Foreword

Financial exclusion of the poor is a critical concern for the developing countries in general and India in particular. To address this problem, several innovative initiatives have been undertaken in Karnataka, which include adoption of business correspondent model, introduction of "no-frills account" and issuing "General credit cards" for low deposits and credits and so on. Some of these initiatives have been highly successful while others were less penetrating.

Currently, under the Jan Dhan Yojana, the Government of India has brought a large number of citizens under the banking network through a massive drive aimed at ensuring financial inclusion. While a significant number of accounts have been opened under the drive, these are primarily used for transferring cash benefits under various welfare schemes of the state. This undeniably helps to reduce leakage of funds and thereby performs a vital enabling function. However, the most significant function of a financial intermediary in a nation with large self employed population should be providing access to credit. This key objective of financial inclusion is often not achieved under the drive. In this backdrop, Self-Help Group (SHG) model especially formulated under the SHG-bank linkage programme (SBLP) of National Bank for Agriculture and Rural Development (NABARD) can be regarded as an important initiative as it allows group members to access credit services from the formal banking sector without any collateral security. As is well-known, the banks mitigate the risk of default through the self monitoring process ensured through this model. However, there are very few studies that try to understand the sustainability of such innovative programmes.

In this context, this study by Meenakshi Rajeev, B P Vani and Veerashekharappa constitutes an important contribution in understanding the role of SHG model for carrying out financial inclusion in the country. This study, through an extensive field work in the state of Karnataka, attempts to understand the problems and prospects of the SHG programme in the state. It highlights the challenges faced by SHGs and the reasons for their dissolutions, and thereby arrives at the key concerns that must be addressed to ensure sustainable and healthy development of the programme. I am certain that this monograph will be of immense use to the policy makers and researchers interested in the area of financial inclusion.

I compliment the authors for taking up the challenging work and bringing out the monograph for wider dissemination.

December 2015 — *K S James*
Bangalore — *Acting Director, ISEC*