linking 500 Self-Help Groups (SHGs) with formal banking institutions. The initiative exceeded expectations by 31 March 1994, successfully connecting 620 SHGs to banks, with loans totaling ₹65 lakh. By 31 March 1996, the programme expanded further, with 4,757 SHGs receiving credit linkages and loans amounting to ₹6 crore disbursed through 28 Commercial Banks, 60 Regional Rural Banks (RRBs), and 7 Cooperative Banks (Kumari, 2024). This initiative laid the foundation for the SHG-Bank Linkage Programme (SHG-BLP), demonstrating the potential of SHGs in promoting financial access and addressing economic disparities.Following the success of the pilot project, the RBI and NABARD introduced three key innovations:

(a) Integration of Informal Groups: Recognizing informal groups as legitimate customers for both savings and credit services.
(b) Collateral-Free Lending: Implementation of lending programs that do not require collateral.
(c) Flexible Loan Use: Allowing loans to be provided to groups without specifying the intended purpose or project.

In 1996, the Reserve Bank of India (RBI) designated the Self-Help Group-Bank Linkage Programme (SHG-BLP) as a priority sector lending activity. This strategic move allowed NABARD to support approximately one million underprivileged households by facilitating the formation of 50,000 SHGs by the early 2000s (Anjugam et al., 2007). Presently, the programme has expanded to encompass 11.9 million SHGs. The success of the initial pilot project led to the seamless integration of SHG-BLP into the regular banking operations. In April 1996, the RBI formally recognized SHG-BLP under its priority sector lending framework (Tripathi, 2014). To promote the expansion of microfinance further, the RBI instructed banks to include micro-credit as an essential component of their corporate credit strategies. Additionally, the RBI implemented a robust monitoring system, requiring banks to conduct quarterly reviews of micro-credit performance at senior levels (Kamble, 2022).

In June 1998, NABARD established the Micro Credit Innovations Department (MCID) to guide and manage the Self-Help Group (SHG) scheme effectively (Seibel, 2005). The success of the SHG movement in promoting financial inclusion and providing credit and savings services to marginalized communities prompted the Government of India to launch the Swarnjayanti Gram Swarozgar Yojana (SGSY) on April 1, 1999. This poverty alleviation initiative primarily focused on empowering women through financial support and livelihood promotion. In 2011, SGSY was restructured and renamed as the National Rural Livelihood Mission (NRLM) to streamline efforts towards rural development and livelihood generation (Kakar & Maheshwari, 2016). Inspired by the impact of the SHG movement and its seamless integration with programs like SGSY and NRLM, many state governments subsequently developed similar initiatives tailored to local needs. For example:

Podupu Lakshmi Scheme: In **Andhra Pradesh**, the SHG initiative was implemented to empower economically disadvantaged women by facilitating access to employment opportunities, skill enhancement, training, credit, and other support services. The program aimed to uplift women from **Development of Women and Children in Rural Areas (DWCRA)** groups, enabling them to engage in income-generating activities and improve their economic status.

Indira Kranti Patham: The initiative was launched with the objective of alleviating poverty among **Below Poverty Line (BPL)** households by fostering sustainable, community-based women's organizations. The strategy focused on empowering women through **livelihood interventions, institution building,** and **community investment funds** (Neelaiah, 2017).

Jeevika Project: Established in Bihar to promote rural livelihoods.

Mahalir Thittam: Initiated in Tamil Nadu to support women's self-help and empowerment.
Kudumbashree: Developed in Kerala to enhance women's participation in economic activities.
TRIPTI/Mission Shakti: Implemented in Odisha to improve the livelihoods of rural women.
NABARD, as the pioneer of the SHG movement, has played a crucial role in supporting this sector through policy assistance, training, and capacity building. Key contributions include:

- Providing refinance to banks for loans given to SHGs.
- Establishing frameworks for opening Savings Bank Accounts for SHGs.
- Relaxing collateral requirements and simplifying documentation processes.
- Introducing a Bulk Lending Scheme in 1993 to encourage NGOs to adopt a group approach.
- Assisting banks and NGOs in promoting SHGs.
- Offering training, raising awareness, and supporting capacity building for NGOs, SHGs, and banks.
- Promoting vocational development of SHG members through training programs.
- Supporting studies, seminars, workshops, and publications to facilitate knowledge sharing and sector growth (Mohanty, 2013).

As of March 31, 2022, the Self-Help Group - Bank Linkage Programme (SHG-BLP) included nearly 11.9 million SHGs, reaching approximately 142 million household across India. In the fiscal year 2021-22, the number of SHGs grew by 670,000, compared to an increase of 980,000 in the previous fiscal year, 2020-21. This expansion was accompanied by a substantial rise in savings deposits, increasing from ₹37,477.61 crore in 2020-21 to ₹47,240.48 crore in 2021-22, reflecting an annual growth rate of 26%. Moreover, the fiscal year 2021-22 witnessed a notable surge in credit disbursements, with banks extending ₹99,729.23 crore in loans to SHGs, representing a 72% increase from the previous year's loan disbursement of ₹58,070.68 crore(NABARD).

MICROFINANCE SECTOR

Microfinance refers to the provision of financial services, including loans, savings, insurance, and remittances, to individuals or households with low incomes who generally lack access to traditional banking and financial institutions. The objective of microfinance is to promote financial inclusion by enabling marginalized communities to access small loans, often without the need for collateral, under ethical lending practice. These loans are typically utilized to support micro-enterprises or small-scale economic activities, helping individuals to improve their income and livelihood. Beyond loans, microfinance institutions (MFIs) often provide financial literacy, training, and savings programs to empower borrowers to manage their finances effectively. Microfinance plays a crucial role in poverty reduction by offering a lifeline to underserved populations, particularly in rural areas, where formal financial services may be scarce. Additionally, these programs often prioritize lending to women, as empowering women economically tends to have a positive ripple effect on households and communities. In India, there are primarily two approaches to expanding microfinance services:
1. **Self-Help Group–Bank Linkage Programme (SHG-BLP):** This bank-driven model involves linking self-help groups with banks to facilitate savings and loans.
2. **Microfinance Institution (MFI) Led Approach:** This model involves specialized institutions that offer financial services directly to low-income individuals.

The microfinance sector in India encompasses a diverse array of participants that offer various financial services, including lending, insurance, and pensions to economically disadvantaged households. Key categories of microfinance market participants include:

- Banks
- Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs)
- Small Finance Banks
- Non-Profit MFIs: Registered as societies or trusts and regulated under relevant Acts.
- While banks, NBFC-MFIs, and Small Finance Banks are regulated by the Reserve Bank of India (RBI), Non-Profit MFIs are regulated according to their registration under specific Acts. Additionally, voluntary agencies and non-governmental organizations (NGOs) often act as financial intermediaries in the sector. These NGOs, typically registered as trusts or societies, play a vital role in developing the sector by assisting Self-Help Groups (SHGs) in forming federations. They also perform important non-financial functions such as social and capacity building activities, SHG promotion training, internal audits, and facilitating both backward and forward linkages.

NABARD initially extended support to Microfinance Institutions (MFIs) by offering financial assistance and Revolving Fund Assistance (RFA) during their formative years, particularly when they operated as Non-Governmental Organization-

MFIs (NGO-MFIs). This early support aimed to stabilize these institutions and promote financial inclusion. In 2006, NABARD further strengthened the microfinance sector by establishing the Micro Finance Development and Equity Fund (MFDEF). This fund provided quasi-equity and subordinated financial instruments to MFIs, enabling them to enhance their capital base, expand their operations, and better serve marginalized communities. Through the MFDEF, NABARD aimed to ensure sustainable growth in the sector, encouraging MFIs to reach underserved populations and facilitate access to essential financial services. Simultaneously, the Small Industries Development Bank of India (SIDBI) promoted the growth of MFIs through the establishment of the SIDBI Foundation for Micro Credit (SFMC) in 1999. SIDBI's India Microfinance Equity Fund (IMEF) was later introduced to provide equity and quasi-equity support, particularly targeting medium and smaller-scale MFIs. Due to the overlapping focus of the IMEF fund with NABARD's MFDEF, NABARD discontinued the MFDEF Fund in 2013.

In 2015, the Government of India strengthened the microfinance sector by establishing the Micro Units Development & Refinance Agency Ltd (MUDRA). MUDRA, an NBFC, was created to provide financial support to microenterprises. It offers funding to MFIs to facilitate lending to individuals, groups, Joint Liability Groups (JLGs), and Self-Help Groups (SHGs). This assistance helps generate qualifying assets in line with RBI guidelines and supports the creation and operation of micro-enterprises under the MSMED Act, 2006, as well as other non-farm income-generating activities. Despite the expansion of the banking sector in recent years, the post-deregulation era witnessed a sharp increase in loan demand due to economic growth. However, the formal banking system faced challenges in meeting this rising demand, leading to the rapid growth of the microfinance sector, particularly in serving the needs of micro and medium enterprises. This sector has played a crucial role in bridging financial gaps, supporting entrepreneurship, and promoting economic inclusion.
However, this growth came with challenges, such as the Andhra crisis in 2010, which highlighted issues of borrower exploitation (Haldar & Stiglitz, 2019). In response, the Reserve Bank of India (RBI) recognized the urgent need to scrutinize the operations of the microfinance industry. Consequently, in 2010, the RBI established a Sub-Committee of the Board, chaired by Shri Y.H. Malegam, to address these issues. The committee's objectives included:
1. **Defining Microfinance and MFIs:** To clarify the definitions of 'microfinance' and 'Micro Finance Institutions (MFIs)' and establish a regulatory framework for non-banking finance companies (NBFCs) involved in microfinance.
2. **Assessing Practices:** To examine the current practices of MFIs concerning interest rates, lending, and recovery policies, and identify trends that could impact borrowers' interests.
3. **Regulatory Framework:** To determine the extent of regulation required for NBFCs engaged in microfinance and propose a suitable regulatory framework.
4. **Legal Applicability:** To evaluate the applicability of state money lending legislation and other relevant laws to NBFCs/MFIs and provide appropriate recommendations.
The Malegam Committee made several key recommendations to improve the microfinance sector, including:
1. Establishment of a Distinct NBFC-MFI Category: Creating a separate classification for Non-Banking Financial Companies (NBFCs) operating in the microfinance sector.
2. Interest Rate Controls and Transparency: Regulating interest rates and promoting transparency in interest charges to protect borrowers.
3. Prevention of Multiple Lending and Over-Borrowing: Implementing measures to prevent multiple lending, over-borrowing, and the creation of ghost borrowers.
4. Consumer Protection Code: Introducing a code to safeguard consumers and ensure fair practices.
5. Establishment of Self-Regulatory Organizations (SROs): Setting up SROs within the sector to enhance governance and self-regulation (Girjan & Ramachandran, 2022).

The Self-Help Group–Bank Linkage Programme (SHG-BLP), initiated by NABARD in 1992, was designed to provide sustainable credit and banking services to economically disadvantaged and marginalized communities in rural India. This model has become a prominent example of microfinance, characterized by a significant number of borrowers and outstanding loans. Following the SHG-BLP, the Micro Finance Institutions (MFI) model emerged as a major provider of microfinance services. The initial part of this discussion will focus on the achievements of the SHG-BLP model, while the latter part will evaluate the performance and recent growth of the MFI model.

PART I: THE SHG-BANK LINKAGE PROGRAMME

PROGRESS OF SHG BANK LINKAGE PROGRAMME

The Self-Help Group-Bank Linkage Programme (SHG-BLP) is a globally recognized and highly successful microfinance initiative that has positively impacted around 14.2 crore households. Table 1 highlights the progress made in SHG connectivity with the banking sector between 2019-20 and 2021-22.

Table 1: Progress under SHG-Bank Linkage Programme (2019-20 to 2021-22) (Number in lakh/r in crore)

Particulars		**2019-20**		**2020-21**		**2021-22**	
		No. of SHGs	**Amount**	**No. of SHGs**	**Amount**	**No. of SHGs**	**Amount**
SHG savings with Banks as on 31st March	Total SHG Nos.	102.43 (2.29%)	26152.05 (12.12%)	112.23 (9.57%)	37477.61 (43.31%)	118.93 (5.97%)	47240.48 (26.05%)
	All women SHGs	88.32 (3.53%)	23320.55 (13.91%)	97.25 (10.11%)	32686.08 (40.16%)	104.05 (6.99%)	42104.77 (28.81%)
	% of Women	86.22%	89.17%	86.65%	87.21%	87.45%	89.13%
	Of which NRLM/ SGSY	57.89 (3.75%)	14312.7 (11.23%)	64.78 (11.9%)	19353.7 (35.22%)	71.84 (10.89%)	27576.94 (42.49%)
	% of NRLM/ SGSY Groups to Total	56.52%	54.73%	57.72%	51.64%	60.40%	58.38%
	Of which NULM/SJSRY	4.69 (6.83%)	1523.57 (-5.63%)	5.29 (12.79%)	1954.09 (28.26%)	5.81 (9.87%)	2600.19 (33.06%)
	% of NULM/ SJSRY Groups to Total	4.58%	5.83%	4.71%	5.21%	4.89%	5.50%
Loans disbursed to SHGs during the year	Total No. of SHGs extended loans	31.46 (16.60%)	77659.35 (33.17%)	28.87 (-8.23%)	58070.68 (-25.22%)	33.98 (17.71%)	99729.22 (71.74%)
	All women SHGs	28.84 (21.95%)	73297.56 (37.64%)	25.9 (-10.19%)	54423.13 (-25.75%)	31.50 (21.63%)	93817.21 (72.38%)
	% of Women Groups	91.67%	94.38%	89.71%	93.72%	92.70%	94.07%
	Of which NRLM/ SGSY	20.49 (24.26%)	52183.73 (56.24%)	15.84 (-22.69%)	29643.04 (-43.19%)	22.91 (44.64%)	63100.77 (112.87%)
	% of NRLM/ SGSY Groups to Total	65.13%	67.20%	54.87%	51.05%	67.42%	63.27%
	Of which NULM/ SJSRY	1.59 (23.26%)	3406.22 (-0.39%)	1.13 (-28.93%)	2112.04 (-37.99%)	1.84 (62.45%)	5816.10 (175.38%)
	% of NULM/ SJSRY Groups to Total	5.05	4.39	3.91	3.63	5.40%	5.83%
Loans outstanding against SHGs as on 31st March	Total No. of SHGs linked	56.77 (11.82%)	108075.07 (24.08%)	57.8 (1.81%)	103289.71 (-4.43%)	67.40 (16.61%)	151051.30 (46.24%)
	No. of all Women SHGs linked	51.12 (14.59%)	100620.71 (27.00%)	53.11 (3.89%)	96596.6 (-4.00%)	62.65 (17.96%)	142288.61 (47.30%)
	% of Women SHGs	90.05	93.10	91.89	93.52	92.95%	94.20%
	Of which NRLM/ SGSY	36.89 (12.30%)	67717.07 (24.66%)	33.78 (-8.43%)	57336.62 (-15.33%)	44.54 (31.87%)	94231.52 (64.35%)
	% of NRLM/ SGSY Groups	64.98	62.66	58.44	55.51	66.09%	62.38%

	to Total						
	Of which NULM/ SJSRY	2.67 (18.67%)	5466.87 (32.99%)	2.23 (-16.48%)	4056.45 (-25.8%)	3.27 (46.52%)	7608.57 (87.57%
	% of NULM/ SJSRY Groups to Total	4.70	5.06	3.86	3.93	4.85%	5.04%

Source: NABARD (ATMANIRBHAR MAHILA - ATMANIRBHAR BHARAT, Status of Microfinance in India 2021-2022)

The savings of Self-Help Groups (SHGs) with banks have shown consistent growth in both absolute and percentage terms over the past three years. Although there was a decline in outstanding loans as of March 31, 2021, primarily due to the disruptions caused by the Covid-19 pandemic, savings still increased by 45% during that period. With the improvement in the pandemic situation, loan disbursements to SHGs also demonstrated positive momentum, as reflected in the loan status as of March 31, 2022 (see Fig. 1).

In terms of the distribution of banks supporting SHG savings and credit linkages, Commercial Banks hold a significant share, accounting for 58% of savings-linked SHGs and 62% of credit-linked SHGs (see Fig. 2).

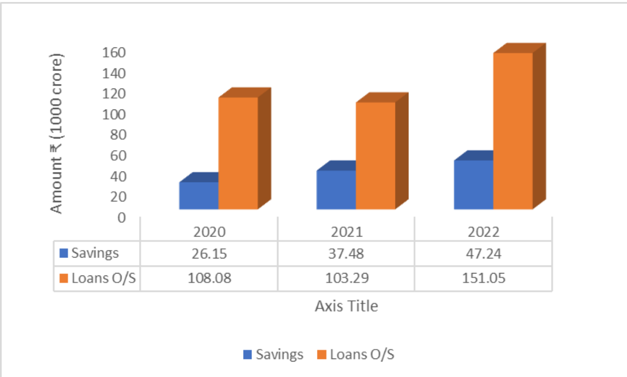
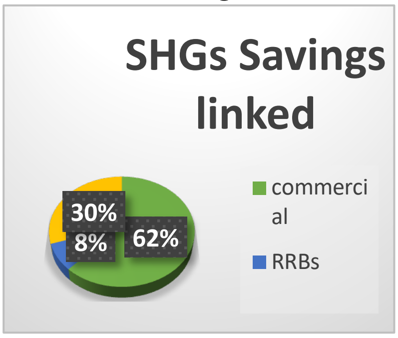


Fig 1: SHG-BLP - Savings and Loans O/S (As on 31 March)



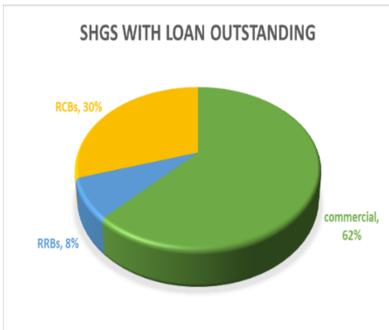


Fig.2: Status of SHG-BLP (% share)

PROGRESS OF SAVINGS LINKAGE OF SHGS WITH BANKS (2019-20 TO 2021-22)

Increased savings strengthen the eligibility of Self-Help Groups (SHGs) for loans from banks and financial institutions (FIs), enhancing their capacity for business investments. In the 2021-22 fiscal year, banks reported an increase of 6.7 lakh SHGs with savings linked across India, reflecting a growth rate of 5.97%. However, this represents a decline compared to the 9.57% growth rate observed in 2019-20, which can be attributed to the saturation of the initiative in certain regions. Despite this, a regional comparison reveals positive growth in the number of SHGs with savings linked to banks across all regions for the 2021-22 fiscal year (see Table 2).

Table 2: Region-wise progress of Saving Linked SHGs with Banks (2019-2020 to 2021-22) (r lakh)

Sr. No.	**Regions**	**2019-2020**		**2020-21**		**2021-22**	
		No. of SHGs	**Savings-Amount**	**No. of SHGs**	**Savings-Amount**	**No. of SHGs**	**Savings-Amount**
A	Northern	5,77,122	59,550	6,09,808	1,74,345	6,80,143	1,99,582
B	North Eastern	5,56,899	48,141	6,33,714	83,126	6,80,845	1,06,441

C	Eastern	28,11,130	6,64,333	31,22,424	7,74,912	32,43,980	13,58,595
D	Central	11,35,083	1,71,217	13,45,575	2,11,870	13,55,564	3,25,696
E	Western	14,73,853	2,01,880	15,50,176	3,74,023	16,88,451	3,27,691
F	Southern	36,89,236	14,70,085	39,61,703	21,29,485	42,44,070	24,06,043
	Total	**1,02,43,323**	**26,15,206**	**1,12,23,400**	**37,47,761**	**1,18,93,053**	**47,24,048**

Source: NABARD (ATMANIRBHAR MAHILA - ATMANIRBHAR BHARAT, Status of Microfinance in India 2021-2022)

The growth in Self-Help Group (SHG) savings linked to banks showed considerable regional variation during the 2021-22 fiscal year. The Northern region recorded the highest growth at 11.5%, while the Central region experienced the lowest at 0.7%. A total of 18 states and union territories—including Assam, Chandigarh, Dadra and Nagar Haveli, Daman and Diu, Haryana, Jammu & Kashmir, Jharkhand, Madhya Pradesh, Maharashtra, Manipur, Nagaland, New Delhi, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, and Uttarakhand—exceeded the national average growth rate in SHG savings linkage. In terms of savings volume, the Eastern region reported the most significant increase at 75%, with the Central region following at 53%. In contrast, the Western region experienced a 12% decline in savings. Despite these fluctuations, the Southern region maintained the largest share of SHG savings linked to banks, accounting for 36%, followed by the Eastern region at 27.4% and the Western region at 11.4% (see Fig. 3).

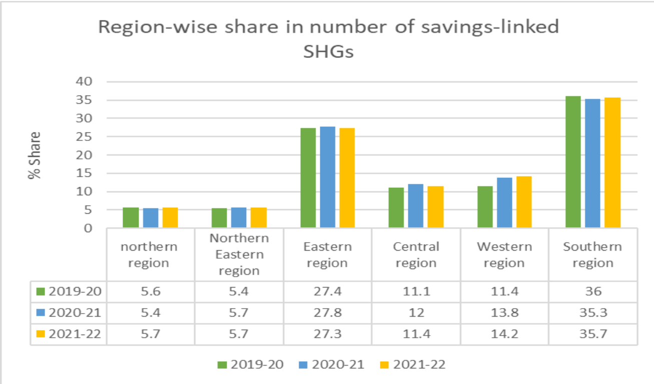


Fig. 3: Region-wise share in number of savings-linked SHGs

The savings of Self-Help Groups (SHGs) with banks saw a substantial rise of 26% during the 2021-22 fiscal year, increasing from ₹374.78 lakh crore in 2020-21 to ₹472.40 lakh crore. This increase reflects the growing financial health and commitment of SHGs toward saving. Across all regions, positive growth in SHG savings was observed. State-wise data shows that 16 States/Union Territories (UTs) achieved a growth rate above the national average, while 7 States/UTs—Arunachal Pradesh, Chhattisgarh, Lakshadweep, Maharashtra, Meghalaya, New Delhi, and Punjab—reported growth rates aligned with the national average. The average savings per SHG also rose by 31%, from ₹33,392 in 2020-21 to ₹39,721 in 2021-22 (see Figure 4). Most regions experienced a rise in mean savings, except for the Western region. Notably, the Eastern region registered a 69% increase, with average savings growing from ₹24,818 to ₹41,881. Among regions, the Southern region had the highest average savings per SHG, while the North-Eastern region reported the lowest. Among States/UTs, Punjab recorded the highest average savings per SHG, standing at ₹1.53 lakh.

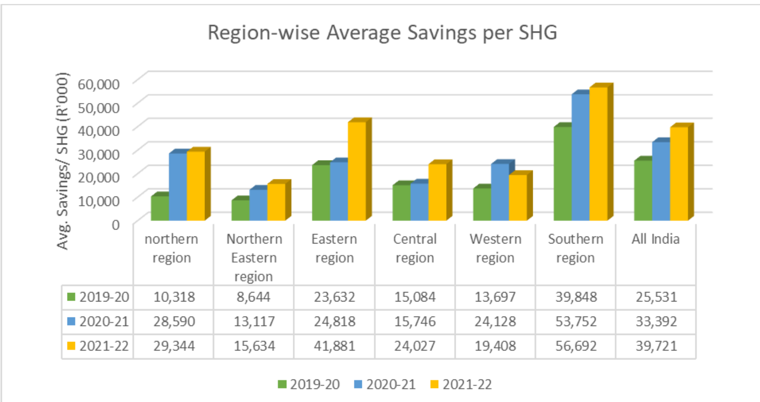


Fig 4: Region-wise Average Savings per SHG

CREDIT DISBURSEMENT BY BANKS

In the 2021-22 fiscal year, banking institutions disbursed ₹99,729 crore in loans to 34 lakh Self-Help Groups (SHGs), compared to ₹58,071 crore provided to 29 lakh SHGs in 2020-21. This marks a 72% increase in the total credit issued and an 18% increase in the number of SHGs accessing credit within the year. Table 2.3 presents a comparative overview of bank loans provided to SHGs over the past three financial years, covering the period from 2019-20 to 2021-22.

Table 3: Region-wise Status of Bank Loan Disbursed to SHGs during 2019-20 to 2021-22 (r lakh)

Region	2019-2020			2020-2021			2021-20202		
	No. of SHGs	Total Loans Disbursed	Average Loan Disbursed	No. of SHGs	Total Loans Disbursed	Average Loan Disbursed	No. of SHGs	Total Loans Disbursed	Average Loan Disbursed
Northern	62,905	84,694	1,34,637	67,658	94,045	1,39,001	79,532	1,17,102	1,47,239
North Eastern	37,807	57,893	1,53,128	68,116	1,03,651	1,52,168	94,871	1,84,636	1,94,618
Eastern	11,23,517	17,85,075	1,58,883	11,24,578	14,87,551	1,32,276	13,01,505	25,68,978	1,97,385
Central	1,11,074	1,04,249	93,856	1,28,617	1,05,428	81,971	1,84,322	2,16,983	1,17,720
Western	1,74,218	2,49,327	1,43,112	1,61,159	2,30,331	1,42,921	2,39,086	3,81,363	1,59,509
Southern	16,36,481	54,84,696	3,35,152	13,37,266	37,86,063	2,83,120	14,98,951	65,03,860	4,33,894
Total	**31,46,002**	**77,65,935**	**2,46,851**	**28,87,394**	**58,07,068**	**2,01,118**	**33,98,267**	**99,72,923**	**2,93,471**

Source: NABARD (ATMANIRBHAR MAHILA - ATMANIRBHAR BHARAT, Status of Microfinance in India 2021-2022)

In 2021-22, credit disbursement to Self-Help Groups (SHGs) increased compared to the previous fiscal year, with the Central region recording the highest growth at 106%. The Southern region received the largest total disbursement of ₹65,039 crore for 15 lakh SHGs, while the Northern region had the lowest disbursement, amounting to ₹1,171 crore for 0.8 lakh SHGs.

A regional review of credit linkage percentages from 2019-20 to 2021-22 indicates an increased share of credit linkage in the Northern, Central, and Western regions, whereas the Southern region saw its share decline by about 8 percentage points. Meanwhile, the Northern and Eastern regions maintained relatively stable credit linkage shares (see Figure 5). Despite this decline, the Southern region continues to account for the largest proportion of credit-linked SHGs at 44.11%, followed by the Eastern region at 38.30%. In contrast, the Northern, North-Eastern, Central, and Western regions have smaller shares of SHGs with direct credit linkages, with each region's share remaining below 8%.

The mean loan amount per Self-Help Group (SHG) increased nationally by 46%, rising from ₹2.01 lakh per SHG in 2020-21 to ₹2.93 lakh per SHG in 2021-22 (see Table 3). This upward trend was observed across all regions. During 2021-22, the Southern region reported the highest average loan size, with a ticket value of ₹4.34 lakh per SHG. The Eastern and North-Eastern regions followed closely behind. In comparison, the combined average loan amount across all other regions stood at ₹1.83 lakh per SHG, indicating regional variations in loan disbursement and access to credit.

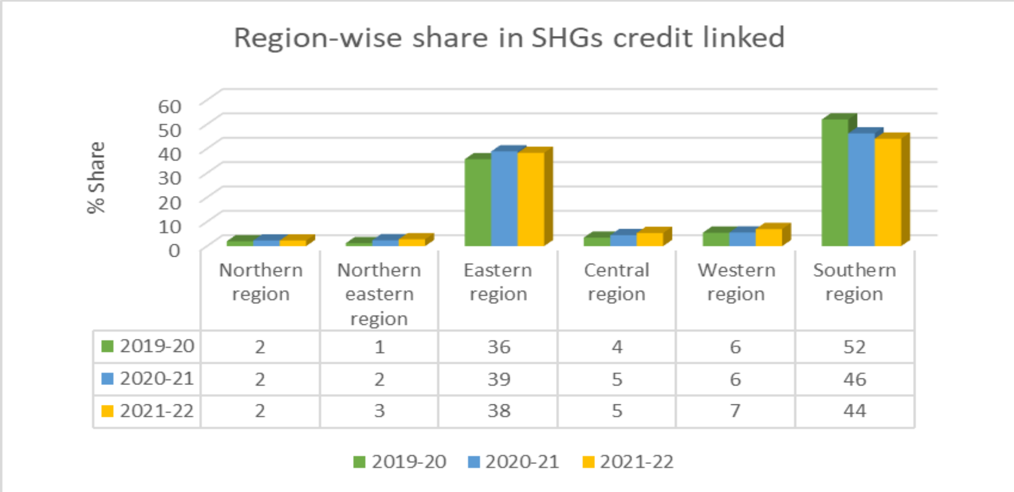


Fig. 5: Region-wise share in SHGs credit linked

CREDIT OUTSTANDING

As of March 31, 2022, a total of 67 million Self-Help Groups (SHGs) had accessed credit-linked loans amounting to ₹1,51,051.30 crore (see Table 4). The national average loan outstanding per SHG was ₹2.24 lakh. Regionally, the Southern region recorded the highest volume of outstanding loans, both in terms of the total loan amount and the average loan outstanding per SHG, reflecting the region's strong participation in the SHG-Bank Linkage Programme.

Table 4 : Region wise SHGs having Loans Outstanding (As on 31 March 2022) (r lakh)

Sr. No.	Regions	SHGs credit linked (No.)	Loans outstanding with SHGs	
			Total	Per SHG
1	Northern Region	1,61,848	1,65,378	1.02
2	North Eastern Region	2,12,009	2,36,245	1.11
3	Eastern Region	24,59,218	35,29,425	1.44
4	Central Region	4,07,004	3,25,178	0.80
5	Western Region	3,91,082	4,49,277	1.15
6	Southern Region	31,08,796	1,03,99,627	3.35
7	**Total**	**67,39,957**	**1,51,05,130**	**2.24**

Source: NABARD (ATMANIRBHAR MAHILA - ATMANIRBHAR BHARAT, Status of Microfinance in India 2021-2022)

Figure 6 presents the credit linkage status of Self-Help Groups (SHGs) as of 31 March 2022, broken down by state. In total, 57% of the 118.93 lakh SHGs with savings accounts have outstanding debts with banks. At least nine states have a credit linkage percentage higher than the national average. Among these, Andhra Pradesh leads with 90% of its SHGs holding outstanding loans, followed by Bihar at 89% and Karnataka at 87%. States from the Southern and Eastern regions, along with Tripura, rank at the top in terms of credit linkage.

The mean outstanding loan amount, as of 31 March 2022, has increased across all states compared to the previous year. Notably, Chandigarh recorded the highest growth at 432%, followed by Jharkhand with 155% and Manipur with 139%.

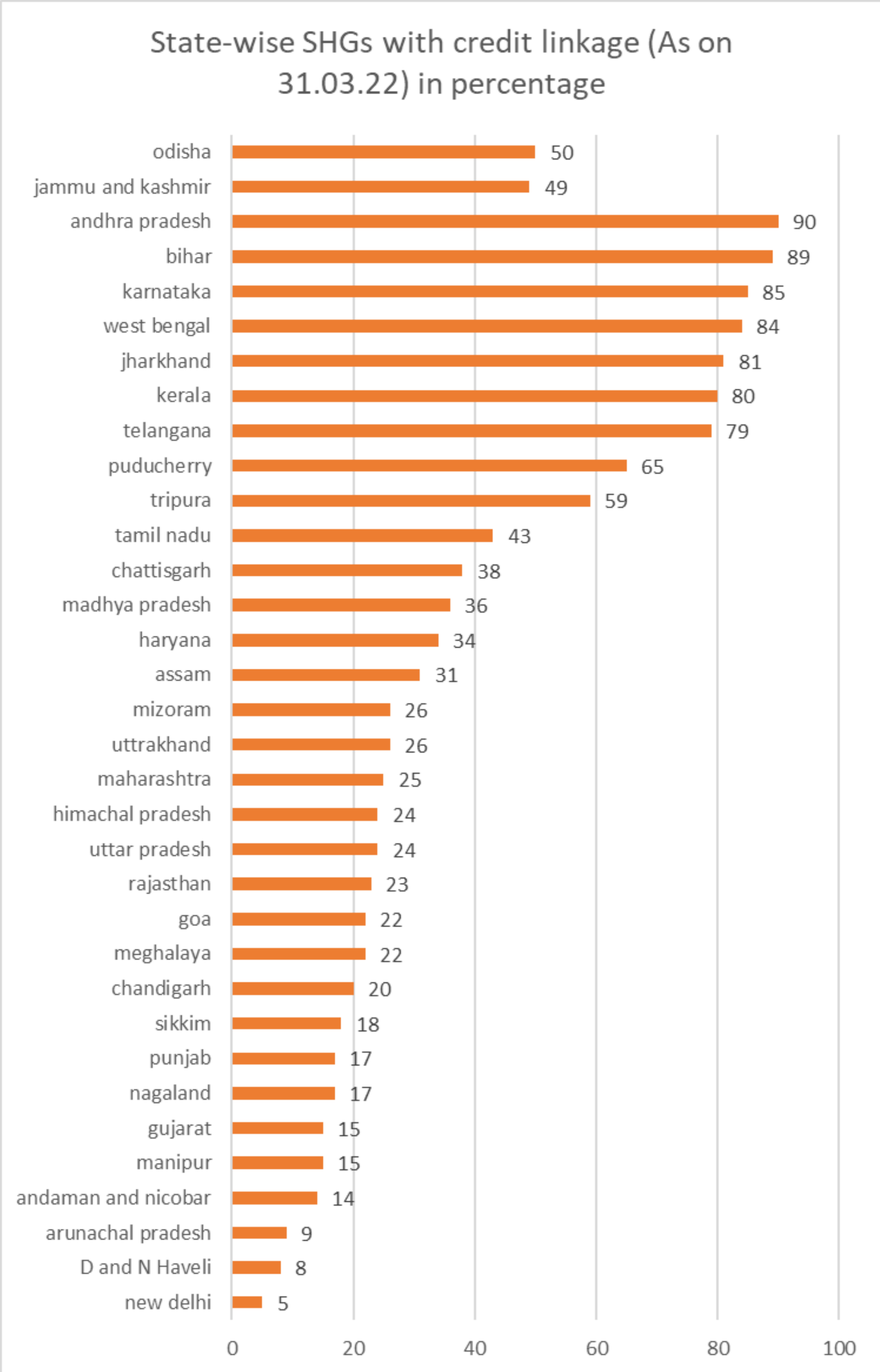


Fig. 6: State-wise SHGs with credit linkage (As on 31.03.22)

AGENCY WISE DISTRIBUTION OF SHG BANK LINKAGE PROGRAMME

Commercial banks, regional rural banks (RRBs), and **cooperative banks** play a vital role in advancing **Self-Help Group-Bank Linkage Programs (SHG-BLPs)** by providing both savings and credit financing services. Detailed agency-wise data on SHG-BLP progress is presented in **Table 5**. As of **March 31, 2022**, **Commercial Banks** have demonstrated significant success, facilitating savings accounts for more than **69 lakh SHGs** through their extensive banking network.

Their wide reach and infrastructure have been instrumental in expanding financial inclusion, enabling SHGs to access essential banking services and empowering them with both savings opportunities and credit facilities.

Table 5 Agency-wise status of SHG-BLP in 2021-22 (r lakh)

Category of Agency	**Total Savings of SHGs with Banks as on 31 March 2022**		**Loans disbursed to SHGs by Banks during 2021-22**		**Total Outstanding Bank Loans against SHGs as on 31.03.2022**		**NPAs as on 31.03.2022**	
	No. of SHGs	**Savings Amount**	**No. of SHGs**	**Loans disbursed**	**No. of SHGs**	**Loan Outstanding**	**Amount of Gross NPA**	**NPA (%)**
Commercial Banks	68,87,508	30,72,648	20,79,254	61,22,577	41,81,656	1,02,65,757	3,31,856	3.23
% Share	57.91	65.04	61.19	61.39	62.04	67.96	57.78	
RRBs	35,83,219	13,79,125	11,05,178	32,59,124	20,29,015	39,48,866	1,24,172	3.14
% Share	30.13	29.19	32.52	32.68	30.10	26.14	21.62	
Cooperative Banks	14,22,326	2,72,275	2,13,835	5,91,221	5,29,286	8,90,507	1,18,343	13.29
% Share	11.96	5.76	6.29	5.93	7.85	5.90	20.60	
Total	**1,18,93,053**	**47,24,048**	**33,98,267**	**99,72,923**	**67,39,957**	**1,51,05,130**	**5,74,371**	**3.80**

Source: NABARD (ATMANIRBHAR MAHILA - ATMANIRBHAR BHARAT, Status of Microfinance in India 2021-2022)

Commercial Banks hold the largest share of **Self-Help Groups (SHGs)** saving with banks, accounting for **58%** of the total. **Regional Rural Banks (RRBs)** follow with **30%** (35.83 lakh SHGs), and **Cooperative Banks** represent **12%** (14.22 lakh SHGs). According to **Table 6**, the **average savings per SHG** with banks increased across most financial institutions, with the exception of **Cooperative Banks**, which experienced a significant **47% decline**. Overall, the average savings grew from **₹33,392** in **2020-21** to **₹39,721** in **2021-22**. Additionally, the **average loan amount per SHG** showed robust growth, increasing by **45.92%** compared to the previous year across all types of financial institutions. This trend reflects the strengthened financial linkage between SHGs and banks, contributing to better access to credit and improved financial stability for SHG members.

Table 6: Agency-wise Average Savings, Loan Disbursement and Loan Outstanding per SHG (r Lakh)

Category of Agency	**Average Savings of SHGs with Banks**			**Average Loans disbursed to SHGs by Banks**			**Average Outstanding Bank Loans against SHGs**		
	2021-22	**2020-22**	**Change (%)**	**2021-22**	**2020-22**	**Change (%)**	**2021-22**	**2020-22**	**Change (%)**
Commercial Banks	44,612	36,872	20.99	2,94,460	1,91,806	53.52	,45,495	1,85,768	32.15
Regional Rural Banks	38,488	26,445	45.54	2,94,896	2,06,742	42.64	1,94,620	1,76,724	10.13
Cooperative Banks	19,143	35,838	-46.58	2,76,485	2,29,278	20.59	1,68,247	1,43,248	17.45
Total	**39,721**	**33,392**	**18.95**	**2,93,471**	**2,01,118**	**45.92**	**2,24,113**	**1,78,694**	**25.42**

Source: NABARD (ATMANIRBHAR MAHILA - ATMANIRBHAR BHARAT, Status of Microfinance in India 2021-2022)

NPAs IN SHG-BLP – REGION-WISE DISTRIBUTION

As of **31 March 2022**, the **Non-Performing Assets (NPAs)** for bank loans to **Self-Help Groups (SHGs)** decreased to **3.8%**, down from **4.73%** on **31 March 2021** (see Table 7 and Fig. 8). This decline indicates an improvement in the overall credit quality during the **2021-22 fiscal year**. However, despite the reduction in the NPA percentage, the **total value of NPAs** increased from **₹4,889.21 crore** in **2020-21** to **₹5,743.71 crore** in **2021-22**, with the **Southern region** being the main contributor to this rise. The **North Eastern region** was the only area to report a decline in the total value of NPAs, falling by **3%**, from **₹283.66 crore** to **₹274.58 crore**, demonstrating some positive progress in loan recovery efforts in that region.

Table 7: Region-wise NPA Level (per cent) during 2020 & 2021 (r lakh)

Sr. No	Region	2020-21		2021-22	
		Gross NPA- Amount	**NPA as % to Loan o/s**	**Gross NPA- Amount**	**NPA as % to Loan o/s**
1.	Northern Region	17,133	13.93	18,094	10.94
2.	NE Region	28,366	20.07	27,458	11.62
3.	Eastern Region	1,15,889	4.47	1,18,293	3.35
4.	Central Region	52,551	20.83	63,650	19.57
5.	Western Region	32,917	10.01	38,566	8.58
6	Southern Region	2,42,064	3.52	3,08,310	2.96
7	**All-India**	**4,88,921**	**4.73**	**5,74,371.42**	**3.80**

Source: NABARD (ATMANIRBHAR MAHILA - ATMANIRBHAR BHARAT, Status of Microfinance in India 2021-2022)

An analysis of **Non-Performing Assets (NPAs)** as a percentage of loans by region reveals that the **Eastern** and **Southern regions** have **NPA levels below the national average**, despite an increase in **gross NPAs** in absolute terms. Since these two regions constitute the largest share of **Self-Help Group (SHG) loan disbursements** and **outstanding loans**, fluctuations in their NPA levels have a significant impact on national NPA trends. The lower-than-average NPA percentages in these regions indicate relatively better loan repayment performance. However, given the high volume of lending in these areas, even small changes in their NPA levels can notably influence the overall **national NPA figures** for the sector. The data underscores the importance of these regions in shaping the financial stability and performance of the **SHG-Bank Linkage Programme (SHG-BLP)** at the national level.

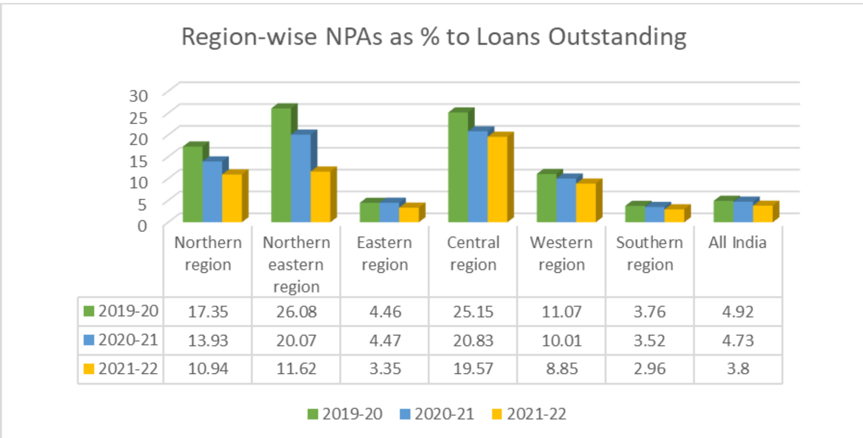


Fig. 7: Region-wise NPAs as % to Loans Outstanding

AGENCY-WISE NPA POSITION IN SHG- BLP:

As of **March 31, 2022**, the total outstanding loan balance under the **SHG-BLP scheme** stood at **₹1,51,051.30 crore**, with **Gross Non-Performing Assets (NPAs)** amounting to **₹5,743.71 crore**, representing **3.8%** of the total loan portfolio. While **Commercial Banks** and **Regional Rural Banks (RRBs)** achieved a reduction in NPA levels, **Cooperative Banks** faced a significant rise in NPAs, increasing from **5.6%** in **2020-21** to **13.3%** in **2021-22**. Graph 10 offers a comparative overview of NPA trends across different financial institutions over the last three years. On the whole, the **NPA ratio of banks** declined from **4.7%** of loans outstanding as of **March 31, 2021**, to **3.8%** by **March 31, 2022**, indicating an improvement in asset quality and repayment performance under the **SHG-Bank Linkage Programme (SHG-BLP)**.

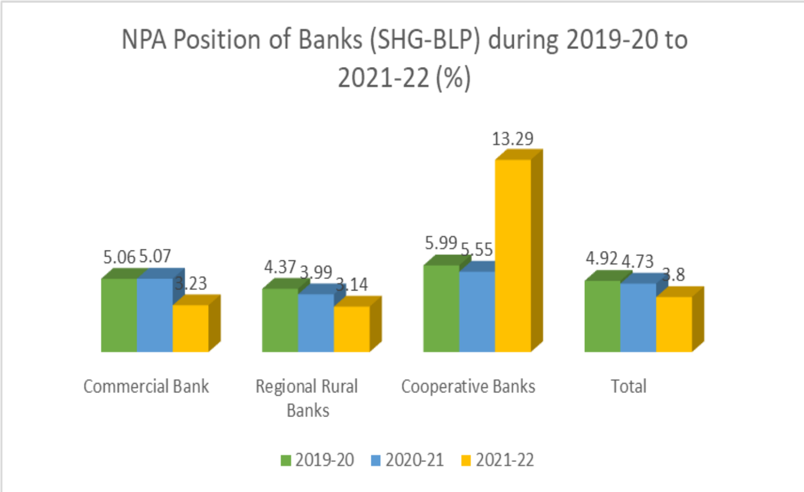


Fig 8: NPA Position of Banks (SHG-BLP) during 2019-20 to 2021-22 (%)

PART II: OPERATIONS OF MFIs

Since the inception of the first **microfinance institution (MFI)** in **1996**, the sector has experienced consistent growth, with notable acceleration occurring after **2004**. In recent years, the number of lending institutions has expanded significantly, increasing from just a few to several hundred. The total loans disbursed by MFIs to **economically disadvantaged and financially marginalized individuals** have now exceeded **₹1.16 lakh crore**. The industry has undergone significant transformation, with **banks, non-banking financial companies (NBFCs),** and **small finance banks (SFBs)** collectively accounting for two-thirds of the total market share. The **combined portfolio of the microfinance sector** has surpassed **₹2.6 lakh crore**, serving a customer base of **6 crore people**.

The growing demand for credit spans various needs, including **consumption loans, income-generating activities, MSMEs, housing, education, water and sanitation, health,** and **agriculture**. The sector became more structured following the **RBI's regulatory framework** introduced in **2011** and the establishment of an **Industry Code of Conduct** by **Self-Regulatory Organizations (SROs)**. To align with market developments, the **Code for Responsible Lending** was introduced as a voluntary guideline for microfinance lenders, ensuring responsible practices and enhancing customer protection.

In **March 2022**, the **Reserve Bank of India (RBI)** introduced a **New Regulatory Framework for Microfinance Loans**, establishing uniform guidelines for all lenders in the sector to promote **fair competition**. Despite encountering challenges such as the **Andhra Pradesh Crisis (2010)**, **Demonetization (2016)**, the **Assam Crisis (2019)**, and the **COVID-19 pandemic (2020)**, the sector has demonstrated remarkable **resilience**. Although the pandemic initially disrupted microfinance operations in **March 2020**, the industry began recovering by the **third quarter**, regaining stability and continuing on its **growth trajectory** despite ongoing challenges.

Technology has played an essential role in helping **microfinance institutions (MFIs)** adapt during the pandemic, becoming a critical element of operations. Beyond improving efficiency, the adoption of technology has transformed how MFIs operate. Following **demonetization**, many MFIs transitioned to **disbursing loans directly into bank accounts**, reducing dependency on **cash transactions**. The pandemic further accelerated this shift, leading MFIs to enhance **digital collection** methods to maintain business continuity.

To maximize the potential of these technological advancements, it is essential to invest in **financial and digital literacy** among clients, enabling them to engage confidently in **cashless transactions**. MFIs are also driving critical development initiatives, providing funding for **water and sanitation projects**, **renewable energy solutions**, and **affordable housing**. Additionally, MFIs are actively participating in the **PM SVANidhi Scheme** to support **street vendors** and contributing to the expansion of the **Aayushman Bharat Programme** across the country.

PROGRESS OF MFI OPERATIONS DURING 2021-22

Portfolio: Despite the challenges posed by the COVID-19 pandemic, the microfinance industry showed promising recovery by the end of 2021-22, nearing pre-pandemic performance levels. The sector's combined portfolio, including both banks and Small Finance Banks (SFBs), is projected to reach ₹2,62,599 crore, reflecting a 5% year-on-year growth. Microfinance institutions (MFIs)—comprising both for-profit and not-for-profit entities—constitute 44% of this total portfolio, amounting to ₹1,15,917 crore. In the previous fiscal year 2020-21, Not-for-Profit MFIs recorded a significant

30% growth, while NBFC-MFIs achieved 19% growth, reflecting resilience despite market disruptions. The top five states contributing the most to the MFI portfolio are Tamil Nadu, Bihar, Karnataka, Uttar Pradesh, and Madhya Pradesh, which together account for 59% of the total portfolio. This regional concentration underscores the importance of these states in driving the sector's growth and highlights the sector's focus on areas with significant demand for microfinance services.

Disbursement: In the fiscal year 2021-22, total loan disbursements in the microfinance sector amounted to ₹2,49,675 crore, reflecting a 27% increase compared to the previous year. Microfinance Institutions (MFIs) contributed ₹1,01,949 crore to this total, marking a substantial 43% year-on-year growth. The top five states by MFI disbursement—Bihar, Tamil Nadu, Karnataka, Uttar Pradesh, and Maharashtra—together accounted for 60% of the total MFI disbursements. This significant growth is largely attributed to continued government support through measures such as specialized liquidity funds, TLTRO funds, and the Credit Guarantee Scheme. The sector's recovery is further evidenced by improvements in active loans, portfolio size, disbursements, and collection efficiency, signaling a return to stability for both MFIs and borrowers. These developments highlight the industry's resilience and the gradual normalization of operations following the challenges posed by the pandemic.

Portfolio Quality: The Portfolio At Risk (PAR) 30+ for the microfinance sector improved from 9.01% at the end of March 2021 to 5.27% by the close of 2021-22, indicating an overall enhancement in portfolio quality. Similarly, the PAR 90+ decreased to 2.43% in March 2022, down from 4.10% in the previous fiscal year. However, some states report PAR 30+ levels above the national average of 5.27%, including Assam, West Bengal, Kerala, Tamil Nadu, and Madhya Pradesh. In contrast, Bihar, Haryana, Uttar Pradesh, and Punjab recorded PAR levels below the national average. Despite these improvements, the sector still reported Non-Performing Assets (NPAs) exceeding ₹33,000 crore, with more than ₹7,000 crore written off during the 2021-22 fiscal year.

Status of MFI staff: Microfinance Institutions (MFIs) in India currently operate across 28 states, 5 Union Territories, and 595 districts, employing 1.61 lakh individuals. Of the total workforce, 10% are women, and 61% work as field agents. However, the sector has encountered a new challenge in the form of an increasing attrition rate over the past year. In response, MFIs are strategically investing in staff welfare, motivation, and training programs to mitigate the impact of attrition and enhance employee retention. These efforts aim to improve job satisfaction and build a more committed workforce, ensuring the sector's long-term stability and operational effectiveness.

Digitization: In 2021-22, a significant development in MFI operations was the increased emphasis on digital integration. The pandemic played a crucial role in accelerating the adoption of digital collection methods, prompting MFIs to embrace various technologies and partner with Payment Banks, Payment Wallets, and other payment platforms. This transition has contributed to a steady rise in digital collections. The use of technology has also improved across several critical functions, including customer acquisition, loan processing, monitoring, and group organization and management. These advancements have enhanced operational efficiency, streamlined processes, and strengthened the ability of MFIs to provide seamless financial services to borrowers.

New regulations: The Reserve Bank of India's (RBI) introduction of the new Regulatory Framework for Microfinance Loans is expected to drive the continued growth of MFIs in the coming years. In response to the new framework, MFIs are currently finalizing interest rate policies and providing training for accurate household income assessments to comply with the updated regulations. The framework grants MFIs the authority to determine loan pricing and make necessary adjustments, giving them greater flexibility in lending operations. Additionally, it enhances the role of Self-Regulatory Organizations (SROs) in safeguarding client interests and promoting responsible lending practices. This regulatory shift aims to ensure that MFIs balance business growth with customer protection, fostering sustainable financial inclusion.

NPA STATUS OF MFIS AS OF 31ST MARCH 2021 AND 2022

At the start of the 2020-21 financial year, the Indian economy faced significant disruption due to the nationwide lockdown imposed in response to the COVID-19 pandemic, severely impacting the microfinance sector. As a result, non-performing assets (NPAs) in the sector surged from 4% in March 2020 to 10.8% by March 2021, and further increased to 11.83% by March 2022. A notable exception to this trend was the NBFC segment, where NPAs consistently declined despite the broader sectoral challenges. By the end of March 2022, the states with the highest NPA levels, exceeding 15% of their portfolios classified as non-performing, were Assam, Meghalaya, West Bengal, Maharashtra, and Delhi. These regions represent some of the most significant challenges for recovery efforts, highlighting the uneven impact of the pandemic across the country.

PROGRESS UNDER MFI/MFO-BANK LINKAGE PROGRAMME

Non-Banking Financial Companies (NBFC-MFIs) play a pivotal role in the microfinance sector, managing a loan portfolio of ₹1.16 lakh crore and serving a customer base of 6 crore individuals. The industry focuses on enhancing its capacity to provide sustainable financial services to impoverished and vulnerable households. The implementation of prudential standards and self-regulatory practices has strengthened MFIs' credibility, enabling them to secure increased liquidity from both public and private banks. As detailed in Table 8, bank credit to MFIs has grown significantly. In 2020-21, banks disbursed 28,601 loan accounts totaling ₹15,322.33 crore. This increased further in 2021-22, with 24,686 loan accounts disbursed, amounting to ₹26,567.02 crore. The average loan amount per account also saw substantial growth, rising from ₹0.54 crore in 2020-21 to ₹1.61 crore in 2021-22, reflecting the increasing scale of bank lending to MFIs to meet the sector's evolving needs.

Table 8: Progress under MFI/MFO-Bank Linkage (Amount R crore)						
	2019-20		2020 -21		2021-22	
Particulars	**No. of accounts**	**Amount**	**No. of accounts**	**Amount**	**No. of accounts**	**Amount**
Loans disbursed by banks/FIs to MFIs/ MFOs	20,744	20,875.97	28,601	15,322.33	24,686	26,567.02
Outstanding against MFIs/ MFOs as on 31 March,	52,288	29,896.67	61,259	24,494.04	58,849	38,806.35
Source: Reporting Banks through Ensure portal						

As of March 31, 2022, the total bank loans to Microfinance Institutions (MFIs) stood at ₹38,806.35 crore, spread across 58,849 loan accounts. This reflects a significant increase from ₹24,494.04 crore distributed across 61,259 loan accounts as of March 31, 2021. Despite a 14% decline in the number of loan accounts disbursed during the year, the total loan amount disbursed rose by 73%, indicating a shift towards larger loan sizes. Additionally, although the number of loan accounts provided by banks and financial institutions (FIs) to MFIs fell by 4%, the total outstanding loans increased by 58%, underscoring the sector's growing reliance on larger funding amounts to support operations. Further details on bank loans to MFIs by agency are provided in Table 9, highlighting the changing dynamics of lending to MFIs and the evolving trends in bank credit to the sector.

Table 9: Loans to MFIs/MFOs by the Banks /Financial Institutions (Amount in R crore)						
Financing Agency	**Period**	**No. of Reporting Banks**	**Loans disbursed to MFIs during the year**		**Loan outstanding against MFIs as on 31 March**	
			No. of loan accounts	**Amount**	**No. of loan accounts**	**Amount**
Commercial Banks*	2019-20	31	3622	18636.13	9756	26602.63
	2020-21	23	5742	11204.83	11946	20732.51
	2021-22	28	13079	22191.98	19203	33718.69
Regional Rural Banks	2019-20	10	867	17.97	3005	42.07
	2020-21	10	944	19.26	3296	37.65
	2021-22		1408	33.26	4153	80.32
Cooperative Banks	2019-20	23	16239	1128.88	39471	1219.17
	2020-21	19	21826	1515.24	45921	1831.61
	2021-22	16	10164	1448.78	35447	1824.34
SIDBI	2019-20	1	16	1093.00	56	2032.79
	2020-21	1	39	2583.00	78	1892.26
	2021-22	1	35	2893.00	43	318300
Total by all	**2019-20**	**65**	**20744**	**20875.98**	**52288**	**29896.66**

agencies	**2020-21**	**53**	**28601**	**15322.33**	**61259**	**24494.03**
	2021-22	**45**	**24686**	**26567.02**	**58849**	**38806.35**
* Including SFB						

In the fiscal year 2021-22, Commercial Banks disbursed ₹22,192 crore to Microfinance Institutions (MFIs), reflecting a significant 98% increase compared to the previous year. By March 31, 2022, the total outstanding loans from Commercial Banks to MFIs amounted to ₹33,719 crore, representing a 63% growth year-over-year. In the same period, Regional Rural Banks (RRBs) disbursed ₹33.26 crore to MFIs, with outstanding loans reaching ₹80.32 crore by March 31, 2022. These figures indicate 73% and 113% increases in disbursements and outstanding loans, respectively, compared to the previous fiscal year.
Additionally, the Small Industries Development Bank of India (SIDBI) approved ₹2,893 crore in disbursements for 2021-22, reflecting 12% year-on-year growth. By the end of the fiscal year, SIDBI's outstanding loans to MFIs stood at ₹3,183 crore, a 68% increase from the previous year. This impressive growth across lending institutions points to a U-shaped recovery of the microfinance sector following the disruptions caused by the COVID-19 pandemic, signaling renewed financial activity and increasing support for MFIs.

Conclusion

The Self-Help Group-Bank Linkage Programme (SHG-BLP) is a widely recognized microfinance initiative that has successfully reached 14.20 crore households. Between 2019-20 and 2021-22, the programme experienced significant growth in savings and credit linkages between Self-Help Groups (SHGs) and banks. SHG savings with banks increased substantially from ₹26,152 crore in 2019-20 to ₹47,240 crore in 2021-22, showcasing consistent growth even during the pandemic. The Southern region led in SHG savings linkages with 36%, followed by the Eastern region at 27.4%. Despite challenges posed by the COVID-19 pandemic, which caused a temporary dip in loan disbursements in 2020-21, the total credit extended to SHGs rose sharply by 72% in 2021-22, with ₹99,729 crore disbursed to 34 lakh SHGs. Commercial banks were the primary drivers of savings and credit linkages in SHG-BLP, contributing 58% and 62% of the total, respectively. Although all regions saw growth in savings and loan distribution, the Southern region continued to lead in the number of SHGs linked and the average loan amount, highlighting its vital role in the programme's success.

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