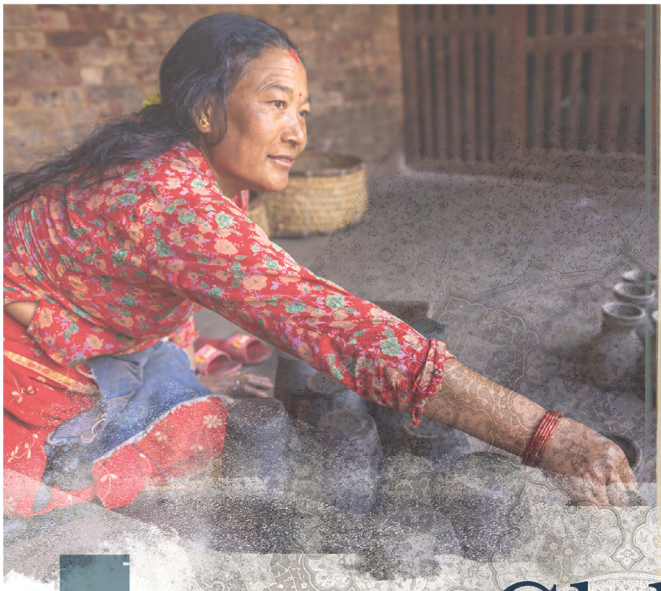

Global Perspectives on Financial Inclusion

Case Studies in Microfinance and Women's Empowerment

NISHI MALHOTRA

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Global Perspectives on Financial Inclusion: Case Studies in Microfinance and Women's Empowerment

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Emerald Publishing, Floor 5, Northspring, 21-23 Wellington Street, Leeds LS1 4DL.

First edition 2025

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British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN: 978-1-83708-081-6 (Print)
ISBN: 978-1-83708-080-9 (Online)
ISBN: 978-1-83708-082-3 (Epub)

INVESTOR IN PEOPLE

I would like to dedicate this book to the people in rural India and in other parts of the globe, who are excluded from microfinance due to the lack of access to the physical collateral.

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List of Abbreviations

ACTBRW	Active borrowers
ALBG	Average loan per borrower
APMAS	Mahila Abhivruddhi Society, Andhra Pradesh
ASA	Association for Social Advancement
ATM	Automated teller machine
BRAC	Bangladesh Rural Advancement Committee
BSS	Bittaheen Samabaya Samity
CAR	Capital asset ratio
CBO	Collective bank organization
CGAP	Consultative Group to Assist the Poor
CIDA	Canadian International Development Agency
CPB	Cost per borrower
CVF	Competing value framework
DAY	Deen Dayal Antodaya Yojana
DBTEQ	Debt to equity
FINCA	Foundation for International Community Assistance
FSS	Financial self-sustainability
GDP	Gross domestic product
GLP	Gross loan portfolio
GLPTA	Gross loan portfolio to total assets
GMM	Generalized methods of moments
ICT	Information communication technology
IPO	Initial public offering
KSS	Krishak Samabaya Samity
MAC	Mutual-aided cooperative
MBS	Mahila Bittaheen Samity
MFI	Microfinance institution
MSME	Micro, small, and medium enterprise
MUDRA	Micro Unit Development and Refinance Agency Limited
MYRADA	Mysore Resettlement and Development Agency
MYWO	Maendeleo Ya Wanawake Organization
NAB	Net active borrowers
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-banking finance company
NGO	Non-government organization
NPA	Non-performing asset
NRLM	National Rural Livelihood Mission

OECD	Organisation for Economic Co-operation and Development
OPELP	Operating expenses to loan portfolio
PMJDY	Pradhan Mantri Jan Dhan Yojana
PPP	Public–private partnership
PRADAN	Professional Assistance for Development Action
PRTRSK	Portfolio at risk
RBV	Resource-based view
ROA	Return to asset
ROE	Return on equity
ROI	Return on investment
ROSCA	Rotating Savings and Credit Association
RRB	Regional Rural Bank
SEWA	Self-Employed Women's Association
SFB	State finance bank
SHPI	Self-help promotion institution
SLBC	State-level banking committee
UN	United Nations
VLE	Village-level entrepreneur
VPO	Village phone service provider
VPP	Village pay phone
VRIO	Valuable, rare, imitable, and organization
WBR	Woman borrower ratio
YDGLP	Yield on gross loan portfolio

Preface

Microfinance is the lifeblood of rural banking in India, and it plays an important role in supporting economic activities for the marginalized and the poor at the bottom of the pyramid. The underprivileged at the bottom of the pyramid do not have collateral, due to which they find it difficult to borrow money for the business. Most of the studies in this book are conducted using the case study method and the data have been collected using the semi-structured interview approach. In this regard, community lending provides a viable option to access finance through the use of social capital or social collateral. Though there are earlier studies that have explored the impact of community lending on the financial health of micro-enterprises, there is a dearth of studies that explore the international best practices in community lending. Group lending has now existed for a fairly long period in the form of Rotating Savings and Credit Associations, German cooperatives, Guanxi Chinese group lending, Grameen Bank, Bangladesh, and Savings banks in Kenya that have played an extremely important role in the development of the microfinance. This book aims to explore the impact of the various international best practices in community lending on economic growth and the development of the global economy. Developing nations like India have adopted various best practices from the different economic and financial models of community lending across the globe. The book provides a glimpse and snapshot of the various international case studies in the domain of microfinance. It provides valuable insights for the researchers and the policymakers to design various microfinance programmes to facilitate financial access and support to the people at the bottom of the pyramid. I would like to thank various self-help groups across the globe for their valuable time and feedback.

Acknowledgements

I would like to thank Emerald Publishing, Editor Daniel Ridge, and his team for their support and cooperation. I also take this opportunity to thank the members of various community lending programmes who have spared their valuable time for this initiative. I would like to thank my parents and younger sister, without whom this would not have been possible.

Chapter 1

UN Sustainable Development Goals and Importance of Microfinance

Abstract

The chapter delves into the significant shift among emerging economies towards embracing the UN Sustainable Development Goals, particularly focusing on poverty reduction and women's empowerment. This transformation reflects a departure from conventional donor-driven and subsidy-centric models towards sustainable finance frameworks. The chapter underscores the escalating emphasis on microfinance and social finance within this evolving landscape. By leveraging the theoretical constructs of critical mass and sustainable finance, the chapter aims to elucidate the critical role of financial intermediation in facilitating access to microfinance for impoverished segments globally. It delineates how bottom-up strategies, such as collective endeavours and savings groups, can catalyse sustainable finance initiatives to advance the UN Sustainable Development Goals. Employing a research framework that combines expert interviews with grounded theory analysis of existing literature, the chapter endeavours to provide a nuanced understanding of the intersection between the UN Sustainable Development Goals and poverty alleviation through microfinance. Furthermore, it offers insights into the policy initiatives spearheaded by the World Bank to propel the realization of the Sustainable Development Goals through diverse microfinance interventions. Overall, this chapter serves as a comprehensive exploration of the synergies between sustainable finance, microfinance, and the UN Sustainable Development Goals, shedding light on the pivotal role of financial inclusion strategies in fostering socio-economic progress and empowerment at the grassroots level.

Keywords: Sustainable Development Goals; poverty reduction; financial inclusion; microfinance; group lending

Global Perspectives on Financial Inclusion: Case Studies in Microfinance and Women's Empowerment, 1–15

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doi:10.1108/978-1-83708-080-920251001

1. Introduction

Microfinancing and rural financing history in India can be segregated into three different eras. The first phase was post-independence from 1950 till the nationalization of banks, during which the cooperative banks were set up to ensure financial inclusion of the poor underserved and unbanked. Initially, till the 1970s, to ensure financial deepening and access to finance, donor-based, and subsidized finance appeared as a panacea to the problem of financial exclusion. Donor-based models were not found to be sustainable due to deteriorating asset quality and undermining of the credit behaviour leading to insufficient credit allocations (Ledgerwood, 2000). The financial system in India in the post-independence era was extremely shallow and lop-sided as most of the credit creation was by informal players such as money lenders, shopkeepers, and relatives. Money lenders having access to the local information and knowledge about the client could profitably expand into the rural hinterlands (Rosenberg et al., 2009). Due to the lack of institutional sustainability supply of credit was extremely weak. In 1969, the nationalization of banks took place and there was a major thrust on the expansion of rural banking and social finance aimed at providing a positive impact through microfinancing and social banking emerged as major areas. During the post-nationalization phase after 1969, bank branches were expanded in rural India. This initiative was aimed at rural development and poverty reduction (Burgess et al., 2005). It was the beginning of the first phase when the focus was the priority lending mandate of 1971 for the commercial banks for the poor. It led to the setting up of the regional rural banks in 1975. Various policy measures such as priority lending mandate to be implemented by the commercial banks to lend to the underbanked and unbanked were designed to facilitate financial inclusion and upliftment of the poor through improved consumption and productivity. This phase also witnessed the setting up of the supervisory and regulatory body National Bank for Agriculture and Rural Development (NABARD) in 1982 to regulate and ensure financial inclusion in rural India. The financial crisis of 1991 paved the way for the financial sector reforms which were based on the recommendation of the Narasimhan committee. These reforms included the dismantling of the sectoral mandates and the introduction of BASEL and capital adequacy norms, which further led to the decline in the credit deposit ratios in rural India. This heralded the end of the era of donor-based and social banking and the failure of the donor-based credit model, which was not sustainable and exacerbated the problem of moral hazard leading to increasing non-performing assets (NPAs) and impacting the financial sustainability of the banks and financial systems. In 1992, in the aftermath of the recession and economic reforms, the government-based formal credit declined rapidly and the dependence of rural households on non-institutional finance increased rapidly. Further as per the recommendations of the C Rangarajan Committee on Financial Inclusion (2008), Usha Thorat Panel (2007), Nachiket Mor Panel (2013), the Central Bank of India, Reserve Bank of India laid out the detailed vision for financial inclusion and financial deepening in India through universal access to banking services including bank accounts, payment services, deposit services, credit services, and insurance based on principle of stability, transparency, neutrality, and responsibility.

Microfinance interventions by private players such as microfinance institutions and non-banking finance corporations were not financially viable due to lower repayment rates, high transaction costs, NPAs, and exorbitant transaction costs. The programme started as the Integrated Rural Development Programme and then was graduated to Swarna Jayanti Gram Swarozgar Yojana. This scheme was fraught with increasing NPAs and deteriorating asset loan portfolios. And, in 2012, this scheme was transformed into Deen Dayal Antodaya Yojana, National Rural Livelihoods Mission (DAY NRLM) which resulted in the withdrawal of the capital subsidy and disbursement of credit to the poorer states (Government of India Ajeevika, 2020). In the form of grants, funds are provided by the institutions to the rural poor and then these funds are passed on to the self-help group (SHG) member. The third reform period started in the 1990s, which was marked by the launch of the *SHG bank linkage* in 1992 and establishment of the small industries development bank in 2000 and the establishment of the Small Industries Development Bank of India and Micro Unit Development and Refinance Agency Limited in 2016 (Fisher et al., 2002). It was started as an Action Research Project in 1989 by NABARD, which sanctioned Rs. 10,00,000 crores to Mysore Resettlement and Development Agency for testing credit management groups. In Rajasthan, on an experimental basis, Professional Assistance for Development Action was established by the Ministry of Rural Development. The project was approved in 1992, reviewed by the Working Group in 1995, and the Reserve Bank of India issued the guidelines in 1995. In 1992, SHG bank linkage appeared as a unique approach to financial intermediation and aimed at providing last-mile connectivity to the underbanked and underserved at the bottom of the pyramid. A SHG has been defined as a group of homogenous set of people concerning social and economic backgrounds, who come together for the achievement of financial goals such as the promotion of thrift and savings habits and ensuring access to credit to the people at the bottom of the pyramid (Micro Credit Innovation Department, NABARD, 2018; Shri & Kalia, 1994). The landmark model of SHG linkage provides membership to approximately 1.02 crore groups and 12.4 crore households. This scheme has generated savings of Rs. 26,152 crore savings and credit of Rs. 1,08,075 crores. Total NPAs under this scheme have declined from 5.06% to 4.92% in 2020 (Fernandez & Gómez, 2007; NABARD, 2019–2020). The SHG linkage programme was the result of a series of studies conducted by NABARD in the aftermath of financial reforms. The Central Bank of India, the Reserve Bank of India wanted to cater to the demand for small ticket sizes and frequent loans to the microborrowers. To encourage the poorest of the poor to undertake forced savings and provide a substitute for the physical collateral, NABARD envisaged a SHG linkage programme. Moreover, regarding the achievement of the Sustainable Development Goal of financial inclusion as per the UN Agenda, 2030, the Government of India has adopted SHG linkage as an indicator of financial inclusion. Financial inclusion in India is jettisoned by various barriers on the supply and demand sides. An initiative like SHG bank linkage which is aimed at driving banking from 'class banking' to 'mass banking' is fraught with various supply-side factors such as the requirement of physical collateral, information asymmetry (Aravind, 2018), access exclusion in the form of distance from the banks and automated teller machines (Morduch, 1999).

Expansion of the SHG bank linkage programme in the form of an increase in credit linkage and credit deepening is marred with barriers such as lack of financial literacy and lack of financial planning and attitude among the members of SHGs (Dev, 2006). Financial literacy is an important component of financial inclusion and social intermediation through training and human capacity building. However, specifically in the context of the SHG linkage issue of financial literacy is severe and many members are not proficient in the financial concepts and financial knowledge (Drexler et al., 2010). Within the purview of *Microfinanciarization*, which is the process of financial inclusion, banking reforms, and regulation of informal institutions of finance to reach financially excluded people (Fouillet & Augsburg, 2007), falls the improvization of Swarna Jayanti Gram Swarozgar Yojana (1999) into Deendayal Antodaya Yojana (2013, DAY NRLM). Under DAY NRLM, banks are made responsible by the Central Bank, Reserve Bank of India to undertake capacity building and training for the members of SHG bank linkage (Bhanot & Bapat, 2019). The success of this wave of SHG linkage programmes hinges on ability and financial literacy among the SHG members and social norms are the major reasons for the lack of credit generation and financial inclusion under this initiative.

2. SHGs in India

The microfinance revolution in India started with SEWA, the landmark group lending model which started in 1974 as a unique approach to financial intermediation through peer monitoring and joint liability. A collaborative movement of self-employed women emerged as a dominant driving force behind social banking. *Microfinance* can be described as a measure to render financial services to unbanked and underserved microenterprises and microborrowers that are excluded from the formal financial sector (World Bank Group, 2015). A total of 1.7 billion people worldwide are financially excluded and unbanked (Demirguc-Kunt et al., 2017). Most of these unbanked people live in the emerging economies of the world (Demirgüç-Kunt et al., 2017). These people lack physical collateral and suffer from information asymmetry. India has adopted the goal of financial inclusion to provide access to financial services to all as part of the Sustainable Development Goals Agenda, 2030. *Financial inclusion* has been defined as access to financial services and credit at an affordable cost to the marginalized poor at the bottom of the pyramid. Achievement of the Sustainable Development Goals of women empowerment and poverty reduction is impacted by access to microcredit and level of financial inclusion (Pitt et al., 2006). *Joint liability* through social collateral and *social capital* which refers to the set of institutionalized relationships and social networks facilitates access to formal finance for the financially excluded microborrowers (Rankin, 2002). Characterized by glaring social and economic inequalities the path to financial inclusion is chequered with barriers and challenges on the supply and demand side (Kempson & Whyley, 2000). Concerns are raised regarding how financial exclusion interacts with information asymmetry to create price exclusion, condition exclusion, self-exclusion, and access exclusion. Several factors on the demand side impact the nature and extent of financial inclusion through the SHG bank linkage initiative, including

the information asymmetry and lack of physical collateral. Social capital and collateral offer a panacea against the problem of information asymmetry and lack of collateral by making use of peer monitoring and group liability (Ito, 1998). Overall joint liability groups or SHGs groups. Described as a 'landmark model' of financial intermediation, SHG linkage facilitates higher recovery of loans, better loan repayment, better savings, and reduction of transaction costs by peer mechanism and joint liability (Basu et al., 2005). There is a lack of studies that highlight the importance of group mechanism, peer monitoring, and financial literacy or social intermediation, that is, investment in social capital or human resources to facilitate the sustainability of the microfinance initiative like SHG linkage. While SHG bank linkage is lauded for its massive outreach, it suffers from financial and institutional unsustainability. Over the period, various studies have emphasized that the members do not adhere to the group norms in terms of preparation of books of accounts, savings register, loan register, and minutes of meetings (Beaman et al., 2014). Peer mechanisms and joint liability play an extremely important role in ensuring financial and organizational sustainability (Ito, 1998). As per the extant literature, social innovation such as group lending, which lacks information asymmetry, and financial and institutional sustainability can be a successful initiative with social intermediation and investment in human capital and institutional capital. In the lack of a viable financial model for group lending and monitoring, peer monitoring can be an enabler that facilitates the supervision of group lending and there is a need for theorizing this process.

3. Overview of Existing Literature

A SHG has been defined as a homogenous group of 10–20 people, who are homogenous concerning their social and economic background. These people come together to promote savings, intra-lending, and external credit for the welfare of the members of the group (Micro Credit Innovation Department, NABARD, 2018). Besides, other characteristics of SHGs are that they carry out multiple socio-economic goals (Brody et al., 2016). The extant literature substantiates that groups provide additional benefits by operationalizing peer pressure commitment or sanctions but none of the studies validate the mechanism through which groups achieve desired outcomes in terms of financial empowerment. Most of the studies highlight, 'What', the financial outcomes of a group mechanism in the form of promoting saving mechanisms (Gugerty, 2007), increased access to credit (Deininger & Liu, 2009) and asset ownership (Greaney et al., 2013), recovery performance, and reduced transaction costs (Puhazhendhi, 2000). However, there is a lack of studies in the domain of 'How' the group mechanism facilitates financial discipline and sustainability, in a lack of physical collateral and information asymmetry. SHG linkage has emerged as a unique approach to financial intermediation and is lauded for its ability to extend access to credit to the poorest of poor who are unbanked and underbanked due to the lack of physical collateral and information asymmetry (Arora & Singh, 2015). Most of the literature in the domain of Agency theory discusses how lack of financial contract and information asymmetry leads to the problem of moral hazard and adverse selection (Jensen & Meckling, 1976), and these studies highlight the importance of

monitoring and incentive compatibility, but there is lack of studies in domain of social capital or social collateral that provides a substitute to physical collateral and group liability in Indian context (Armendariz & Morduch, 2010). SHG bank linkage was introduced by NABARD to bridge the investment gap and give impetus to entrepreneurship (Beaman et al., 2014). In a group lending mechanism such as a SHG linkage programme, social capital, and peer monitoring facilitate better repayments, even if there is a lack of physical collateral (Besley, 1995; de Aghion, 1999; Stiglitz, 1990). Against this backdrop, the concept of social capital and peer monitoring has become extremely relevant for policymakers, academicians, and practitioners. From the perspective of financial viability of the group lending initiative, Guinnane and Ghatak (1999) argue that peer monitoring leads to better financial behaviour in terms of repayment of loans, per capita savings and generation, reduced transaction costs, and better social capital. Considerable evidence shows that banks cannot apply financial sanctions against individual clients due to financial incentives, but the members of the group or neighbours can impose financial sanctions to counter the problem of moral hazard. The literature identifies the self-selection of the members of the group and information asymmetry as the reasons for loan defaults. However, in these joint liability groups, the members have access to private information about the creditworthiness of the members which can resolve the problem of adverse selection (Morduch, 1999). The extant literature in the domain of group lending touts peer monitoring and social capital which refer to the institutionalized relationship among the members of the group as the reason for the success of group lending. The concept of social capital overrides the basic premise behind conventional banking that credit contracts are impossible without adequate physical collateral. By joint liability, the social capital ensures solvency for the insolvent borrowers or members of the SHGs by resolving the problem of information asymmetry, moral hazard, and adverse selection (Ito, 1998; Putnam & Nanetti, 1993). A seminal paper by Stiglitz (1990), a representative moral hazard model, suggests that in a heterogenous risk group, safe borrowers will not be ready to cross-subsidize the risky borrowers leading to peer mechanism (Banerjee et al., 1994). The use of group meetings and peer screening for sanctioning the loans reduces transaction costs and promotes good financial behaviour through peer pressure and peer dynamics. This model has been hailed as a dominant driving force behind sustainable banking aimed at ameliorating the challenges in banking by the formal banking institutions. In recent literature, an attempt has been made to explain whether group lending through peer monitoring, selection, and enforcement provides an integrated microfinancing institutional framework to ensure financial inclusion but there is still a lack of theories or process view on peer monitoring (Conning & Morduch, 2011). In a paper by Chee (2002), the author discusses the free rider problem whereby a safe borrower will have to cross-subsidize the risky borrower in a joint liability scenario. They highlight the relevance of peer monitoring and institutional sustainability through peer mechanisms to improve project outcomes. Also, through the theoretical lens of information asymmetry, the authors highlight that the borrowers can mitigate the risk of loss by cross-monitoring each other through reports to the lenders. From the study of literature, it becomes apparent that there is a lack of theory on peer monitoring and social capital and mechanisms underlying SHG

mechanism and its impact on developmental outcomes (Gugerty et al., 2019). Besides that, the extant literature (Schmidt, 2004) points out that supervision and regulation of the SHGs become important because the majority of members do not conform to the group norms or Panchsutras, that is, maintenance of Savings register, loan register, and minutes of meeting, and there is lack of standardization in reporting. Moreover, groups are supposed to violate the basic tenets of peer monitoring, social inclusion, discipline, and refrain (Ashta, 2010). SHG linkage is a unique approach to financial intermediation and provides access to finance at the doorsteps of citizens of India. The literature discusses the supply and demand side factors (Fisher et al., 2002; Kempson & Whyley, 2000). Supply-side factors impacting financial inclusion have been identified as infrastructure, financial technology, connectivity, and information asymmetry. Demand-side factors include demographic factors, age, gender, financial literacy, income, and access to financial technology. Despite the stupendous success in terms of repayment, there are concerns regarding the sustainability of the groups impacted by factors such as inability to access credit, lack of adherence to the group norms such as maintenance of the books of record such as savings register, loan register, etc. (Schmidt & Reinhardt, 2004). The sustainability of this unique approach to financial intermediation is a matter of national importance for policymakers, academicians, and practitioners. As per the literature, sustainability can be financial sustainability and organizational sustainability (Bhuiya et al., 2016). From the analysis of the literature, financial and organizational sustainability appear to be the major concern in the domain of SHG bank linkage. Financial sustainability of SHG bank linkage refers to the financial ability of the groups and can be operationalized through indicators about the financial health of this programme regarding the amount of credit, frequency of credit, amount of savings and thrift, meetings conducted, etc. (Das et al., 2018). The main reason cited for the lack of institutional sustainability defined as a stable institutional framework is the mismanagement of funds and lack of commitment to group activities and social intermediation (Parida & Sinha, 2010). Despite innumerable different ways of studying the issue of sustainability of SHGs, there is a lack of a comprehensive framework to analyse the sustainability of these group lending financial intermediaries (Masum & Fernandez, 2008). In extant literature, financial sustainability has been operationalized through various group interaction variables (Isern et al., 2007). Indicators of financial sustainability include indicators such as intra-lending, frequency of bank credit which refers to the progressive loans (Piotroski & Srinivasan, 2008), amount of loan, group loans, maintaining financial records and books of accounts (Misra & Lee, 2007), and human capacity building and training (Mann & Randhawa, 2015). Lack of maintenance of books, irregular savings, and loan repayment are some of the additional problems faced by the members of SHG bank linkage, due to the low investment in human capacity development and training of the SHG members (Baland et al., 2008; Parida & Sinha, 2010). Though there are studies on sustainability indicators, none of the studies capture the construct of institutional and financial sustainability in the form of an index. Lack of financial literacy and skills required for financial technology leads to a lack of financial discipline and a lack of credit discipline leading to credit starvation (Basu et al., 2005; Reserve Bank of India, 2018). The intervention that has touched

the lives of millions of poor people is not sufficient to meet the credit requirement of the poor people at the bottom of the pyramid. Within the rural financial system, commercial banks suffer from mission drift and are unwilling to provide credit to the members due to the lack of financial returns and return on investment. To further answer the question regarding financial sustainability, there is a need to answer the questions regarding the cost structures and delivery methodologies (Ryne, 2009). Banks and formal financial institutions lack the motivation to finance and provide loans to the underbanked and unbanked due to the credit risk and risk of deterioration of asset quality. Small banks and specialized institutions for rural financing are keen to extend credit to the microborrowers due to lack of availability of local information (Berger & Berger, 2011). According to the extant literature, all these variables impact group monitoring and social cohesion. Marginalized poor or the underbanked and unbanked who are catered to by the SHG bank linkage face various barriers in accessing financial services such as lack of information or information asymmetry, which further leads to the moral hazard and adverse selection (de Aghion & Gollier, 2000), is the biggest challenge in serving the marginalized poor. Social intermediation and institutional human capacity building have a vast impact on changing the financial attitudes of the members and have a positive impact on the sustainability of groups and there is a need to undertake research in this domain (Bali Swain, 2013). Despite a grading system put in place to assess the workings of the institution of SHGs and implementation of various government schemes, there are lacunae in monitoring this initiative, due to the lack of adherence to the governance norms by the stipulated vigilance and monitoring committees (Krahnen & Harper, 2002).

4. Discussion and Importance

The success of the group lending model is due to the higher rate of repayment of loans sanctioned by the groups, which is made possible due to peer pressure and social pressure. Group or joint liability lending institutions can pool savings, which can be used as collateral for credit creation and this has been lauded as a panacea and solution to the problem of microborrowers. Due to the smaller size of the loans and higher frequency of borrowing, lending to the people at the bottom of the pyramid is not viable. Higher transaction costs due to the cost of screening, monitoring, and microlending are not viable for large commercial banks. Microborrowers do not have collateral and this acts as a hindrance in access to finance. The principle of joint liability provides an incentive for microlending to the poor people at the bottom of the pyramid (Gine & Karlan, 2005). Due to the massive social capital embedded in the initiative monitoring of the SHG linkage scheme becomes important. Most of the literature is limited to increasing the availability of finance to unbanked and financial inclusion rather than financial sustainability. However, despite the banks being wary of monitoring SHGs, peer-to-peer monitoring has emerged as a main factor behind the success of SHGs. Despite being important, neither is there any theory on how peer-to-peer monitoring operates, nor there is any process of peer-to-peer monitoring (CGAP, 2002; Armendáriz & Morduch, 2005). India is committed to the achievement of poverty reduction and SHG linkage has been adopted as an indicator of financial inclusion. While SHG linkage is lauded