MICROFINANCE
WORLD
AN INSIGHT INTO THE WORLD OF MICROFINANCE
COMPLIMENTARY WITH THE FINANCIAL EXPRESS
JANUARY-FEBRUARY-MARCH 2010

‘SHG-BANK LINKAGE PROGRAMME COMPLETES 18 YEARS OF PROGRESS’
We Help farmers reap a rich harvest

An empowered farmer invariably leads to a healthier nation. That’s why Bank of India has a special focus on rural upliftment and progress. Its unique financing schemes have given the farming community a rare breather in difficult times.

Various Schemes exclusively for farmers:
- CROP LOAN  •  LAND DEVELOPMENT  •  IRRIGATION  •  HORTICULTURE
- FARM MECHANIZATION  •  DAIRY FARMING  •  POULTRY FARMING
- FISHERIES  •  HI-TECH AGRICULTURE  •  GOLD LOANS  •  CONTRACT FARMING  •  AGRI-CLINIC (AGRI BUSINESS)  •  AGRI-EXPORT  •  SOLAR ENERGY-HOME LIGHTING SYSTEM

Card Products: Kisan Credit Card, Kisan Samadhan Card, Bhumi Teer Kisan Card, BOI Shatabdi Krishi Vikas Card exclusively cater to all the needs of the farmers.
Debt Swap Scheme: Innovative Debt Swap Scheme to bring out farmers from the clutches of money lenders.

Painting a new picture for rural India.

Over twenty five years of employment, progress and achievements. And of developing rural India through promoting and pioneering many innovative initiatives such as self help groups, SHG federations & microfinance institutions, farmer’s clubs, infrastructure development, dry land, wasteland and watershed development, tribal development, training and skill upgradation, village adoption, co-financing, consultancy, public-private partnership, etc. NABARD is redefining and rewriting rural India’s destiny with professional expertise, integrity and commitment. NABARD’s efforts have led to equitable agriculture growth, reduction in rural unemployment and vibrant rural economy. NABARD has focused on helping India grow and prosper by ensuring new deal to rural India. And by its numerous interventions over twenty five years, it only reaffirms its resolve and commitment to take rural India into a new age.

National Bank for Agriculture and Rural Development
www.nabard.org

Visit us at www.bankofindia.co.in

Relationships beyond banking.
**DEAR READER,**

**THE** micro, small and medium enterprise (MSME) sector is vital for the development of any economy. Articles compiled in this special issue reflect on the various aspects, challenges and future prospects of SHG — Bank Linkage programme launched by National Bank for Agriculture and Rural Development (NABARD) in 1992. The programme has made tremendous socio-economic impact on empowerment of women as also transformation of policies and practices of all related institutions in their approach to banking with poor. In future, micro-insurance, micro-pension and micro remittance are likely to be the areas for greater focus, says the NABARD chairman. The Programme as impacted the lives of eight crore rural people all over India. It has rightly set the stage for other microfinance initiatives to take root. The creation of Self Help Groups has enabled the banking system to enhance their outreach and to build a quality credit portfolio with those segments of the rural population who were either not being banked or have remained in the fringes of a rural bank’s portfolio.

The government of India is now considering suitable regulation of the sector to enable all round and orderly growth of the sector. Hopefully, a new environment ensuring responsible and responsive microfinancial service will prevail for the people at the bottom of the pyramid.

In the opinion of Ramakrishna and Marie Luise Haberberger, no single intervention can eliminate poverty. Access to financial services forms a fundamental basis on which many of the other essential interventions depend. Moreover, improvements in health care, nutrition and education can only be sustained when households have increased earnings and greater control over financial resources. Access to financial services thus does its bit in reducing poverty and its effects in multiple concrete ways.

Enjoy reading the issue!

**MONALISA SEN**

Consulting Editor
UMESH Chandra Sarangi, a senior IAS officer, took over as chairman, National Bank for Agriculture and Rural Development (NABARD) in December 2007. A brilliant student he has held several important posts during his career including those of collector, director (agriculture) and commissioner (agriculture). As commissioner (cooperatives) and RCS he was closely associated with the working of urban and rural cooperatives. Coming from a farming family, Mr Sarangi has deep insights in practical agriculture and understands the rural ethos very well. His areas of specialisation are agriculture, rural development, decentralised planning and disaster management. His hands-on experience in the management of cooperative banks helped him immensely in contributing as a member of the Vaidyanathan Committee on Co-operative reforms.

SHG—Bank Linkage Programme was launched by NABARD in 1992 for linking 500 SHGs with banks as a pilot project and has achieved spectacular growth. The focus now is on ensuring equitable growth of the programme in northern, eastern, north-eastern and central India to match its strength in southern states. Our efforts in some states like Maharashtra, West Bengal, Uttar Pradesh and Orissa are yielding results. An equally important issue is deepening of bank credit because it is directly linked to the ability of the SHG and its members to start micro-enterprises. Starting an income generating activity is not enough if it cannot sustain as an enterprise. And sustainability of an enterprise requires credit on affordable terms along with other linkages like raw material, technology and business management inputs. Banks have to meet this challenge in a mature manner. Banks should assess and finance the incremental credit needs of mature SHGs and issue repeat cycles of credit to them. They should also finance individual members of SHGs for micro-enterprise development at the appropriate stage. Further, beyond micro-savings and micro-credit, other financial services like micro insurance, micro-remitances and micro-pension, etc. need to be provided for SHGs. Our efforts are being directed to find out ways and means in this regard. During 2010-11, we propose to take up formation and financing of Joint Liability Groups (JLGs) on a mission mode. One lakh J LGs of excluded, small, marginal, tenant farmers and oral lessees are to be promoted and financed for facilitating credit flow to target farmers through the J LG mode in the southern states.
ensuing crop season. With a larger vision of financial inclusion, SHG members should have access to various financial services, should be able to adopt technological devices like bio-metric cards, etc and SHG leaders should be able to assume the role of Business Correspondents (BCs).

What is the role of banks in furthering this goal?

Banks viz., CBS, RBs and Cooperative Banks have supported and wholeheartedly embraced SHG—Bank Linkage Programme as a good business proposition. As on 31 March 2009, banks’ credit outstanding against 42.2 lakhs SHGs stood at Rs 22,679.85 crore. On an average, this translates to about Rs 76,000 per SHG and average loan per member stands at Rs 5,400, which is very low. There is ample scope for growth in credit flow. Banks need to support SHGs beyond one cycle of credit and should sanction higher quantum of loans to SHGs and their members who have credit absorption capacity and also design suitable credit products for SHGs to enable them to start micro-enterprises. Banks may have to redouble their sensitisation, training efforts and motivational inputs for the field officials to upscale and deepen the programme in resource poor states. As I mentioned earlier, JLG financing is a good business proposition for banks in view of the simplified documentation, group dynamics, good repayment, and prospects of credit enhancement to quality clients. Banks should support this national initiative to increase agriculture production and productivity.

State governments have made entry in the SHG scenario as a major SHG Promoting Institution (SHPI). Is it desirable?

Some of the state governments like Andhra Pradesh, Karanataka, Kerala, Tamil Nadu, Orissa, etc., have imparted a momentum to the programme in their respective states. State governments are the biggest stake holders in the programme and their support in terms of providing forward and backward linkage to SHGs is very important. However, care has to be taken to ensure that quality and sustainability of the SHG model is not compromised in a target-oriented approach. State governments are expected to provide a conducive policy environment for orderly growth of the movement.

There is a huge concentration of SHGs in the southern states. What is NABARD doing for expediting the programme in other states?

Equitable growth of the programme in other states is a top priority for NABARD. Promotion of SHGs is highly process-oriented. Differing socio-economic conditions in each state present a different set of challenges to be overcome and a “one-size-fits-all” strategy does not work. We have been focussing on developing the programme in thirteen states in central, western, and eastern India with a reasonable success. Our main focus is towards incentivising promotional assistance in resource poor regions. For instance, the Rajiv Gandhi Mahila Vikas Parivar Yojana is being supported by NABARD in Uttar Pradesh for promotion, credit linkage and federation of more than 22,000 SHGs in select districts by replicating the SHG institutional model implemented under UNDP South Asian Poverty Alleviation Programme (SAPAP) in Andhra Pradesh in collaboration with the Ministry of Social Justice and Empowerment.

The phenomenal growth of the SHG-Bank Linkage Programme is being supported by NABARD in collaboration with the government of Tripura for a project on SHGs being implemented in North-Eastern states. As on 31 March 2009, banks’ credit outstanding against 11,500 existing SHGs being implemented by the government of Tripura for credit linking of 11,500 existing SHGs and 35,000 new SHGs to promote livelihood activities among three lakh SHG members.

Business of MFIs is growing at a very fast pace. The microfinance sector in India has a unique dimension due to the success of the SHG-Bank Linkage Programme, with participation of banking sector with their 1,50,000 outlets. The programme has made tremendous socio-economic impact on empowerment of women as also for mobilisation of policies and practices of all related institutions in their approach to banking with poor. Improved infrastructure, health and livelihood opportunities will further accelerate the programme. In future, micro-insurance, micro-pension and micro remittance will be areas for greater focus. Microfinance sector is demand driven given the size and magnitude of poverty and exclusion, it is likely to grow at a greater pace. The government of India is now considering suitable regulation of the sector to enable all round and orderly growth of the sector. Hopefully, a new environment ensuring responsible and responsive microfinancial services will prevail for the people at the bottom of the pyramid. NABARD will continue its thrust and efforts in this direction.

What steps are required for improving the quality and sustainability of microfinance sector?

The microfinance sector in India has a unique dimension due to the success of the SHG-Bank Linkage Programme, with participation of banking sector with their 1,50,000 outlets. The programme has made tremendous socio-economic impact on empowerment of women as also for mobilisation of policies and practices of all related institutions in their approach to banking with poor. Improved infrastructure, health and livelihood opportunities will further accelerate the programme. In future, micro-insurance, micro-pension and micro remittance will be areas for greater focus. Microfinance sector is demand driven given the size and magnitude of poverty and exclusion, it is likely to grow at a greater pace. The government of India is now considering suitable regulation of the sector to enable all round and orderly growth of the sector. Hopefully, a new environment ensuring responsible and responsive microfinancial services will prevail for the people at the bottom of the pyramid. NABARD will continue its thrust and efforts in this direction.
FEATURE
SELF HELP GROUPS—BANK LINKAGE PROGRAMME

Genesis and growth

The Bank Linkage Programme is one the most cost effective microfinance movement

It is said that all major changes with wider ranging implications arise from the wisdom of the common person. The idea of SHGs as a viable credit delivery model for the poor is one such path breaking concept which emerged as a promising tool for financial inclusion even before the term was coined by the financial pundits. A series of research studies conducted by NABARD during the early eighties showed that despite having a wide network of rural bank branches which implemented specific poverty alleviation programmes seeking creation of self-employment opportunities through bank credit for almost two decades, a very large number of the poorest of the poor continued to remain outside the fold of the formal banking system. These studies also showed that the existing banking policies, systems and procedures, and deposit and loan products were either not well suited to meet the most immediate needs of the poor. What the poor really needed was better access to these services and products.

Thus began a search for alternative policies, systems and procedures, savings and loan products, other complementary services and new delivery mechanisms, which would fulfill the requirements of the poorest with an emphasis on improving the access of the poor to microfinance rather than just microcredit. Many research studies and action research projects conducted by NABARD as well as sponsored to professional institutions, led to the development of the SHG-Bank Linkage model as the core strategy that could be used by the banking system in India for increasing their outreach to the poorest of the poor who hitherto getting bypassed by them. The strategy involves forming small, cohesive and participative groups of 12 to 20 members into a Self Help Group (SHG), encouraging them to pool their thrift regularly and using the pooled thrift to make small interest bearing loans to members, and in the process learning the nuances of financial discipline. As a policy initiative banks were allowed to open saving bank accounts in the name of SHGs and bank credit followed. Promotion of SHGs and extension of credit to SHGs is an overall arrangement for providing financial services to the poor in a sustainable manner and also an empowerment process for the SHG members.

The SHG-Bank Linkage Programme is the flagship microfinance intervention of NABARD which was launched as a pilot project on 26 February 1992 and could be considered as a landmark development in the banking with the poor. The informal thrift and credit groups of poor came to be recognised as bank clients under the pilot phase. The pilot phase was followed by setting up of a Working Group on NGOs and SHGs, by the Reserve Bank of India in 1994, under the chairmanship of the then managing director of NABARD, which came out with wide ranging recommendations on internalisation of the SHG concept as a potential intervention tool in the area of banking with the poor. The RBI accepted most of the major recommendations and extended the SHG-Bank Linkage Programme beyond the pilot stage as a normal business activity of the banking sector. Banks could now show lending to SHGs as part of advances to weaker sections. The SHG-Bank Linkage Programme is the most cost effective microfinance movement in the world based on its sheer outreach.

One SHG saving or loan account services 14 persons on an average. As SHG members the poor are able to access bank loans which they may not have been able to do in their individual capacity. More than 42 lakh SHG have loan outstanding to banks to open Bank Accounts of SHGs.

The SHG-Bank Linkage programme has widely proved that banking with the poor is no longer an impractical and far-fetched idea. Banking with the poor is here to stay.

The SHG-Bank Linkage Programme has amply proved that banking with the poor is no longer an impractical and far-fetched idea. Banking with the poor is here to stay. The RBI accepted most of the major recommendations and extended the SHG-Bank Linkage Programme beyond the pilot stage as a normal business activity of the banking sector. Banks could now show lending to SHGs as part of advances to weaker sections. The SHG-Bank Linkage Programme is the most cost effective microfinance movement in the world based on its sheer outreach. One SHG saving or loan account services 14 persons on an average. As SHG members the poor are able to access bank loans which they may not have been able to do in their individual capacity. More than 42 lakh SHG have loan outstanding to banks to open Bank Accounts of SHGs.

The SHG-Bank Linkage programme has amply proved that banking with the poor is no longer an impractical and far-fetched idea. Banking with the poor is here to stay.

Progress under microfinance as on 31 March 2009

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Commercial Banks</th>
<th>Regional Rural Banks</th>
<th>Co-operative Banks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Savings</td>
<td>35,49,509</td>
<td>16,28,588</td>
<td>9,43,050</td>
<td>61,21,147</td>
</tr>
<tr>
<td>Amount of Savings</td>
<td>2,772,99</td>
<td>1,989,75</td>
<td>782,88</td>
<td>5,545,62</td>
</tr>
<tr>
<td>Loans disbursed during 2008-09</td>
<td>10,04,587</td>
<td>4,05,569</td>
<td>1,99,430</td>
<td>16,09,586</td>
</tr>
<tr>
<td>Amount of loans disbursed</td>
<td>8,060,53</td>
<td>3,193,49</td>
<td>999,49</td>
<td>12,253,51</td>
</tr>
<tr>
<td>Loans Outstanding</td>
<td>28,31,374</td>
<td>9,77,834</td>
<td>4,15,130</td>
<td>42,24,338</td>
</tr>
<tr>
<td>Amount of loans outstanding</td>
<td>16,14,63</td>
<td>5,22,42</td>
<td>1,36,00</td>
<td>21,75,68</td>
</tr>
<tr>
<td>Non Performing Assets as a % to outstanding bank loans</td>
<td>2.4</td>
<td>4.2</td>
<td>6.8</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Amount in Rs. Crore

Compiled from micro Credit Innovations Department (mCID), NABARD Head Office, Mumbai

31 March 2004: SHG-Bank Linkage Programme crosses the one million SHGs mark

The SHG-Bank Linkage Programme has impacted the lives of eight crore rural people all over India with scope for further expansion. It has rightly set the stage for other microfinance initiatives to take root. In consonance with the size and importance of the programme there are myriad issues to be addressed. Articles compiled in this issue reflect on the various aspects, challenges and future prospects of SHG – Bank Linkage.

The SHG-Bank Linkage Programme has amply proved that banking with the poor is no longer an impractical and far-fetched idea. Banking with the poor is here to stay.
SELF HELP GROUPS
Looking Beyond Microfinance!

SHG movement is one of the most silent revolutions to transform the rural India

RAJENDRAKUMAR THANVI

O n the vision of the Prime Minister of India, Microfinance is transforming lives of millions of women who have been in the fringes of decision making and management in their households. The Self Help Group (SHG) movement is a prime example of this transformation. It was initiated as a means to provide women with a space to express their voice, define their roles and responsibilities in the family and society. As a conscientising tool, SHGs have been helping women understand their realities and to grapple with various institutions has spurred on a rush in almost all walks of life. In many cases, they are involved in almost all the walks of life. In many cases, they are involved in almost all the walks of life. In many cases, they are involved in almost all the walks of life. In many cases, they are involved in almost all the walks of life.

Leadership for Social Interventions

Leaders of a SHG have a very significant role in the SHG-Bank Linkage Programme. Not only for managing the day-to-day affairs of the SHG but also as the representatives of the SHG who sign an agreement with the financing bank on behalf of the SHG. It is this feeling of responsibility as signatories to a legal agreement with the bank that turns these SHG leaders into financial managers. Managing the savings and credit affairs of the SHG in itself is a task that keeps the leaders of the SHG fully occupied. Added to this, they have to perform their other role within their families. This leaves them with very little time and energy to take up any other activity. So, when an SHG is used by an agency to channelise its social interventions, the leaders of SHGs are saddled with additional roles and responsibilities. It is, therefore, incumbent upon all the agencies working with SHGs to find ways to optimise the work-load that an SHG leader can take up.

Some of the NGOs working as Self Help Promoting Institutions have found out a way of decluttering the multifarious roles and responsibilities converging on the existing leaders of SHGs. The SHGs are encouraged to have multiple leaders. A SHG, sometimes, a two members may be the existing leaders dealing with bank; but, for other every agency, there could be a separate leader or coordinator. For example, a member could be designated as a coordinator or leader for health, another could be for education, and so on. This devolution of responsibilities among the members would not only help SHGs to act as effective vehicles for an overall development of village communities but will also develop specialised leadership skills among all the members of the SHGs.

Non-financial activities of SHGs are an important strength of the SHG-Bank Linkage Programme and they should be encouraged in tandem with the savings and credit activities.

Non-financial activities of SHGs are an important strength of the SHG-Bank Linkage Programme and they should be encouraged in tandem with the savings and credit activities. In the form of such a large number of SHGs accessing bank credit. Similar strategy will have to be adopted by all the organisations wanting to deliver their products and services to the rural masses through SHGs will help SHGs grow into truly grass-roots level democratic institutions linking their members to a range of formal institutions including banks.

Appropriate ICT

There has been a surge of interest in exploring the possibilities of leveraging the strength of Information and Communication Technology (ICT) for taking various financial and nonfinancial services to the door step of the poor. However, it appears, the entire discourse of ICTs for rural development has somehow missed the requirements of an Appropriate ICT solution for the SHGs. A solution that helps reduce the drudgery of the leaders or coordinators of SHGs in managing the affairs of SHGs. Imagine an SHG leader keeping track of all the financial transactions taking place in a month. Imagine her keeping track of distribution of ORS pouches to nursing mothers or, within the same period, maintaining record of her best book distributed to school children. And all this, with an educational qualification lower than the lowest of public official. With the advancement in ICT, it is not very difficult to develop a flexible solution to capture one time details. Such a solution will help the SHGs in conducting their affairs more meaningfully and systematically.

To sum up, non financial activities of SHGs are an important strength of the SHG-Bank Linkage Programme and they should be encouraged in tandem with the savings and credit activities. However, to do this without impairing the entire SHG movement, all stakeholders will have to agree to devise ways to finetune the leadership processes of SHG and devise appropriate ICT solutions for improving efficiency of operations of SHGs. With this, SHGs can truly play a significant role beyond microfinance.
ROLE OF STATE GOVERNMENTS IN SHG MOVEMENT

Road ahead

SHGs act as a fulcrum for taking up many developmental activities

G V S REDDY

Poverty alleviation, initially, was based on group approach and economic activity supported by subsidy component was envisaged under DWCRA programme. Subsequently, different State Governments have taken upon themselves for formation and nurturing of SHGs on a different scale involving DRDA’s NGOs/IFAD giving a different orientation and paradigm shift to the approach. India has the largest microfinance programme in the world and progress made is unparalleled, with the State of Andhra Pradesh earning a distinct place. Adopting a unique model of development economics with SHGs as entry point for many of its developmental programmes the State has emerged as a torch bearer for the movement.

The States and GOI have major role to play in welfare economics and SHGs have emerged as a fulcrum for taking up many developmental and welfare activities at the village level making it imperative to sustain the momentum as the benefits far outweigh the costs associated. Many States in the country have been taking measures in varying degrees for formation of SHGs and credit linking the same though South India accounted for a larger chunk of the SHGs and credit disbursements.

SHG-Entry point for addressing multi-dimensions of poverty

Poverty is multi-dimensional and the SHGs are central to the AP State’s strategy for holistic poverty eradication. The initiatives of the State Government were ably supplemented by NABARD with focus on capacity building of the staff of banks and the Government. Taking the support of NABARD, the State Government group reoriented the concept laying more emphasis on inculcation and adoption of the best practices in group dynamics and this enabled linking of SHGs with banks in a big way. This facilitated strengthening of SHGs processes and conviction among the poor that proper functioning of SHGs is essential in order to get various types of support both from banks and Government and thus a strong foundation was laid. However, much more needs to be achieved in this direction and there is immense potential as poverty alleviation can be addressed holistically and by paving way for financial inclusion of the poor.

Impact of the SHG-Bank linkage programme

A number of studies have been conducted on functioning, credit linkage and impact etc., and they have amply revealed that SHG women have taken family welfare measures including birth control measures more eagerly, immunization of children under pulse polio programme, accessed institutional credit from banks, remarkable improvement in social empowerment in terms of self confidence, decision making, increased expression of their views and participation and for their own development. Saving as a habit has been the biggest asset of the programme, which was otherwise incompressible earlier by the rural poor. It has also reduced dependency on money lenders, and money multiplier effect was observed. This emphatically states that the programme needs to be expanded to alleviate poverty.

Efforts initiated by a few State Governments

The emergence and evolution of SHGs in different States has brought to light different approaches adopted and these depended on existence of support structures like NGOs and experiences gained in promoting SHGs implemented in coordination with other agencies. A few state governments like Andhra Pradesh have played more proactive role in strengthening SHGs and this initiative was observed more in southern states and is now being witnessed in other parts of the country as well. Some of the initiatives taken are discussed in the following paragraphs.

In Andhra Pradesh both the state government and NABARD have played a major role in giving a thrust to the concept of SHGs, formation and nurturing of SHGs, capacity building of staff of the government and banks on a large scale. The DRDA’s have played exclusive attention to promotion and nurturing of SHGs and many staff connected with other developmental departments was also involved in social mobilization. The State Government also encouraged the women to join SHGs by giving incentives like revolving fund, gas connections etc. The State Government has put in place joint support both from banks and Government for Elimination of Rural Poverty to implement the Indira Kranti Padam, a World Bank aided programme. The programme created huge base of human resources at field level to make various interventions to address the poverty issues holistically also resulting in formation of 8.5 lakh SHGs covering almost about 100 lakh households. The bank linkage to SHGs has also made rapid strides due to enthusiastic response from the banks and joint efforts of NABARD and the state government.

The stress laid by SERP is on activities like building the institutions of SHGs, livelihood promotion, non-pesticide management, commodity trading and marketing intervention in commodities, food security, insurance scheme, housing, training, and capacity building etc. to address the multi-dimensions of the poverty. It has also put in place supporting structures like community based recovery mechanism, staff to assist SHGs in banking transactions etc.

The State of Andhra Pradesh implemented a software module on SHG-Bank linkage tracking changes in bank linkage portfolio during the year 2008-09 to enforce and accurate information on flow in respect of Village Organizations (VOs), Self Help Groups (SHG), loans issued to SHGs, repayment details SHG wise, details on interest rebate by the State Government, details of loans from all banks and financial and SHG and VO wise loans - target, achievement and repayment etc. SHG - Bank linkage transactions are uploaded into central server directly by MSs and information is available on the web - www.ser.pap.gov.in. This database is used for monitoring not only SHG and bank linkage program but also monitoring of other’s programs like insurance, diary, marketing and food security etc. It also enables tracking of defaults, facilitates submission of monthly balance and accounts, generates automatic reports at SHG level, VO level, MS and State level without delay, generates reports on loans disbursed to SHGs, bank wise and branch wise. In Tamil Nadu, Mahalir Thittam is a socio-economic empowerment programme for women implemented by Tamil Nadu Corporation for Development of Women Ltd (TNCWD). Mahalir Thittam is based on Self Help Group (SHG) approach and is implemented in partnership with NGOs and Community based organizations that help in formation of SHGs, training and monitoring them. The project’s institutional arrangements and close cooperation among the core partners are key attributes of the project leading to success. The Corporation brought resources and the Government facilitated playing a catalytic role and provided full fledged support. Interested NGOs are affiliated as partners with Mahalir Thittam for providing the above services. The members and the office bearers of the SHGs receive systematic training to facilitate qualitative changes in the attitude of the women and promote cohesion. In order to bring synergy and better coordination in implementation of SHG programme, TNCWD functioning under the control of Social Welfare Department was brought under the control of Rural Development and Panchayat Raj Department in 2006. To encourage well-functioning SHGs, the Government had announced Mannimegalai awards at State and district levels to

The author is Ex- Assistant General Manager, NABARD with specialization in microfinance and supervision. Author can be contacted at vcsreddy@gmail.com

NABARD presents the National Awards for Excellence in Rural Development

The NABARD presents the National Awards for Excellence in Rural Development, which aims to recognize and promote excellence in rural development initiatives in India. These awards are presented in four categories: Government, Non-Government, Private Sector, and Research and Innovation. Each category has several subcategories, such as Agriculture, Livestock, Horticulture, Fisheries, Forestry, and Dairy.

The National Awards for Excellence in Rural Development are presented to individuals, organizations, and institutions that have made significant contributions to improving rural lives and livelihoods. The awards are given in recognition of outstanding achievements in areas such as poverty alleviation, rural infrastructure, rural credit, rural entrepreneurship, and rural development policy.

The awards are presented at a prestigious ceremony, where recipients are acknowledged for their contributions to rural development. The ceremony is attended by government officials,NGOs, and other stakeholders in the rural development sector. The awards provide a platform for sharing best practices and encouraging innovation in rural development initiatives.

The NABARD National Awards for Excellence in Rural Development are a testament to the commitment of the Indian government and its partners to improving rural lives and livelihoods. The awards inspire and motivate individuals and organizations to continue their efforts in rural development and to strive for excellence in their work.

The NABARD National Awards for Excellence in Rural Development are one of the many initiatives taken by the government and its partners to improve rural lives and livelihoods in India. These awards are a symbol of the government's commitment to rural development and its efforts to make rural India a vibrant and prosperous place.
motivate the SHGs to strive for better performance. Kudumbashree means “prosperity of the family and community” and the mission of the program is to reach families through women, and to reach communities through families. It is a holistic, participatory, women-oriented innovative poverty reduction approach tailored to needs. Kudumbashree is formally registered as the “State Poverty Eradication Mission” (SPEM) under the Department of Local Self-Government (LSG). About 19 line departments seconded their staff to Kudumbashree. Kudumbashree has a three-tier system of organization. Families identified as poor were organized into neighborhood groups (NHG). The NHGs were federated at ward level as ADS (Area Development Society). The ADSs are then federated at the municipal level as Community Development Society (CDS). NHG members prepare a micro plan for their area, based on their needs which are consolidated by the ADS governing committee into a mini plan which in turn is aggregated at the CDS level to convert it into an action plan. The Panchayat pro-vides Kudumbrasree with revolving credit linkage (minimum of Rs.10,000 bank loan). The groups formed under the programme will be eligible for RFG @ Rs.5,000 per group at the time of credit linkage (minimum of Rs.10,000 bank loan). In Gujarat, the thrust to the SHG approach came in late 1990s with the entry of Department for Women and Child Development (DWCD). DWCD has been using its vast infrastructure of ICDS program and prior experience in supporting the third sector. Other government departments implementing SGSY, Watershed Development etc., have organized another 20-25% groups and the rest 25-30% groups were promoted by NGOs. In Orissa, ‘Mission Shakti’ was launched in March 2001 for promotion of Women’s Self-Help Groups, capacity-building of the existing and the new group of women and help in taking up income-generating and economic activities by providing them necessary technical support, market linkages and credit linkages. Mahila Vikas Samabaya Nigam (MVSN), the Women’s Development Corporation of the State, is the nodal Agency for this Scheme. To support the economic activities of the Women’s Groups, to encourage them to avail credit, a financial incentive is provided to them in terms of a saving corpus of Rs. 5000/- when they avail their first credit from any of the banks of the SHG members. This corpus with a lock-in period of 3 years, can be used to avail further credit from the banks.

In Gujarat, there is a Rural Poverty Reduction Program aiming at poverty eradication; promoting human capital development and participatory approaches to development, with emphasis on convergence of services and benefits of various government departments. The project known as “Sakhi Mandals” (Self Help Groups) and is implemented in the rural areas of State of Gujarat. The Rural Development Department of the State Government is nodal department for implementation, monitoring and guidance and will act in consultation with NABARD. Formation and nurturing of new SHGs and credit linkages thereof will be facilitated with the help of ICDS system and also involving NGOs. The groups formed under the programme will be eligible for credit @ Rs.5,000 per group at the time of credit linkage (minimum of Rs.10,000 bank loan). Gujarati Gram Haat is an organization promoted by Government of Gujarat, providing for marketing platform to SHGs and BPL rural artisans eliminating the need for middlemen and to facilitate a professional branding and marketing platform for their creative skills and to make available enough opportunity to promote SHGs and their income levels.

In Bihar, the Department of Rural Development has taken up several projects using SHG model through the Government promoted agencies like DRDA and WDC. Bihar Women Development Corporation (WDC) is a society seeking to empower rural women partnered with NGOs working at grass root level. WDC mainly focuses on organizing and nurturing SHGs, building capacities through training programmes, promoting entrepreneurship among women, undertaking marketing and production activities, and promoting federations which can do financial intermedation and meet the capital needs of SHGs for undertaking livelihood activities. The Government of Bihar, with the support from World Bank, initiated the Bihar Rural Livelihoods Promotion Society (l), also called Jeevika, in the year 2006 to improve rural livelihood options and works towards social and economic empowerment of the rural poor and women. The Bihar Rural Livelihoods Promotion Society (BRLPS), initiated in 2006 with the support from the Swiss Government and the World Bank, implements the Bihar Rural Livelihoods Mission (BRLM), a poverty alleviation programme for the rural poor and women. The programme focuses on creating entrepreneurship among women for undertaking livelihood activities. The Government of Bihar, with the support from World Bank, initiated the Bihar Rural Livelihoods Promotion Society (Jeevika), in the year 2006 to improve rural livelihood options and works towards social and economic empowerment of the rural poor and women. The Bihar Rural Livelihoods Promotion Society (BRLPS), initiated in 2006 with the support from the Swiss Government and the World Bank, implements the Bihar Rural Livelihoods Mission (BRLM), a poverty alleviation programme for the rural poor and women. The programme focuses on creating entrepreneurship among women for undertaking livelihood activities.
required support to various organizations associated with the approach including NABARD and facilitate proper forum for coordination.

**Measures for strengthening SHGs and Livelihoods-Role of State Governments**

The poor population is still excluded from the financial sector and therefore all out efforts are required to facilitate financial inclusion of poor. If a serious impact on the economic conditions of the rural poor has to be made, a much larger flow of credit to support a much broader production base is required. Further, with a view to make thrift and credit activities meaningful for economic empowerment, the groups are gradually encouraged to deploy their funds in income generating activities. It is towards this objective the SHG-Bank Linkage Programme need to be taken forward and the State government may need to take certain measures as discussed below.

While the different arrangements have evolved at the State level to over see SHG related issues, it is necessary that all the issues of the SHGs need to be brought under one department exclusively so that it can have the full support and undivided attention of the government. As the programme could make significant impact on a period of time, it is therefore, the State governments must endeavour to allocate necessary resources to organize women into SHGs and provide necessary support.

With focus on financial inclusion, the government need to aggressively pursue organizing women into SHGs and plan for poverty alleviation. For the purpose they need to have a coordinated approach with all the agencies concerned in consultation with NABARD as it can render technical assistance required by the poor. The government needs to take care that if a great movement like SHGs is used to sub serve the political interest, it will only harm poor more than any body and therefore even poor have to be made aware of such harmful consequences of politicisation.

**Conclusion**

While SHGs are a medium for alleviation poverty which has multi-dimensions, there is a need to demonstrate that participatory approach alone can make huge difference. There is no uniform model to suggest for adoption as they can keep evolving depending on the developments, the State governments have to take measures for capacity building of the poor, institution building whether on the lines of federation model in A.P or based on Kerala model involving Panchayats to institutionalise the process and to make it transparent and self sustained with social audit processes and minimum intervention and to prevent failures.
ROLE OF ACADEMIC INSTITUTIONS IN MICRO FINANCE DELIVERY

Defining new roles

The academic institutions should emerge as a incubating centre

DR DANIEL LAZAR & PROF K CHANDRASEKARA RAO

NABARD: Piloting the Efforts of Micro Finance Lending

To Masses:

Microfinance programmes primarily focus at generating income and employment to under privileged masses in order to alleviate poverty in both rural and urban pockets. Different schemes of microfinance programs are expected to increase the living standard of millions who are vulnerable with no means of living. The National Bank for Agriculture and Rural Development (NABARD) has identified the potential of group lending to vulnerable sections of society particularly women through Self Help Groups (SHG). NABARD piloted and succeeded in linking the formal sector with the people who have no access to any finance to undertake a productive economic activity. About 4.2 million SHGs are identified, formed and brought under bank linkage accounting for 30% of rural population with nearly 40,000 bank branches, with an active participation of about 5,000 NGOs. The concept of linking SHGs to a bank for credit facilitated the SHGs to take up independent economic activities and empowered women groups. The raise in gainful employment resulted greater self confidence in women members in addition to greater social status.

SHG: A Powerful Tool for Empowering Women:

A Self Help Group (SHG) facilitates the group members to take up a variety of organizational, economic and social activity. These include:

a) Organisational activities wherein the members are made to come together to form group to plan and organise an economic activity. In addition to active participation in handling the chosen economic activity, they should also facilitate for pooling the initial thrift, formulation of self rules and regulations for organising their ventures, maintenance of books of accounts.

b) Economic: The group undertakes the responsibility for identification of occupation, estimating the loan request, maintenance of limits for loan and productive utilisation of loan for income generating activities and repayment of instalments, additions to groups.

c) Social: SHG members undertake socially useful activities for creation of employment opportunities to members. These activities are always in tune with the social structure, family acceptance. The group exhibits greater ethical responsibility in striving a balance between economic avocation and social desirability without jeopardise the social fabric of the community.

SHG-Bank Linkage:
Paved The Way For Gainful Economic Activity:

The SHG-Bank Linkage Programme initiated by NABARD is the largest microfinancing programme in the world. With an objective of combating poverty, unemployment and to empower the women of country side, a formal linkage of bank lending to SHGs made the new momentum sustainable. A formal structure with wider acceptability made SHGS to take up viable business ventures with member’s participation. An increase in income, assets, savings, borrowing capacity of the group members are found to be the end result of such a formal linkage. Bank linkages benefited the SHGs in twofold: Firstly easy availability of loans at minimum interest, Secondly an environment for creation of self generated savings by member of SHGs. In addition to lending to viable economic activities, the banks also started lending for meeting the needs of daily life such as buying cattle, marriage, buying seeds and fertilizer as consumption loan. The linkage programme has formalised the structure of SHG and given sense of leadership, organisational skill, and management of business activities among the group members. Raw materials procurement, identification of markets and suitable diversification and modernisation are the out of box activities of SHG members. The SHGs have emerged as platforms for exchange of experiences and ideas. In a way, microfinance through SHGs reasserted the concept of inclusive growth of masses otherwise left from the main stream development.

Missing Links:
The SHG-Bank linkage programme has its own initial hiccups.

1. There are in a group misunderstanding, attribution, sustainability problems as everyone is coming together to form groups only for credit after wards weakening in binding between the members. There are no self regulations among members to oversee whether credit is utilised for productive purposes intended. Repayment is expected through ear rings but not from further borrowings as was observed in certain cases. Group credit programs do not contribute to promote asset based capital formation, employment generation and it encourages only petty trading based activities.

2. Both sustainability and desirability of a SHG require proper guidance about its benefits and the members conscious efforts with improved saving habits, setting goals, undertaking economic activities, enhancing the risk bearing capacity of its members and sustainability etc which are often attained with the active role of NGOs and local outlets of MFIs.

3. Most SHGs face the problem of marketing of goods and services produced by them. The demand for their products faces competition from a strong formal sector. There is no marketing help from any financial institution, NGOs.

4. Multiple financing by dynamic MicroFinance Institution (MFIs) is mostly to meet the targets resulted in a “Mada” culture rather than serving the members to meet their objectives.

5. It is observed that the SHG member is often misused for political purpos poses and affiliating the groups to political parties. Diverting the government assistance and subsidies through the groups for med by political party is the recent development. In other words, large scale misuse of SHGs for political advantage is another area which requires attention.

Role of Academic Institution:
In order to make the Microfinance as a sustainable activity the academic institutions should try to play their own role. It may be in the form of emerging as an incubating centre for new small business ventures, extension and training and development of manpower required

1. Incubation

a) Academic institutions should emerge as incubating centers for identifying the new economic activities that could be undertaken by urban & rural SHGs. These incubating centers should constantly interact with the country side and find the potential of presently conducted activity by the SHG and the possibility of raising the effectiveness of them by better technology and organisational methods.

b) Students be sensitized with the SHG movement and make them involved in movement by organising seminars and field studies on working of SHGs. An extension activity with students may enable them to understand the SHG model, empower ment of women through economic activities, problems faced by SHGS in existing social set up etc. Students of sociology, social work may be motivated to adopt villages, SHG groups and carry out their summer project works.
LESSONS IN FINANCIAL INCLUSION

The ‘Ubiquitous Anganwadi worker’—A potential mentor in villages!

B5 SUKR

Providing critical financial services to poor and vulnerable segments of the population continues to be a challenge to policy planners across the globe. The Indian experience has shown that merely enabling a widespread financial infrastructure in rural hinterlands of the country does not necessarily solve the vexed issue of sustainable financial inclusion. Notwithstanding, the phenomenon of financial expansion of these institutional units in the country, the assessments done by All India Debt and Investment Survey, National Sample Survey and the NCAER studies etc have all found obvious indications that the share of non-institutional agencies in the outstanding cash dues of the rural households continues to be high; ranging between 30-40%. This occurrence is more predominant in lower asset groups, where the share of debt from the non-institutional system was a whopping 58% in the case of the lowest asset group of less than Rs. 5,000. Thus, financial inclusion which interalia includes provision of savings, credit services especially of the more disadvantaged segments of the population have continued to remain a malady for the Indian banking system.

In India the goal of inclusive and sustainable growth cannot be accomplished without embracing the vast multitudes living in poverty in the rural hinterlands. A culture of thrift is the only source of livelihood. The SHG-Bank Linkage programme initiated by NABARD, did exhibit tremendous potential in this situation atleast by providing access to savings and credit facilities and enabling the inclusive process. The approach involves forming SHGs - small, cohesive and participative groups of the poor (numbering 10-20), encouraging them to pool their thrift, regularly and using the pooled thrift to make small interest-bearing loans to members, and, in the process, learning the nuances of financial management and discipline. Credit from an external source (bank or formal institutions) follows and not precedes this stage. The programme over the years has emerged as women focused one and has received incredible acceptability from this segment of the population. The programme now reaches out to about 60 million households and almost 85% of the SHGs financed by the formal/banking system are women groups. Studies by NABARD have clearly affirmed that this microfinance programme has played a significant role in switching the gender-colour of the loan portfolio of banks. However, the spread of the SHG programme is rather skewed with four southern states continuing to account for 50% of the SHGs with finance support from banks (Table 1).

These asymmetrical results are despite the extraordinary efforts being made by NABARD and other development organizations to rectify the southern stand for the programme. The real challenges for expansion of the SHG programme include finding suitable social intermediaries or institutions that have the capacity and competence to promote and nurture the informal group members to a mature SHG. This is an iterative and time-consuming process that requires the knowledgeable agencies that can handle the task with care and diligence.

The dearth of development workers and supportive NGOs in relatively underdeveloped areas is often considered as a constraining factor for enabling the outreach of the SHG programme in these regions. The governmental agencies are often faced with the paradox of finding partners like quality NGOs in better developed areas, rather than in lesser developed areas. The southern region which houses most of the SHG-Bank Linkages did have many distinct advantages of having larger number of quality NGOs, an interested government which accepted the challenge of forming SHG using the government machinery and also the target clientele (the unbanked poor), who were more amenable to change and were backed by greater literacy and a culture of thrift. Whereas, in majority of the lesser developed areas, continued with their strong belief that development work is best delivered only through NGOs. This has also been a limiting factor.

The experiments using existing governmental machinery for formation of SHGs in many states like AP, Orissa, Tamil Nadu, Karnataka, Kerala and now Gujarat as also select districts like Rajnandgaon district in Chhattisgarh & Ajmer district in Rajasthan etc lead us to believe that it is not only possible to use the government machinery as effective SHPI (Self Help Promoting Institution/individual), but in fact it can serve as an effective tool for lateral expansion of the Programme. However, there is a word of caution: especially when multiplicity of actors and players from different Government Departments descend to take up matters of groups as a mere strategy to achieve and dispense government programmes. This could lead to duplication of memberships by SHGs and the spirit of ‘Self Help being lost. Therefore, a proper understanding of the SHG concept and the “spirit of self-help” will have to be understood to ensure sustainable implementation of the programme through allied Departments.
Another important lesson learnt is that “Its individuals with a clear appreciation of the SHG concept could marshal the positive impulses in social mobilization better and not necessarily the Institution they serve be it NGO or otherwise”. The experiences also indicate the omnipresent, mundane village-level worker: “Anganwadi Worker” could be one of the best bet for promoting SHGs if adequately trained, assisted and motivated. Anganwadi worker forms the backbone of the base (village) delivery unit of the Government programmes intended to foster development of women and children. Further, being from the fairer gender and with basic awareness of governmental welfare programmes aimed at women and child development makes them a potential SHPI which could be effectively leveraged for promotion of SHGs in remote villages.

The ubiquitous anganwadi worker being a local resident also commands the admiration and status of a good Government servant. Further, being a member of the same community she cherishes the same hopes and aspirations of the locals and even enjoys a great degree of respect from the village community. Anganwadi worker is often the first point of contact for any Government official visiting remote villages. Thus, the anganwadi worker is appropriately placed to serve as SHPIs (Self Help Promoting Individuals) for promoting and nurturing SHGs in these respective villages. These potential SHPIs and field animators also possess reasonable communication skills and motivation levels to outperform the NGO field workers. These positive features do suggest the suitability of using these individuals as SHG promoters in every village.

Anganwadi Worker’s could be entrusted with task of nurturing, monitoring and providing support services for 2-3 SHGs in a village. Once these SHGs attain the benchmark rating, they could be referred to the bank branch for credit linkage as well. Thus the universal presence of anganwadi workers in every village in the country could be effectively leveraged to promote 2-3 good SHGs (covering about 40 poor households in each village) over a period of 2-3 years. This could enable a greater horizontal spread of the SHG programme and facilitate quicker and easier means to financial inclusion.

Studies conducted in AP observe that the SHGs provided loans during 2008-09.

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of SHGs</th>
<th>% share of total</th>
<th>SHGs with bank loan outstanding as on 31/3/09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1690568</td>
<td>100</td>
<td>4224338</td>
</tr>
<tr>
<td>Southern</td>
<td>106070</td>
<td>6.2%</td>
<td>2289011</td>
</tr>
<tr>
<td>Northern</td>
<td>42688</td>
<td>2.7%</td>
<td>166551</td>
</tr>
<tr>
<td>Eastern</td>
<td>125173</td>
<td>7.6%</td>
<td>393499</td>
</tr>
<tr>
<td>Eastern</td>
<td>233650</td>
<td>14.8%</td>
<td>933489</td>
</tr>
<tr>
<td>Eastern</td>
<td>35600</td>
<td>2.2%</td>
<td>117812</td>
</tr>
<tr>
<td>Central</td>
<td>101060</td>
<td>6.2%</td>
<td>332116</td>
</tr>
</tbody>
</table>

The spread of the credit linked SHGs across the country:

- Good group dynamics; while there could be few stray exceptions. The general drop out rates were lower (10%) than that of groups promoted by NGOs in the state. These findings negate the general apprehension that the groups promoted by Government would tend to disintegrate once financial assistance is provided to SHGs.

These experiences from different provinces do show that if the state government engages in this important operation of building capacities of the mundane anganwadi worker, followed by appropriate motivation and incentivisation of these individuals, it could help, form and nurture women SHGs of the disenchanted segments in every village. These potential SHPIs and field animators also possess reasonable communication skills and motivation levels to outperform the NGO field workers.

Based on personal experiences, from remote villages in the KBK Region of Orissa. Thecbank comprises of around 35,000 commercial bank branches, 14,500 Regional Rural Bank branches, besides branches of cooperative banks including the primary agricultural and rural development banks and more than 90,000 primary credit cooperatives. Financial inclusion is delivered by banking services at an affordable cost to the vast sections of disadvantaged and low income group.


POTENTIAL AND THE STRATEGY FOR SELF HELP GROUP

Bank linkage programme by cooperative banks & PACS

This would establish relationship between villagers and PACS

DR RM KUMMUR

The SHORT Term Cooperative Credit Structure (STCCS) in the country is in the revival and reforms mode, with 25 states signing the Memorandum of Understanding (MOU) with NABARD and the government of India, for implementing the government of India revival package for STCCS, based on the Vaidyanathan Committee Recommendations of 2005. A lot of emphasis is placed on strengthening and business diversification of Poorest Areas Civil Society (PACS), the lowest structure in the hierarchy of STCCS. With these reforms the PACS should work as the one stop shop for all villagers, including the promotion of the SHGs and linkage with banks, for their savings and credit requirements. The SHG-BLP PACS would work towards shoring up a close mutually beneficial relationship between villagers and PACS.

The cooperatives can get involved in SHG — BLP at two levels. First level is when the PACS and DCCBs start opening the saving bank accounts of SHGs promoted by NGOs and government departments and then start extending credit after the SHGs complete six months of operations and become eligible for credit linkage. At the second level, the DCCBs may start working as Self Help Promoting Institutions (SHPI) involving PACS and their branches. Under this scheme, DCCBs may select 30—50 PACS and their branches, identify the staff and get them trained in the promotion of SHGs (social mobilisation) and credit linkage, with the help of a core NGO with expertise in this work.

Dr. RM Kummur, General Manager, NABARD, Haryana Regional Office, Chandigarh – 160022. The views expressed are the personal views of the author.
open savings accounts, A&N state Co-operate active bank had credit linked the SHGs.
Afterwards, NABARD started its pilot project of “DCCB as SHPI” with Hassan DCCB in Karnataka. After the successful completion of the pilot, it was rolled out throughout the country in the first decade of 2000s. This was also true with Gulgarga DCCB as the recovery under SHG-BLP was almost 100%, whereas the recovery under crop loans in those years was 7% and 28% in the early 2000s. Further, PACSs have felt autonomy now to start any business, which is profitable and economically viable. They have the outreach and thorough knowledge of the villagers in their command area. Under the renewal package, the staff of PACS are getting orientation training and with a little training in social mobilisation, they are in a better position to promote SHGs. Further more, they have the required infrastructure to handle cash in the PACs and are able to meet the frequent cash transaction requirements of the SHGs and their members. Therefore, it is right time for the DCCBs to opt for DCCB as SHPI scheme and involve PACS in the promotion & linkage of SHGs. The SB a/c of SHGs may be directly opened with the PACs, after giving membership of PACS to the SHGs. This model is especially useful in North Central/Eastern/ North Eastern Islands and Karnataka in the mainland became the pioneer states to implement the SHG-BLP in the ST and union territories of the country. Under this (Vaidyanathan Committee) reforms the PACS should work as the one stop shop for all villagers, including the promotion of the SHGs and linkage with banks, for their savings and credit requirements

With these (Vaidyanathan Committee) reforms the PACS should work as the one stop shop for all villagers, including the promotion of the SHGs and linkage with banks, for their savings and credit requirements

**Smoothing credit flow and managing loan delinquencies**

**Banks and other JLG promoting bodies should position JLG financing as good business proposition**

**PRAFULLA T KURIEN**

The advent of reforms in the banking sector has brought in tremendous reprieve for the bankers especially while dealing with asset-less or ultra poor. However, the mid-credit segment of the rural banking system still continues to cause concerns for the bankers. There is a need for addressing that mid-segment through effective credit products that would reduce risk and transaction costs for the banker and also introduces a greater degree of flexibility for the credit user to determine his/ her needs and priorities.

This mid-segment of which predominantly performs agr-related activities requires quantum of credit larger than micro-credit, it also requires credit for longer durations - linked to seasons and repayments are met at the end of harvest seasons only. In essence, it is about addressing the credit needs of small time agriculturists - who are forced to remain in the fringes of a rural bank’s portfolio. As on March end 2009, about 6.6 crore poor households were covered under the programme through more than 61 lakh savings linked SHGs and over 42 lakh credit linked SHGs.

The innovations like the SHG-Banking have brought in tremendous reprieve for the bankers especially while dealing with asset-less or ultra poor. However, the mid-credit segment of the rural banking system still continues to cause concerns for the bankers. There is a need for addressing that mid-segment through effective credit products that would reduce risk and transaction costs for the banker and also introduces a greater degree of flexibility for the credit user to determine his/ her needs and priorities.

**The need**

The advent of reforms in the banking sector has ushered in tremendous changes over the past one decade. However, changes in the product profile of rural credit sector have remained far and few. NABARD’s efforts of initiating a pilot project on Self Help Group (SHG)-Bank linkage more than a decade back has enabled the banking system to enhance their outreach and to build a quality credit portfolio with those segments of the rural population who were either not being banked or have remained in the fringes of a rural bank’s portfolio. As on March end 2009, about 6.6 crore poor households were covered under the programme through more than 61 lakh savings linked SHGs and over 42 lakh credit linked SHGs.

The innovations like the SHG-Banking have brought in tremendous reprieve for the bankers especially while dealing with asset-less or ultra poor. However, the mid-credit segment of the rural banking system still continues to cause concerns for the bankers. There is a need for addressing that mid-segment through effective credit products that would reduce risk and transaction costs for the banker and also introduces a greater degree of flexibility for the credit user to determine his/ her needs and priorities.

This mid-segment of which predominantly performs agr-related activities requires quantum of credit larger than micro-credit, it also requires credit for longer durations - linked to seasons and repayments are met at the end of harvest seasons only. In essence, it is about addressing the credit needs of small time agriculturists - who are forced to remain in the fringes of a rural bank’s portfolio, mainly because of the low financial position, as also their inability to avail collateralized loans, partly on account of fragmented land holdings that he/she has.

The Reserve Bank of India in its monetary policy statements has also articulated the need for rural banker’s developing products and innovative deliv-
Every mechanism so as to effectively and efficiently reach the rural segments using unconventional approaches, however, the real constraining factor in enhancing outreach of credit has been the lack of traditional collaterals. The traditional collateral includes mortgage of land, guarantees, etc. The innovative credit experiments of development activists like Prof. Mohammed Yunus, founder of the Grameen Bank movement, eventually led to the emergence of the concept of "micro credit with mutual guarantee" in the mid-1970s. Similarly, innovative approaches were also visible in Thailand through the Bank for Agriculture and Agricultural Cooperatives (BAAC), which was established in 1966 as a state enterprise. The bank now purveys credit for agricultural sector in the country and accounts for 92% of credit disbursals to farm families in the country. Most of the credit is being disbursed through Joint Liability Groups and mutual guarantee mechanism, which is a substitute for traditional collaterals.

Objectives of the pilot project of NABARD

NABARD initiated a small pilot project in a few rural banks to test the feasibility of financing group loans through Joint Liability Groups based on social collateral as a substitute to the conventional formal approach. The Pilot project on financing Joint Liability Groups aimed at evolving supplementary credit technologies to facilitate smoother flow of quality credit to mid segment credit takers by assisting establishment and financing of JLGs. Ten Regional Rural Banks and one Agricultural Rural Development Bank, spread across 8 States (Maharashtra, West Bengal, Tamil Nadu, Madhya Pradesh, Bihar, Karnataka, Kerala & Assam) were selected to implement the programme through 5 branches each which led to the formation of 870 JLGs and credit linkage of 150 JLGs with bank loan assistance of Rs 12.40 crore. The JLG programme was mainstreamed targeting the tenant farmers in September 2006 by NABARD on the basis of its impact and also per the Union budget 2006-07 pronouncements.

Mechanics & functioning of the JLG

A JLG is a group of 4-20 potential member clients for a lending institution. The enrolment of potential credit clients is the first crucial step in banks lending operation. The JLG could establish credit linkages with the bank as soon as the bank verifies the individual members' credentials and the group becomes an eligible borrowing entity-JLG. The undertaking offered by the group (by all members) enables them to jointly receive such amounts as deemed eligible by the bank for pursuing any individual or joint activities as found suitable by the group. The main purpose of the JLG is to ensure loan guaranteeing and executing the joint liability agreement, making them individually and jointly liable for payment of interest and repayment of loan obtained from the bank. The management of the JLG is simple with no financial administration within the group. The members of JLG normally live in the same neighborhood or in the same village and are from the same socio-economic background and environment. They may be mostly engaged in the same activities, they know and trust each other well. In certain cases it would be possible to have small, marginal farmers cultivating the same crop, in which case the collective farming effort would also enable the group to pool their resources (harvest) and negotiate a better price.

The benefits of JLG concept

- The farmers who have small fragmented landholdings or land of little value who find it difficult to access to credit from formal banks could make them eligible to borrow from banks by signing a joint liability agreement.
- The JLG members have the ability to "pool" credit from the banking system without rigidities and conditionality.
- Recovery from JLGs is expected to be sound on account of joint pressure and mutual respect for each other since all members from JLGs are known to each other (they stand guarantee for each other) the group pressure allows them to borrow according to individual capacity and repay on due date.
- The approach helps to create a borrower discipline. The small group is expected to screen each other further since they have to bind themselves responsible for one another.
- The JLG approach is expected to keep banks operating costs manageable and reduce transaction costs for the credit providers. This is true as the quantum of credit is expected to be large compared to individual accounts. Further, the mechanism is expected to reduce monitoring costs for the bank.

Evaluation Studies on JLGs:

With a view to reviewing the progress of JLGs after maintaining an initial interest, NABARD and Agency for German Technical Cooperation initiated a joint study in May-June 2008 covering the states of Kerala, Andhra Pradesh, West Bengal and Maharashtra. The findings of the study highlighted that the JLGs are an important tool to achieve financial inclusion. JMGs are best suited for promotion of livelihood based activities. The study findings revealed that South Kerala (Alappuzha) fared better in both quantum and quality of the groups (about 4000 JLGs). They have successfully implemented JLG financing on account of the excellent coordination and cooperation between banks, NGOs, Farmers Clubs, Kalyan Farmers Clubs and JLG membership integration with Panchayat banks' lending and People's Planning Program and carving out JLGs from SHGs. Formation of Activity-based groups in farm and non farm sector (paddy cultivation, vegetables, fruits and medicinal plan, organic farming, dairy, goat, rabbit, fisheries, coir processing, tailoring, ready made garments, etc) through special schemes of the Banks like State Bank of Travancore, State Bank of India, Federal Bank etc helped in the successful implementation of JLG Scheme. Specialised officers were posted by (State Bank of Travancore) to take care of both credit and technical counselling. There was a commitment from top to bottom to JLG program by the banks. There were special publicity measures, special campaigns, etc initiated by PCA/RDB, IRIN/Alakuda. Technical Bulletins/Newsletters were used by NGOs like Gandhi Smaraka Grama Seva Kendram-GSSK for information dissemination for improved agriculture operations. There were Coordination committees at block/district levels as well as networking with Government Departments.

In 2009, 4 studies were undertaken by NABARD in the states of Kerala, Karnataka, Tamil Nadu and Andhra Pradesh for formulating revised guidelines for JLG financing. The highlights were as follows:

The JLGs in Alleppey district, Kerala were promoted by the NGOs and banks as Activity-based JLGs in farmland sector and non-farm sector. These JLG members are members of matured SHG and credit requirements of the JLGs are met by NGO by availing small bulk assistance from banks. The role of JLGs- Promoting institution related to area-based survey, awareness-creation, activity-based training, Input/Output assistance, rating of JLGs, direct funding, credit linkage with banks, bulk procurement of inputs and also marketing through rural outlets.

The JLGs in Bidar District, Karnataka were also Activity-based groups promoted by NGO-PRAVARDHA and MFI NCs. These Groups were engaged in the Farming and related sector. Technology Support and capacity building were also given by the NGO and MFI. The Raitha Mitra Groups (RMGs) in Andhra Pradesh were promoted by State Govt. through Agriculture Dept which gives credit capacity building support and other support. RMGs have helped in easier access to credit to small, marginal and tenant farmers. Further convergence of credit and non-credit inputs enabling better crop management in turn, higher productivity. JLGs in Sivaganga district, Tamil Nadu are promoted by
NGOs as well as by DCCBs/PACs under Government of Tamil Nadu Scheme. Pandyan Gramin Bank has also closely monitored the JLG financing in a big way. There are JLGs in farm and non-farm sector. The SHG members involved in watershed formed JLGs. There were JLGs formed by PACs also. JLGs were also formed by NGOs, financed by bank under Venture Capital fund of Government of India for Dairy Development

Expansion of the programme
While various studies conducted by NABARD in 2008 and 2009 have brought out the positive impact of the programme in certain banks/areas, the progress in financing farmers under the JLG scheme has been rather slow and very uneven. Considering the potential of the programme, the need for food security and to help banks rapidly expand the programme across a larger number of bank branches so as to cover increasingly large number of small, marginal, tenant, oral lease farmers and share croppers, NABARD revised the operational guidelines. Under the revised scheme, NABARD would provide some incentives, to banks by way of promotional grants for forming, nurturing and financing JLGs, on an annual basis for the next three years. Banks can use the services of suitable agencies for undertaking the above interventions which are in the nature of activities under the Business Facilitators model. NABARD would also extend need-based promotional support training, exposure visits, experience-sharing, etc for banks' staff.

The need of the hour is supporting this national initiative in right earnest by all the stake holders for facilitating credit flow to target farmers and micro entrepreneurs through the JLG mode.

SHG-BANK LINKAGE PROGRAMME

Issues and perspectives of studies and research

The Programme has tremendous potential for growth

BB MOHANTY

Promotion and Growth of SHG-Bank Linkage Programme

SHG-BANK Linkage Programme was conceptualised and launched by NABARD in 1992, on a pilot basis, for linking 500 SHGs with banks with the following objectives:

- To evolve supplementary credit strategies for meeting credit needs of the poor by combining the flexibility, sensitiveness and responsiveness of informal credit system with the strength of technical and administrative capabilities and financial resources of commercial banks and financial institutions.
- To build mutual trust and confidence between banks and rural poor.
- To encourage banking activity both on thrift as well as credit sides, in a segment of the population with formal financial institutions usually find difficult to cover.

During 1996, the programme's potential innovation in the area of ′Banking with the Poor′ was recognised and it was mainstreamed with banks. The programme has now become a national move- ment and through a spectacular expansion process during the last 17 years, 6.12 million SHGs have been linked with banks by way of having cumulative savings of Rs 55,462 million and 4.22 million SHGs credit linked with outstanding bank credit of Rs 226,739.6 million. Under the programme, a total of 86 million poor households, of which 80% are women have been covered. RBI, apex development agencies, Banks and other Self Help Promoting Institutions (SHPIs) like NGOs, government agencies, etc., have been supportive of this move- ment. NABARD has consistently pursued a multi-pronged promotional role in upscaling the programme which include policy advocacy, providing refinance to banks, promotional assistance to SHPIs for forming and linking SHGs, establishing coordination with all the stake- holders and capacity building of all stakeholders. In order to get feedback on the success and failure of the programme, NABARD encourages studies and research on the impact of the programme. The pilot scheme was introduced in 1992, based on the learnings from the survey undertaken by NABARD in association with APRACA and the Action Research on SHGs in association with MYRADA in the late 80's.

Studies and research in Microfinance

Right from the beginning, a number of studies have been embarked upon by NABARD inter alia and through external agencies. The studies were in the form of monitoring, issuespecific, evaluation, impact assessment and empirical research studies had been conducted by professionals posted in regional offices and head office. These studies have been instrumental in bringing to the fore successful and positive aspects of the programme as well as various concerns, gaps and deficiencies at the oper- ational level. The studies and action research interven- tions were mostly funded under R&D Fund and

* Ref: NABARD, Policy Guidelines for JLGs in Farm and Non-Farm Sector.
Microfinance Development and Equity Fund (MFDEF) in NABARD. The studies are now also being undertaken by newly setup (2008) Centre for Microfinance Research (CMR) set up at BIRD, Lucknow and its six sub-centres, with funding support from MFDEF. With the growth and diversification of SHG-Bank Linkage Programme, many research scholars, academicians have taken up studies and research on various facets of microfinance, particularly SHG-Bank Linkage in an increasing and intensive manner.

Major studies and their dimensions

Among the major studies, the first impact study on SHG-Bank Linkage Programme was carried out by NABARD in 2000 (Puhazhendi and Satyajasai) which assessed impact of microfinance on social economic conditions of 560 household members of 223 SHGs, located in 11 states. Another impact study on SHG-Bank Linkage Programme was carried out by NABARD in 2002 (Puhazhendi and Badatya) covering 115 members of 60 SHGs in three eastern states. The role of SHGs in preventing rural emergencies by Kimberly Wilson and Marc O’Silva, Catholic Relief Services, India (2002) pointed out dramatic reduction in costs of relief efforts using SHGs. Under the aegis of NABARD-GTZ Rural Finance Programme, studies were undertaken by Myrada on women’s empowerment of SHG members in 2002 followed jointly by NABARD and GTZ Consultants on (a) SHG-Bank Linkage Programme (b) Commercial Aspects of Banking in India. Other important studies included “lights and shades” study by EDA Rural System and APMAS (2006), Prabhu Ghathe (2006), Role of SHPIs in promotion of SHGs by Prof. Malcolm Harper, etc. The study on the impact and sustainability of SHG-Bank Linkage Programme conducted by NCAER under the NABARD-GTZ collaboration in 2008 has been very comprehensive which covered six states. These studies covered various facets of SHG-Bank Linkage Programme e.g., women empowerment, poverty reduction, fulfillment of the Millennium Development Goals (MDG) and intangible benefits to stakeholders, direct and indirect impact, etc. These brought to the fore, evidences of behavioural, qualitative improvement of family life of the SHG members, economic, political and social impact of SHG process. Public Awareness

The findings of the studies refer to above have brought to the public domain the multi-fold impacts of the programme at the individual, household, group, community, society and institutional levels. The positive growth and impact have been evidenced in various ways—economic improvement and poverty reduction, increase in savings, credit, income, physical assets, etc., improved quality of life, human resource development, maintenance of social harmony and best institutional practices. On the other hand, the dilution and deficiencies and drifts in the implementation have been reflected, giving warning signals to the implementing agencies.

Gaps in studies

Microfinance in India, especially the growing SHG-Bank Linkage Programme has drawn the attention of researchers, academicians, students and the organisations for taking up further studies, investigations and research and many donor agencies, development organisations and funding agencies are encouraging such interventions. While this could be accepted as welcome trend, there is need for care, discipline and systematic approach for responsible research. Many a times, it is observed that no serious thought has been given in finalising the Terms of Reference (TOR) for the study. Further, some of the TOR are found to remain unattended by the scholars. Inadequacies, lack of clarity, comprehensiveness and relativity have been observed in the Terms of Reference (TOR) sample size, contents and inferences in some of the studies. Instances of sweeping generalisations in conclusion and policy suggestions without adequate supporting evidence have also been witnessed in many study reports. While Policy prescriptions are suggested, no commensurate thoughts and efforts are directed to examine the ways and means for translating the findings into practice.

Suggested Approach and safeguards

With a view to enhancing the effectiveness and comprehensiveness of such research studies, the following roadmap and safeguards could be considered by all concerned:

(i) The emerging issues and the problems of the microfinance programme, need to be ascertained.

(ii) The stakeholders, particularly banks, government agencies, research organisations and other SHPIs should have appropriate institutional policy for undertaking studies in microfinance, to know the field level trends and practices.

(iii) The officials to be engaged in administering questionnaire and communicating with SHGs and members should be appreciative and sensitive to the concept and ethos of SHGs and the SHG-Bank Linkage Programme. They should learn to communicate to SHGs members appropriately and in a sensible manner.

(iv) Efforts should be directed to evolve commonly acceptable benchmarks/parameters for impact assessment of SHGs and the SHG-Bank Linkage Programme. Methodological aspects need further rethinking and refinement through a consultative process at various levels of stakeholders.

(v) The sample size, coverage, design, etc., should be good enough to deem the research studies as national studies.

(vi) A national clearing house, for study findings in the SHG-Bank Linkage Programme need to be put in place to make best the use of the important findings of such studies and take timely corrective action.

(vii) The financing and development institutions sponsoring studies need to initiate efforts at interacting with findings. More consultation, coordination and convergence of efforts are required to translate research findings into practices.

(viii) The studies should focus on the emerging issues and challenges so that findings and recommendations could be useful for addressing the issues and challenges. The emerging issues before the programme are balanced growth across regions, graduation of SHG members to micro enterprises, provision of public goods and financial services, institutional sustainability of SHG federations, quality and sustainability of SHGs, delinquency in some of the SHGs, multiple lending and over indebtedness, coexistence of MFI-led microfinance and SHG-Bank Linkage Programme, etc.

Looking ahead

The SHG Bank Linkage Programme has tremendous potential for growth and diversification. There is also considerable space for innovation and flexibility, depending on the area and region within the broad framework of the concept. Basics of the SHG-Bank Linkage Programme need to be nurtured, propagated and promoted through a congenial policy environment and public awareness campaign. The media, people’s organisations and developmental agencies therefore, need to adequately focus, document and disseminate the success stories. The organisations engaged in research and studies should also contribute and facilitate responsible microfinance through SHGs by all stakeholders. Thus, in the journey of microfinance development for the people at the bottom of pyramid, all concerned need to appreciate, identify and address the emerging issues and play a helpful role in upscaling and consolidating the programme in balanced and orderly fashion, in the years ahead.
TOWARDS A MILLION MICRO-ENTERPRISES

The West Bengal way!

Rural poor women have evolved to relatively empowered entities

BONANI ROYCHOWDHURY

At this juncture, a pilot project was introduced by the NABARD during 2004-05 for promotion of micro enterprises among members of matured SHGs, through select NGOs as Micro Enterprise Promoting Agency (MEPA), spread over nine states. The objective of the pilot project was to evolve a blueprint for replication in future based on the insights garnered from this pilot experience. The idea was to come out with a sustainable and replicable model for providing handholding services to members of matured SHGs to undertake micro enterprises, based on the 3M model of Marketing and Research Team (MART), New Delhi. Two such pilots were launched in North 24 Parganas district of West Bengal encompassing activities like beekeeping, tailoring, wool knitting, terracotta, among others. These pilots are being implemented through two Micro Enterprise Promoting Agencies (MEPAs), i.e. Chhatberia Ganonannayan Sangstha and Ghoshpur Lokhito Farmers’ Welfare Society.

These two MEPAs were initially provided training in the three Ms, i.e. micromarketing, micromarket and microfinance by MART. Subsequently, these agencies identified 2,000 SHG members and facilitated them in identifying farm or non-farm activities having local market and requiring locally available resources. These members were then provided skills training in these activities, helped to set up their own individual or group micro-enterprises with bank loans and supported in the creation of market linkages for their products. As of today, a total of 850 SHG members have set up their own units under the project. Terracotta products (burnt clay craft) and honey have emerged as the major markets oriented products with a huge demand not only in the local market but also beyond the state and national boundaries. Ready-made garments are also roping in a large market with products being sourced by traders and retailers from Barabazar in Kolkata, based on firm orders.

Based on the learnings from the pilot, a mainstreamed, specialised programme named Micro-Enterprise Development Programme (MEDP) was introduced in 2006. Specific, short duration skill development programmes in both farm as well as non-farm sector activities were imparted to groups of 30 members of matured SHGs through master trainers and experts in the field. The members were expected to set up their own individual or group enterprise with the help of additional or higher loans availed from the group. This was a new paradigm for the SHG women as their world changed from managing their savings/credit groups to managing their individual or group business units. Instead of being perceived as ‘way of life’, these alternative livelihood means assumed the shape of micro business units.

In West Bengal, the first MEDPs were organised in Birbhum, Malda and Uttar Dinajpur districts. The skill sets ranged widely from farm sector activities like organic farming, vermicompost, animal husbandry, mushroom cultivation to non-farm based products like jute kantha stithi, naksha (designer) bori, zari embroidery, synthetic gum, imitation ornaments, chandrilkha (silk cocoon rearing trays), agarbatti, jute craft, cane and bamboo craft, tussar, silk reeling, among others. The number of capacity building programmes traced a high trajectory of growth and is expected to scale up further based on very high expected demand.

More than 60% of the trained members were able to utilise the skill sets acquired by setting up individual or group enterprises. Another 25% of the trained enterprises were able to improve their livelihood options by supplying the product to the master trainer or other units on a piece-rate or wage-based basis. The promotion of micro enterprises received an impetus and more and more SHG women were joining the bandwagon every month. Units were being set up for producing agarbatti, papad and pickles, tiny packs of spice powder varieties, dried mushrooms, fish preserves, low-cost, eco-friendly ornaments from jute, seeds, paddy, etc. The creative and innovation knew no bounds. However, these dynamic, enthusiastic micro entrepreneurs were facing immense challenges in the marketing of their products. It was not that the markets did not exist but the issue was one of finding the markets and accessing them. A study was conducted in Birbhum district in 2007 to assess this and other issues and to suggest remedies for addressing the same. One of the recommendations of the study was that the trainees should be given skill inputs in marketing and rural business management over and above the activity-based skills that were being imparted through master trainers. NABARD rose to the occasion and introduced an innovative Training of Trainers (TOT) programme on enterprise management and marketing for CEOs/field workers of NGOs, co-operative societies and other agencies through the Society for Professional Action in Development (SPADE), a professional training agency having a state wide presence. A comprehensive, customised 5-day module was designed in Bengali to suit the requirements of grass root level trainers and 146 trainers in the state spanning 14 districts were imparted these skills through five TOTs during 2008-09. This was followed up with nine TOTs during 2009-10 covering 256 trainers across all 18 districts in the State. These trainers were

Image 267x646 to 334x695

The West Bengal way!

Rural poor women have evolved to relatively empowered entities

BONANI ROYCHOWDHURY

At this juncture, a pilot project was introduced by the NABARD during 2004-05 for promotion of micro enterprises among members of matured SHGs, through select NGOs as Micro Enterprise Promoting Agency (MEPA), spread over nine states. The objective of the pilot project was to evolve a blueprint for replication in future based on the insights garnered from this pilot experience. The idea was to come out with a sustainable and replicable model for providing handholding services to members of matured SHGs to undertake micro enterprises, based on the 3M model of Marketing and Research Team (MART), New Delhi. Two such pilots were launched in North 24 Parganas district of West Bengal encompassing activities like beekeeping, tailoring, wool knitting, terracotta, among others. These pilots are being implemented through two Micro Enterprise Promoting Agencies (MEPAs), i.e. Chhatberia Ganonannayan Sangstha and Ghoshpur Lokhito Farmers’ Welfare Society.

These two MEPAs were initially provided training in the three Ms, i.e. micromarketing, micromarket and microfinance by MART. Subsequently, these agencies identified 2,000 SHG members and facilitated them in identifying farm or non-farm activities having local market and requiring locally available resources. These members were then provided skills training in these activities, helped to set up their own individual or group micro-enterprises with bank loans and supported in the creation of market linkages for their products. As of today, a total of 850 SHG members have set up their own units under the project. Terracotta products (burnt clay craft) and honey have emerged as the major markets oriented products with a huge demand not only in the local market but also beyond the state and national boundaries. Ready-made garments are also roping in a large market with products being sourced by traders and retailers from Barabazar in Kolkata, based on firm orders.

Based on the learnings from the pilot, a mainstreamed, specialised programme named Micro-Enterprise Development Programme (MEDP) was introduced in 2006. Specific, short duration skill development programmes in both farm as well as non-farm sector activities were imparted to groups of 30 members of matured SHGs through master trainers and experts in the field. The members were expected to set up their own individual or group enterprise with the help of additional or higher loans availed from the group. This was a new paradigm for the SHG women as their world changed from managing their savings/credit groups to managing their individual or group business units. Instead of being perceived as ‘way of life’, these alternative livelihood means assumed the shape of micro business units.

In West Bengal, the first MEDPs were organised in Birbhum, Malda and Uttar Dinajpur districts. The skill sets ranged widely from farm sector activities like organic farming, vermicompost, animal husbandry, mushroom cultivation to non-farm based products like jute kantha stithi, naksha (designer) bori, zari embroidery, synthetic gum, imitation ornaments, chandrilkha (silk cocoon rearing trays), agarbatti, jute craft, cane and bamboo craft, tussar, silk reeling, among others. The number of capacity building programmes traced a high trajectory of growth and is expected to scale up further based on very high expected demand.

More than 60% of the trained members were able to utilise the skill sets acquired by setting up individual or group enterprises. Another 25% of the trained enterprises were able to improve their livelihood options by supplying the product to the master trainer or other units on a piece-rate or wage-based basis. The promotion of micro enterprises received an impetus and more and more SHG women were join-
expected to impart the skills learnt to SHG members during MEDPs conducted by their respective organisations. This initiative paved the way for setting up and running of enterprises and marketing of products by SHGs.

This innovative initiative resulted in the emergence of resourceful and enterprising women in the state. The emphasis was on identifying activities where the products would have a ready demand in the local market. The members also attended fairs, exhibitions for wider sale of their products. Rural marts were set up by matured SHGs for sale of products locally with inter-state organisations and group units were able to network with inter-state organisations and with the global economy, mainly because they were not well equipped beforehand.

NABARD introduced an innovative Training of Trainers programme on enterprise management and marketing for field workers through the SPADE Project. This innovative initiative resulted in the emergence of resourceful and enterprising women in the state. The emphasis was on identifying activities where the products would have a ready demand in the local market. The members also attended fairs, exhibitions for wider sale of their products. Rural marts were set up by matured SHGs for sale of products locally with inter-state organisations and group units were able to network with inter-state organisations and with the global economy, mainly because they were not well equipped beforehand.

NABARD introduced an innovative Training of Trainers programme on enterprise management and marketing for field workers through the SPADE Project. This innovative initiative resulted in the emergence of resourceful and enterprising women in the state. The emphasis was on identifying activities where the products would have a ready demand in the local market. The members also attended fairs, exhibitions for wider sale of their products. Rural marts were set up by matured SHGs for sale of products locally with inter-state organisations and group units were able to network with inter-state organisations and with the global economy, mainly because they were not well equipped beforehand.

NABARD introduced an innovative Training of Trainers programme on enterprise management and marketing for field workers through the SPADE Project. This innovative initiative resulted in the emergence of resourceful and enterprising women in the state. The emphasis was on identifying activities where the products would have a ready demand in the local market. The members also attended fairs, exhibitions for wider sale of their products. Rural marts were set up by matured SHGs for sale of products locally with inter-state organisations and group units were able to network with inter-state organisations and with the global economy, mainly because they were not well equipped beforehand.

NABARD introduced an innovative Training of Trainers programme on enterprise management and marketing for field workers through the SPADE Project. This innovative initiative resulted in the emergence of resourceful and enterprising women in the state. The emphasis was on identifying activities where the products would have a ready demand in the local market. The members also attended fairs, exhibitions for wider sale of their products. Rural marts were set up by matured SHGs for sale of products locally with inter-state organisations and group units were able to network with inter-state organisations and with the global economy, mainly because they were not well equipped beforehand.
political decision-making and economic progress; institutional development and in turn this must be driven by a process of empowerment, which is not conceivable without self-organisation of the poor. The institutional achievements of the SHG Bank Linkage programme are presumably the most striking and far-reaching in terms of sustainable poverty alleviation and in reaching the MDGs. According to the results of the study on “Impact and Sustainability of SHG—Bank Linkage Programme” (2007) by NCAER it is plausible to assume that substantial socio-economic benefits are resulting from participating in the SHG Bank Linkage programme for SHG members and their households. The group approach and related organisational and human capacity development processes as well as the improved access to sustainable microfinance services contribute with cross-cutting outcomes and indirect benefits to most impact aspects of MDGs 1 to 6.

MDG - 1 Eradicate extreme poverty and hunger
On SHG member household level a very high share of SHG members and their households changed their saving habits. As a result average annual saving rates to accumulate financial and physical capital were doubled to about Rs. 5,800. Also the access to micro credit improved significantly for nearly all SHG member households. The increased availability of capital enabled many households to invest more in productive assets within their existing economic activities or diversify their income generating activities. Higher savings and capital formation improved the self-financing capacities of households and contributed to higher socio-economic risk absorption capacities and decreased vulnerability. The improved access to financial services enabled SHG members and their households to maintain, intensify and diversify their economic activities, with positive effects on employment and income generation as well as poverty reduction. The net incomes of SHG member households increased considerably from about Rs 34,800 in the pre-linkage situation to nearly Rs 48,000 in 2006. The share of SHG member households living below the poverty line was reduced from about 58% in the pre-linkage situation to 33% in 2006. The average annual poverty reduction rate was estimated at 10% (MDG 1). With the availability of increased financial resources SHG member households raised household expenditures on the side of nutrition (MDG 1), education of children (MDG 2) and health care (MDGs 4 to 6).

MDG - 2 achieve universal primary education
A high share of about 80% of all survey participants reported for their households better education of children due to membership in an SHG. The results of the study show an average annual growth rate of nearly 6% in expenditure on education of children in the SHG households.

MDG 3 - Promote gender equality and empower women
Membership in bank linked SHGs strongly contributed to social empowerment and capacity development processes of female members. A about 92% of female survey participants stated that social empowerment of women had improved over time due to group membership. For many women substantial positive changes were recorded especially on the side of improved self-confidence and communication abilities as well as increased capacities and competencies to face problems, handle money and participate in household decision-making.

MDGs 4 - reduced child mortality and MDG 5 - improved maternal health
The annual consumption expenditure related to health increased per SHG member household on average from Rs. 907 in the pre-linkage situation to Rs. 1,211 in 2006. The average annual growth rate was with nearly 6% slightly higher than the compounded annual growth rate of total annual household consumption expenditure. It can be assumed that the additional expenditure was mainly used for curative health measures. A high share of all survey participants of about 82% were of the opinion that health care had improved in their households due to the membership in a SHG.

The role of Microfinance in meeting the MDGs
No single intervention can eliminate poverty. Access to financial services forms a fundamental basis on which many of the other essential interventions depend. Moreover, improvements in health care, nutrition and education can only be sustained when households have increased earnings and greater control over financial resources. Access to financial services thus does its bit in reducing poverty and its effects in multiple concrete ways.
500,000,000,000.

Sometimes, numbers speak louder than words. And NABARD’s numbers don’t just tell a story; they weave a happy tale of prosperity and growth. Last year, we pumped fifty thousand crore rupees into the rural economy for agriculture, cottage industries, microfinance and the rural infrastructure sector. To see the positive change that we’ve brought about, visit us at www.nabard.org.