

A MILE IN THE PROGRESS OF THE POOR – SHGs.

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Abstract : *To alleviate poverty and unemployment in the country and to include untapped rural India under formal financial system, the Government of India is trying hard, through National Bank for Agriculture and Rural Development (NABARD) to promote Self Help Groups (SHGs) by assisting the NGOs through financing their projects. SHGs are financed mostly by the Rural Bank Branches, Regional Rural Banks, Microfinance Institutions, Semi-urban Banks, Regional Co-operative Banks & Private donors as part of their CSR activity can be domestic as well as foreign donors. Due to non-repayment of loans provided by banks to SHGs lead to accumulate non-performing assets, and the bank branch managers were held responsible in case of defaults. Due to this, managers were more defensive to further finance the SHGs, and hence it affected the existing as well as the birth of new SHGs which forced to embrace local money lenders to charge higher interest. Hence, the effort of the government to reach the unreached poor through SHG seems to be a rather difficult task but still achievable.*

This paper focuses on bank linkage programme for sustainable growth, NABARD functions, initiatives & E Shakti (Information Communication Technology) application.

IndexTerms - SHG Bank Linkage, Microfinance Delivery Mechanism, NABARD, E Shakti (Information Communication Technology).

I. INTRODUCTION

The micro finance movement had already begun in India in the 1970s. ShriMahila SEWA (Self-employed women association) Sahakari Bank in Ahmedabad (Gujarat) and working women's forum in Tamil Nadu were the pioneers. The SEWA Bank was setup in 1974 as an Urban Cooperative Bank providing banking service to the poor self-employed women. It has deposits over Rs.100 crore, mobilized from nearly 2, 50,000 women. It is the biggest poor women bank in the world and the first microfinance institution to be setup in India. In 1980s many NGOs, interested in social development, were involved in forming small informal self-help groups engaged in micro activities. These SHGs were successful in effectively meeting the immediate needs of their members. They had potential growth but their major constraint was finance that is, getting big loans to finance their activities. Realizing the potential of these SHGs through research studies and other initiatives, NABARD designed the SHG-Bank linkage concept- where the SHGs are linked with banks for funds. Looking at the success of NGO and NABARD, several microfinance institutions came into existence to help the rural and urban poor, particularly women. (Bharati V. Pathak 2014).

Financial inclusion has emerged as a major policy objective in the country; Microfinance has become a medium of extending financial services to unbanked sections of population through the JanDhan Yojana. Transparent pricing plays a crucial role as it increases fair competitiveness and the borrowers don't end up borrowing more than they can repay. Reforms in terms of proper regulations, offering complete financial products, entering rural markets, technology to reduce operational costs, can help turn the dream of achieving universal digital financial inclusion into reality and give boost to the Indian economy. (Prof. Asha Bhatia, Dr.S.N.V.Sivakumar & Ankit Agarwal 2016-IOSR-JEF).

Dr. Harsh Kumar Bhanwala Chairman & Managing Director; The SHGs bank linkage programme pioneered in the year 1992 as a small man's linkage programme as blossomed into world's largest MF programme. This savings led, people owned & door step bank linkage programme is unique in the world. This combines social capital, finance capital and in recent years focus is also on technological capital. This programme is not only a financial inclusion programme, but is a social programme as well. As the groups when they meet, they are able to solve many societal problems as well, this is revolutionary and has a huge potential to grow into livelihood programme which has got digital basis. (www.nabard.org-2017)

II. Self Help Groups' Movement in India:

The smiles, the satisfaction, the pride and the self respect of women of the rural India proclaimed positive change in their lives. Today with the heads high and eyes filled with dreams, the women of the rural India are writing their destinies, this ray of hope came through the fusion their tireless efforts and unbeatable mantra of empowerment possible only because of SHGs movement.

However this change was not easy. 25years ago (1992) banks was neither interested in the meager savings of the poor nor trusted them to repay the loans, the poor in turn overwhelmed by the procedures and paper works of the formal banking resultantly most rural poor particularly women were financially excluded with no access to bank savings and credit they have to restore to high cost borrowing from the money lenders. It was in such times 25year ago in 1992 NABARD initiated a unique pilot project to form 500 SGH which were essentially small groups of women coming together to save and leverage there groups savings to take loans from the banking system. It was one of the 1st serious attempts towards the financial inclusion of rural masses particularly women in 1996. The SHGs bank linkage programme was main streamed as normal banking operations, banks were advised by RBI to open savings accounts in the names of groups and lend without collateral to the groups, without asking for specific purpose of the loan as a part of priority sector of the lending, today it has become the world's largest community based microfinance movement touching 101 million households, more than microfinance, it has empowered millions of lives forever. NABADR SHG bank linkage programme is a collaborative model in which voluntary agency, banks worked together for social and economic empowerment of rural women, it is simply put a door step savings led, sustainable self managed programme combining social, technological and financial know how.

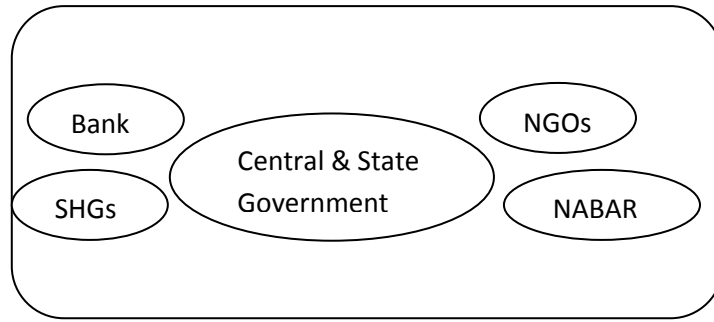
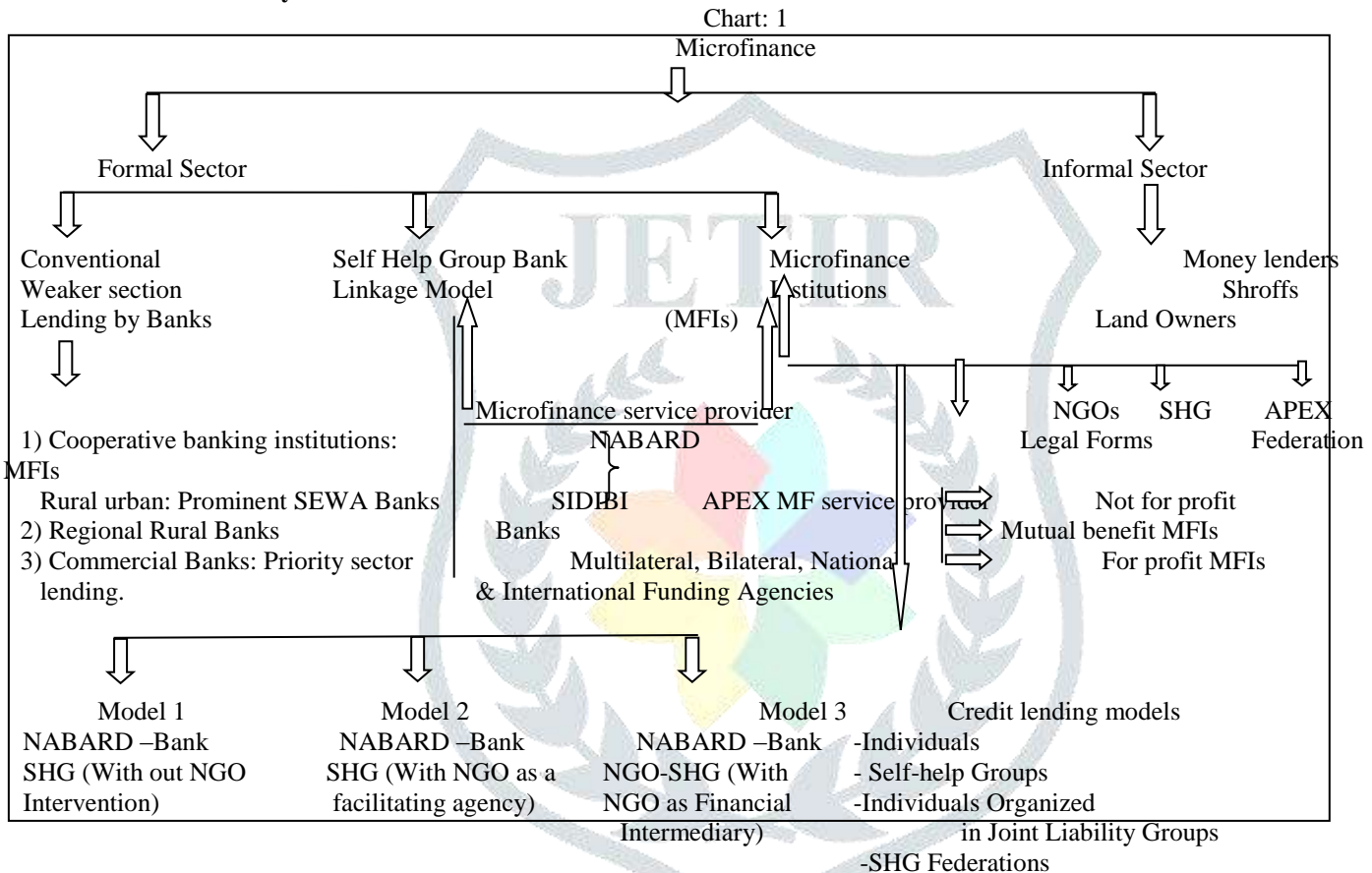


Figure:1
(Source: <https://www.nabard.org>)

III. Microfinance Delivery Mechanisms:



(Source: Indian Financial System by, BharatiPathak, 4th edition)

IV. Benefits of the programme:

The frame work developed for SHGs bank linkage has helped SHG members take up internal lending priorities needs of different requirements of SHG members said their own terms & conditions and maintain books of accounts. It has enabled them to bigger size credit from banks, the group dynamics has brought down individual loans and intern reduce transaction cost of banks, equally, significantly peer pressure has ensured timely repayment of loans. SHG members freed of money lenders have been able to fulfill the operational requirements of formal banking institutions. The small doses of credit have enabled SHG members to slowly improve their income through livelyhood options like back yard poultry, gottory, petty shop etc.

The micro finance development programme, launched by NABARD aided this economic transition by enhancing livelihood skills of SHGs members. The programmehad tremendous impact on the social empowerment of rural women, SHG members gone on to take up leadership role in the Panchayati Raj Institutions (PRIs) and taken up several social causes, it has been absorbed the post implementation women SHG members has a greater say in house hold matters, some of them have acquired assets in their own name for the 1st time.

V. The Today's Status

Deposits, Credit and Coverage:

The growth of SHGs has been indeed phenomenal there are about 85 lakh groups with the savings balance of Rs.16114crore with banks. About 48 lakh SHGs today are credit linked by banks and the total loans outstanding to these groups has grown to a phenomenal Rs.61600 crore.

This model has been leveraged by governments including, national rural livelihood machine the (NRLM) has a poverty elevation programme for improving economic status of poor through livelihoods and income generating activities, over the year SHGs have also become adept at adopting technology and new challenges many SHGs members are working as banking correspondence popularly know as Bank Sakies. Project E Shakti – digital is the new way forward.

The SHG movement got a fillip in the form of an innovative project by NABARD called E-Shakti, which works towards digitations for SHG accounts. It captures critical information about SHGs in a uniform manner, which intern facilitates online grading and monitoring by banks. All the SHG members get SMS alerts while MIS is simultaneously made available in the portal to bankers for taking credit decisions. Today as we celebrate 25 years of SHG movement, we also celebrate power of rural India, we celebrate the power of convergence of stake holders and an above all we celebrate the dreams of million women who made this programme a success in the 1st place.

VI. EShakti

Years	Events
1991-92	RBI announced a pilot project by NABARD for linking 500 SHG.
1996	RBI mainstreamed SHG- Bank Linkage programme (SBLP) as a regular priority sector lending programme.
2005	One million SHG achieved – A big milestone
2012	Launching of women SHG programme of MOF (DFS), GOI through NABARD
2013	launching of national rural livelihood mission (NELM)

Table: 1 (Source: <https://www.nabard.org>)

VII. The Real potential:

There exist a potential of forming an additional 37 lakh SHGS in the country, imagine what it can do to the social and financial status of Millions of poor rural women.

VIII. What is coming in the way of achieving the true potential?

Quite a few reasons with the main being-

- ✚ Incomplete books of many SHG
- ✚ Non availability of data about SHGs
- ✚ Limited manpower at the branches
- ✚ Many SHGs are unable to maintain books of accounts properly.
- ✚ Books where maintained are incomplete
- ✚ Bankers lack access to the data of SHGs and their members
- ✚ Scattered information on SHGs- difficult for policy intervention
- ✚ 44% of existing SHGs are yet to credit linked with banks.

IX. New Directions:

NABARD released that the SHG bank linkage movement needed a new idea and new trust, the idea emerged in the form of E-Shakti a digital platform which brings SHGs on the web based e- platform, a technology solution, which establishes a bridge in the form of a transparent accounting system there by bringing SHGs and banks closer through real time data sharing. The project was launched 15th march 2015.

X. EShakti and its Function:

E-Shakti captures critical information about SHGs in a uniform manner, this MIS comprises bank and branch wise SHGS in the districts and financial statement of SHGs. It gives relevant information about other agencies involved in the project. The software was developed specially for rural India by NABARD and it can be loaded on mobile phones and tablets. Data entry and uploading is done at the SHG level, all SHG members get SMS alerts while the same data simultaneously made available live on portal to the banker and other stake holders.

XI. Scope of the project:

The project in phase one has covered two districts that is Rmagarh (Jharkhand) & Dhule (Maharastra).

Phase 2 aims to spread this digital revolution in over 2,00,000 SHGs in 22 districts in 20 states, which includes, 1) Udampur, 2) Mandi, 3) Dehradum, 4) Ambala, 5) Bikaner, 6) Mehsana, 7) Jhalawar, 8) Barabanki, 9) Varanashi, 10) Muzaffarpur, 11) West Gerohills, 12) Nalbari, 13) West Tiripura, 14) WestMidapore, 15) Jagatsinghpur, 16) Rajnandgaon, 17) Wardha, 18) Indore, 19) Mysuru, 20) Kasargud, 21) Puducherry. But the real scope of the project is the whole country as this technology can revolutionized SHG movement which has created considerable social capital beside, impacting livelihood of 10 corer poor household.

XII. The key benefits of project EShakti:

- ✚ Improves quality of bookkeeping.
- ✚ Eliminates drudgery of manual accounting.
- ✚ Sanitizes the present SHG Data.
- ✚ Infuses transparency through SMS Systems.
- ✚ Track credit history of members.
- ✚ Provide information to banks instantly.
- ✚ Converges SHGs with other government programme.

XIII. The success of the EShakti Pilot project:

About 800 SHGs have been digitized in the 2 districts of Ramgadh & Duhel, there has been 148% increase in total number of bank loans to SHGs and credit disbursement has shot up to Rs 39.79 crore.

Online data available for viewing to all stakeholders along site bringing SHG members under the Aadar fold has helped in direct benefit transfer.

XIV. Conclusion:

The project has a huge list of challenges; SHGs, agencies, involved in with formation of SHGs and other stake holder require training. Filed level information has to be collected from SHGs. The information had to be uploaded periodically.

This could be achieved with the cooperation from banks, powerful GPRS connectivity and funding by NABARD.

Successful implementation on IT platform of phase 2 & its further upscaling is the challenge which will require the help of all stake holders in the programme which means Banks, Government Departments, Credit Beauros and the Beneficiaries which are being helped or which are participating in the programme would be the gainers at stake in rural finance of millions of rural Indian women, and truly inclusive of digital India.

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