

The Role of Mission Shakti in the Financial Inclusion of the Members of WSHGs in Odisha

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ABSTRACT

Financial inclusion is considered as an effective policy instrument for poverty reduction, income generation and socio-economic empowerment of various vulnerable groups including women. Given its contribution, it has been identified as one of the key enablers in eight out of seventeen Sustainable Development Goals (SDGs). Mission Shakti, the flagship programme of the Government of Odisha has been instrumental in promoting financial inclusion of women and their economic empowerment through its credit linkage scheme. The present study seeks to analyse various initiatives introduced under Mission Shakti towards financial inclusion of members of Women Self Help Groups (WSHGs) and their achievements. The study also makes an attempt to identify the key challenges to financial inclusion of Women in Odisha.

Key Words : Financial Inclusion, Mission Shakti, SHGs, credit-linkage, women, livelihood.

1. Introduction

Financial Inclusion is defined as “the process of ensuring access to financial services, timely and adequate credit for vulnerable groups such as weaker sections and low-income groups at an affordable cost”. (Committee on Financial Inclusion, 2008, Chairman – Dr C Rangarajan, RBI). Financial inclusion has been considered as one of the most important tools for sustainable growth and poverty reduction, socio-economic empowerment of women and other vulnerable sections of the society by countries across the globe. Given its importance, financial inclusion has been identified as one of the critical enablers in eight out of seventeen SDGs. Access to banks and other financial institutions with access to affordable credit and insurance, can provide ample opportunities for income generation, asset creation and gainful employment for the poor and unbanked population. In this regard, financial inclusion of women becomes all the more important. Empowerment of women through financial inclusion programmes, results in substantial improvements in household’s financial position, savings and education of the children (Duvendack and Mader, 2019). It has been observed that financial inclusion plays a positive role on women’s control over household assets by increasing their savings. The Findex 2021 data by World Bank suggests that, women outperform men by a substantial margin of 18 percent, when it comes to saving through formal saving clubs.

1.1 Background

Financial inclusion in India has been showing impressive trends in the recent years propelled by multiple initiatives

and schemes undertaken by the Government and by the RBI. Be it the number of bank accounts, the volume of transactions or the growth of bank credits, all the major indicators of financial inclusion have shown substantial improvements in recent years. However, the achievements so far are well below their potential especially in case of women. Substantial gender gaps continue to persist in the usage of bank accounts, percentage of inactive accounts and the use of digital payments etc. (Findex, 2021).

With the objective of promoting socio-economic empowerment and sustainable livelihood for women in Odisha, the Government of Odisha introduced Mission Shakti, a unique SHG-bank and market linkage programme on 8th March, 2001. The programme, since its inception has been effectively enhancing financial inclusion of rural women of Odisha. Under the programme, all the SHG members have access to bank accounts and various types of financial assistance and affordable credit are provided to the SHGs to undertake sustainable income generating and livelihood initiatives.

The paper is divided into 8 sections/parts including the present one. Objectives are covered in section 2, followed by research methods in part 3. Section 4 covers literature review while the next part discusses the position of financial inclusion in India and the gender disparities. Section 6 analyses the role of Mission Shakti in facilitating financial access to SHG women in Odisha while the next one highlights key challenges to financial access. Section 8 concludes the

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study followed by the part, covering future scope and recommendations.

2. Objectives

- (1) To discuss the status of financial inclusion in India and the existing gender gap.
- (2) To analyse and assess the role played by Mission Shakti in promoting financial inclusion of members of SHGs in Odisha and key challenges faced by them.

3. Research Methods

Secondary data is used to study the trend, progress and challenges to financial inclusion in India and that of SHG women in Odisha. The data were collected from The World bank and IMF reports, reports from Ministry of Finance, Department of Mission Shakti, Government of Odisha, newspapers, research articles and e-journals. The secondary data is analysed through the use of graphs and descriptive statistics.

4. Review of Literature

There has been extensive research to study the progress, challenges, and key initiatives undertaken towards financial inclusion in India. **Barik and Sharma (2019)** discuss the progress of financial inclusion in India and factors contributing to the impressive growth of bank account ownership in recent years. **Khan (2012)** analyses various institutional and product initiatives introduced in the banking industry towards financial access in India and pointed out multiple challenges to the ICT-based financial inclusion. **Pinto and Arora (2021)** suggest strengthening of the Business Correspondent (BC) model of banking, given its potential to facilitate financial inclusion in the under-banked rural geographies and addressing the problem of gender gap in financial access.

SHG-Bank linkage programme has been a game changer in facilitating financial access particularly to women in rural areas. **Uma and Rupa (2013)** through their primary study of SHGs in Mysore district, observe the positive correlation between SHG membership and ownership of bank accounts. Availability of credit to the members and repayment of loans have also shown positive trend post SHG membership. **Mishra et al. (2021)**, based on their study of SHGs in Baliana block of Bhubaneswar conclude that SHGs play a significant role in the financial literacy and financial inclusion of women. **Kanungo and Agesty (2024)** are of the view that, SHG membership has positively impacted the economic wellbeing of women by enhancing their income and savings through the provision of greater access to credit and skill development.

5. Current Status of Financial Inclusion and the Gender Gap in India

Financial Inclusion doesn't mean mere access to bank accounts but more importantly, the use of those accounts to carry out various financial activities. These include receipt and payment of funds and other transfers,

accessing affordable credit, boosting savings and financial resilience. As per the Global Findex database, 2021, 78% Indian adults hold a financial account which is 6 percentage points higher than developing countries average. There is no gender gap in account ownership in India. Between 2011 and 2021, the account ownership has more than doubled from 35% to 78% mainly driven by the Pradhan Mantri Jan Dhan Yojana (PMJDY) initiated in 2014. The linking of Jan Dhan account with Aadhaar IDs and mobile numbers popularly known JAM Trinity in the subsequent years enabled the direct benefit transfers (DBTs) to the beneficiaries. In 2016, the Aadhaar Enabled Payments System (AePS) was introduced to promote digital transactions, such as cash deposits, fund transfers, payments, cash withdrawals etc. linked to the JAM trinity. Moreover, the Banking Correspondence (BC) model has been playing a critical role in providing an innovative and low-cost solution to the unbanked people of rural India. All the above measures, along with the increase in the branches of rural banks have substantially increased the account ownership, particularly in the last decade.

5.1 Usage of Financial Accounts

Despite the phenomenal increase in account ownership, the usage and adoption of digital payments continue to be low in India. As per Findex 2021, while the use of accounts average for developing countries stands at 57%, in India only 35% of adults used their accounts for digital payments and receipts. If we compare India with its fellow BRICS members, the payments usage rate is much lower. Additionally, there remains a significant gender gap in digital payment use, with women lagging behind men by thirteen percent in receiving and making digital payments. Receipt of digital payments to accounts paves the way for further engagements with the financial ecosystem in the form of payments, storing, saving and borrowing of money. 19 percent of the adults in India received digital payments, out of which, 47% used their accounts to make payments, 53% for borrowing and 28% for formal saving. Among the savers, women save more than men using a savings club.

When it comes to usage of accounts to store money, 35 percent adults in India used their account to store money for cash management. Here too, there is a gender gap, with 41% men using their accounts to store money compared to only 28% women. According to the same data base, India fares poorly in terms of financial resilience, which is to arrange emergency money to face unforeseen expenses. In India only 31% adults could arrange emergency money within 30 days without much difficulty, compared to the developing economy average of 54%. The ability of Indian women to arrange emergency money without much difficulty is lower than their male counterparts by 14 percentage points. Further, 35% accounts in India still continue to remain inactive, with women sharing the

greater proportion (Findex, 2021). 32% of women hold inactive accounts, as against 23% of men. Distance to financial institutions, lack of money, lack of need and lack of trust are some of the important reasons cited for account inactivity.

All the above figures suggest, that India lags behind in most of the parameters of financial inclusion as compared to the average rate for the developing economies and the situation is even worse for women. The Financial Access Survey, 2023 by IMF provides the following data on critical indicators.

Table 1 : Access to financial services by population in India

Indicator	2018	2019	2020	2021	2022
ATMs per 100000 Adults	21.65	20.95	21.50	21.21	24.64
Branches of commercial banks per 100000 adults	14.5	14.58	14.74	14.42	14.31
Deposit accounts with commercial banks per 1000 adults	1937.25	1967.61	2030.71	2023.67	2130.48
Loan accounts with commercial banks per 1000 adults	197.34	228.8	264.13	285.22	303.1
Mobile money transactions: number per 1000 adults	3031.52	4078.93	4111.97	3822.87	5008.21

Source : Financial Access survey, IMF, 2023.

6. Mission Shakti and its Impact on Financial Inclusion of SHG members in Odisha

6.1 Status of Financial Inclusion in Odisha

Recognizing the positive impact of financial inclusion of women on poverty reduction, socio-economic empowerment and the overall development of the economy, the central and various state governments in India have been undertaking numerous programmes and policies particularly in the past two decades. Be it PMJDY, the DBT or the Mudra Yojana, they all have positively impacted women and their finances. So far as Odisha is concerned, as per the data by Ministry of Finance, Government of India, out of a total of 47788 villages in Odisha, 47772 villages are connected through banking outlets (Bank branch/BC/India post payments bank) within a radius of five kilometres (Digital Sansad). As of Dec, 2023, there are a total of 6060 bank branches, 28388 Business Correspondents (BCs), 7028 ATMs and 8960 India Post Payments Banks operating in Odisha. Under

PMJDY, as on 17th January, 2024, there are a total of 210.9 lakh account holders with deposits worth of Rs 9499.91 crores. Similarly, under MUDRA Yojana, there are a total of 274.87 lakh account holders in Odisha as on 29th December, 2023. The total value of Mudra loans sanctioned and dispersed during the same period were worth Rs.118661.57 crores and 116059.35 crores respectively (Digital Sansad).

Table 2 : Progress of Banking Infrastructure in Odisha (2019-2023)

As on Date	No. of Bank Branches	No. of ATMs	No. of Business Correspondents (BCs)	India Post Payments Banks (IPPB)
October, 2019	5363	6344	7655	6949
March, 2020	5736	6502	12,043	6946
March, 2021	5784	6637	13,080	6945
March, 2022	5864	7114	16,414	6972
March, 2023	5890	7070	18,871	7150
December, 2023	6060	7028	28,338	8960

Source : Digital Sansad.

6.2 Mission Shakti and SHG-Bank Linkage

Odisha has been a pioneer in introducing the SHG-bank linkage model of financial inclusion. The model was designed by the NABARD to provide an effective and alternative channel of credit delivery, particularly to the unbanked rural women with the help of banks, government departments and NGOs. The model involves the formation of small cohesive groups of poor women, encouraging them to pool their savings on a weekly/monthly basis which is then deposited in the linked bank/financial institution. Under credit-linkage, the linked banks advance loans to the SHGs based on their accumulated savings. Mission Shakti, the flagship programme of Government of Odisha, introduced with the objective of economically empowering women through the Self-Help Groups (SHGs), continues to play a major role in enhancing the financial access of women. There are at present 6 lakh women SHGs with 70 lakh members operating under the scheme (Mission Shakti Activity Report, 2021-22). To strengthen the existing SHGs and to provide constant handholding, a separate and dedicated department called Department of Mission Shakti has been set up in 2021.

The programme provides gainful employment opportunities through its bank-credit and market linkage

initiatives. Each member of the SHG has a bank account in the nearest branch. The department facilitates and provides affordable credit, in collaboration with various commercial banks and RRBs to encourage the women members of SHGs to take up a variety of livelihood and entrepreneurship initiatives. The department also helps in enhancing savings of SHG members through the establishment of regular saving habits and the provision of various saving facilities within the SHGs. Members of the SHGs are engaged broadly in two sets of livelihood activities. The first set is related to the convergence with other government programmes, such as Integrated Child Development Services, paddy procurement, electricity meter reading and collection of electricity charges etc. while the second set involve independent activities like agriculture, handloom, food processing, handicrafts etc. According to the Activity Report, 2021-22, Department of Mission Shakti, a total of 59404 SHGs were involved in various Income Generating Activities (IGAs) with a cumulative turn-over of Rs. 2372.04 crores in 2021-22.

6.3 Financial Inclusion Initiatives under Mission Shakti

Mission Shakti has proven to be a game changer in accelerating the SHG-bank linkage, interest Subvention and promotion of entrepreneurship and other livelihood initiatives for the SHG women in Odisha. The key initiatives undertaken towards financial inclusion and their achievements are discussed below.

(1) Interest Subvention Scheme

With the objective of providing affordable credit and ensuring sustainable livelihood to the members of WSHGs, the State Government introduced Interest Subvention Scheme in 2013. Under the scheme, loans up to Rs. 3 lakhs were provided to the SHGs through the SHG-Bank linkage programme at an annual interest rate of 2 percent which was later reduced to 1 percent in 2015. Subsequently, to encourage SHGs to take up entrepreneurship and invest more capital in livelihood activities and to lessen the interest burden, the scheme was revised in 2019 and the annual interest rate was brought down to zero percent, provided the loans are repaid in time. For better monitoring and greater visibility and to create more awareness among the WSHGs, the scheme is now renamed as 'Mission Shakti loan'. The amount of loan under the scheme was further increased to Rs 5 lakhs and in February, 2024, the then Chief Minister Mr. Naveen Patnaik has announced to increase it to Rs 10 lakhs. The scheme, along with its objective of providing affordable credit and reducing interest burden, also aims at nurturing a sustainable banking culture among women by rewarding responsible loan repaying SHGs with proportionate reimbursement of interest.

All scheduled commercial banks (both public and private sector banks and the RRBs) and co-operative banks, operating on the Core Banking Solutions (CBS) are

encouraged to participate in the scheme. To monitor the bank credit linkage and settlement of claims under the interest subvention scheme, a dedicated MIS portal known as the Bank Linkage and Interest Subvention (BLIS) portal was introduced in 2021. Through the portal, the claims for interest subvention to the tune of Rs. 58.81 crores were settled during the FY 2021-22.

During 2021-22, claims of Rs 162 crores were settled by Mission Shakti Department, benefiting 2.87 lakh SHGs, towards the reimbursement of interest paid against bank loans (Mission Shakti Activity Report, 2021-22).

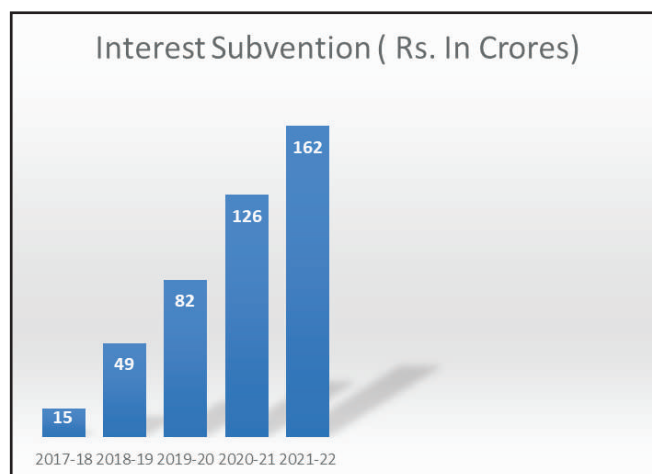


Figure 1 : Interest Subvention (Rs. in Crores)

Source : Department of Mission Shakti, Government of Odisha

(2) Revolving Fund

Under the scheme, financial support of Rs. 25 lakhs are provided to each Block Level Federation (BLF) to extend internal lending to SHGs as per their business plans and requirements. The efficient utilisation and recovery of loans ensures sustainability of the federation. So far 23001 SHGs have availed small loans worth Rs. 128 crores from Revolving Funds extended to BLFs (Mission Shakti Activity Report, 2021-22)

(3) Seed Money

Each eligible SHG, that has not received revolving fund/micro credit from any government scheme/program is provided with a financial support of Rs 15000. This helps in increasing the investment and credit worthiness of the SHGs by increasing the corpus of the group. The fund can also be utilised for any emergency need by the SHG members.

As a result of the above measures, the amount of credit and the number of SHGs availing the credit have been growing continuously over the years. For financial year 2021-22, the State government had set a target of providing financial assistance worth Rs 6000 crores to 280150 SHGs through bank linkages. This target has been met with Rs 6836.48 crores being dispensed to 310819 SHGs by the end of the year. Almost all the districts, have not only achieved but

surpassed their respective physical (No. of SHGs availing credit) and financial targets, set for the year. The growth of SHG-Bank credit linkage and average loan size for the last few years are presented below.

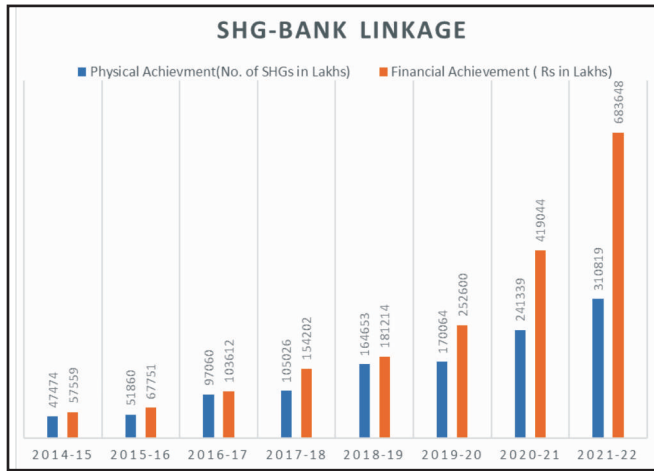


Figure 2 : Growth of SHG-Bank Linkage (2014-15 to 2021-22)
Source : Department of Mission Shakti, Government of Odisha

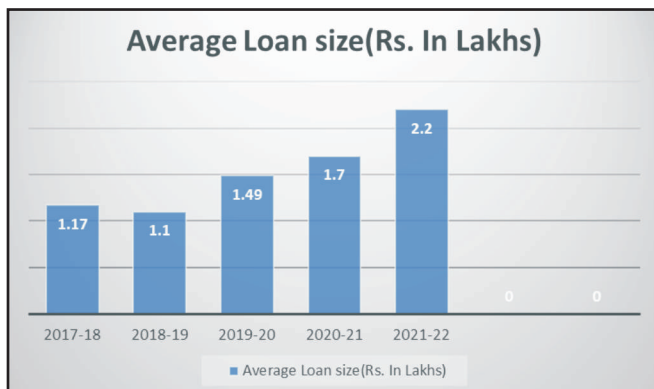


Figure 3 : Growth of Average Loan Size (2017-18 to 2021-22)
Source : Department of Mission Shakti, Government of Odisha

(4) Deployment of SHG members as BCAs

To provide last mile delivery of banking services to the under-banked and unbanked village panchayats, Department of Mission Shakti and the State Government, with the help of NABARD have been successfully engaging SHG members as business correspondent agents (BCA). In the FY 2021-22, a total of 2203 women members of SHGs were engaged as BCAs, undertaking transactions worth Rs. 979.94 crores.

Besides, Financial Literacy and Credit Counselling (FLCC) programmes are organized at village level for SHG members, to educate and inform them about various financial inclusion initiatives, digitalization of financial records and generation of performance reports etc.

7. Challenges

Mission Shakti has undoubtedly played a vital role in improving the financial access of rural women through

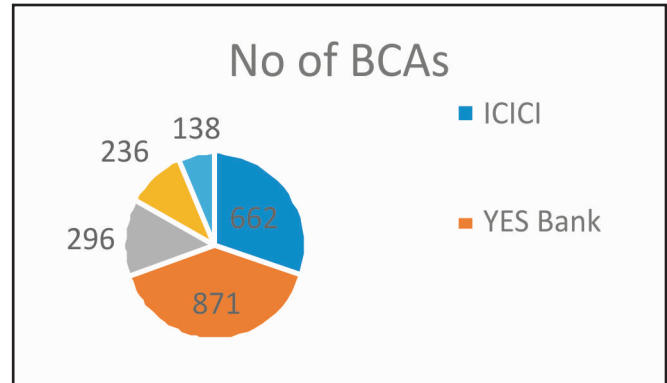


Figure 4 : No. of BCAs in 2021-22

Source : Source: Department of Mission Shakti, Govt. of Odisha

SHGs and its unique credit linkage programme. However, the achievements in different segments of financial inclusion are far below their potential. Significant proportion of SHGs are yet to avail financial assistance through credit-linkage. Average size of the loan extended to SHGs is quite low. Some of the common barriers to financial inclusion of the SHG members are the following :

- (1) Number of Banks and distance to banks are vital factors affecting the financial inclusion of women in rural areas. There are only 6060 bank branches and 7028 ATMs operating in Odisha as of December, 2023. In rural areas the bank penetration is quite low which adversely affect women in carrying out their banking transactions while managing family and caregiving responsibilities.
- (2) Limited financial literacy and digital knowledge of women prevent them from extensive and effective use of digital technology in financial transactions.
- (3) Social barriers, safety concerns and patriarchal mindset don't allow women to move out and freely participate in financial and entrepreneurial activities.
- (4) High level of poverty and limited asset/collateral result in restricted access to bank credit.
- (5) Inadequate efforts by concerned stake holders in creating awareness about financial products and services, policies and their impact on the financial health of women also influences financial access.

8. Conclusion

The major indicators of financial inclusion have shown impressive growth in India in the recent years, propelled by a variety of Government schemes and programmes. However, there still remains a substantial gender gap in a number of parameters of financial inclusion. Mission Shakti, through its SHG-bank linkage scheme has greatly facilitated the financial inclusion of rural women of Odisha and enabled them to engage in various income generating activities. It has improved the saving habits of women and their credit worthiness. However, the achievements are far below their potential. Significant

proportion of SHGs are yet to benefit from the financial assistance provided through credit-linkage. The average loan size to SHGs remains quite low at just Rs. 2.2 lakhs in 2021-22. The State Government's objective of turning SHGs into successful SMEs would require higher financial assistance, timely guidance from the Department and increased collaboration with other ministries, NGOs and financial institutions. All the remaining SHGs need to be linked to the credit-linkage scheme and the average loan size must be increased from its current level. Banking and financial sector networks need to improve substantially particularly in under-banked rural areas. True empowerment of women through this unique SHG revolution is possible, if all the stakeholders come together and work as a team with increased dedication and efficiency.

9. Recommendations and Way forward

- (1) The study reveals that a significant proportion of SHGs are yet to avail the benefit of credit linkage scheme. Average loan size to SHGs remains quite low. In this context, mature and successful SHGs with proven track record of timely repayment of loans can be rewarded with greater allocation of funds. This would facilitate effective targeting and efficient use of Mission Shakti loans and would help in transforming these SHGs into productive SMEs.
- (2) The deployment of increasing number of SHG women as BC agents can play a special role in addressing the problem of limited financial access in underbanked rural areas, particularly for women. Public sector banks need to employ increasing number of SHG members as BC agents.
- (3) Awareness programmes on financial and digital literacy can go a long way in promoting financial access for rural women. Financial products and delivery channels catering to the needs of women for income diversification and market access should be promoted.

The study provides an overview of various financial inclusion initiatives under Mission Shakti. It can lead to further research to assess the economic impact of these initiatives on SHG members. Primary research can be undertaken for the same. The study can also be used for comparative analysis of similar SHG-linked programmes in other states and their impact on financial inclusion.

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