

FROM THE EDITOR'S DESK

Greetings!

Microfinance can be defined as an economic development approach to provide saving and investment facility to the poor around world. Microfinance is not just about giving micro credit to the poor rather it is a tool whose objective is to assist poor to work their way out of poverty. It covers a wide range of services like credit, savings, insurance, remittance and also non-financial services like training, counseling etc.

With financial inclusion emerging as a major policy objective in the country, Microfinance is playing a pivotal role to extend financial services to unbanked sections of population. The Government of India has initiated various programmes and schemes in the area of microfinance. The most important programmes are SGSY (1999) and NABARD's SBLP (1992) which are using SHGs approach. Other initiatives by government include IMY, Swa-Shakti, DWCRA, CAPART, SJSRY, IFAD, Swayamsiddha, RMK etc. These all programmes are aimed at reduction of poverty and improving the living condition of rural poor with the help of economic activities.

Microcredit offers access to financial resources to the poorest of the poor in the rural areas. It allows people to undertake self-employment activities or to venture very small businesses without depending on money-lenders who demand exorbitant interest rates.

In India microfinance operates basically through two channels:

1. SHG – Bank Linkage Programme (SBLP)
2. Micro Finance Institutions (MFIs)

In India, Self Help Groups or SHGs represent a unique approach to financial intermediation. The approach combines access to low-cost financial services involving a process of self management, with an objective of social and economic development for the women SHG members. Formations of SHGs



are facilitated by the Government or by NGOs. SHGs are linked not only to banks but also to wider development programmes. SHGs are seen to confer many benefits, both economic and social. They encourage women to save and access the credit which banks are increasingly willing to lend. SHGs can also be community platforms from which women are encouraged to become socially active especially with regard to issues affecting their daily life. It is felt that proper monitoring and auditing

of accounts on regular basis will help these organizations to work in transparent manner nurturing their relationship of trust and interdependency amongst themselves.

Community audits provide stakeholders in a local area the information they need to develop, a shared view of the critical economic and social challenges that confront them and a forum within which they can find solutions. Community audits focus not only on the needs of a community, but also on its assets. A huge amount of fund is being mobilized through these SHGs. It requires proper auditing of accounts on regular basis to provide the transparency & accountability among the members.

SHG-Bank Linkage programme is a revolutionary step of financial inclusion in rural areas of India. The number of saving linked SHGs now stands at 74.3 lakhs with a membership of over 96.6 million poor households. The average savings bank balance of SHGs with banks as on 31.3.2014 was Rs.13322.

This issue presents a good number of articles on the cover story theme 'Microfinance and Self Help Group (SHG)' by distinguished experts and authors. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers enjoy the articles.