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NABARD

25
YEARS
OF SHG
MOVEMENT

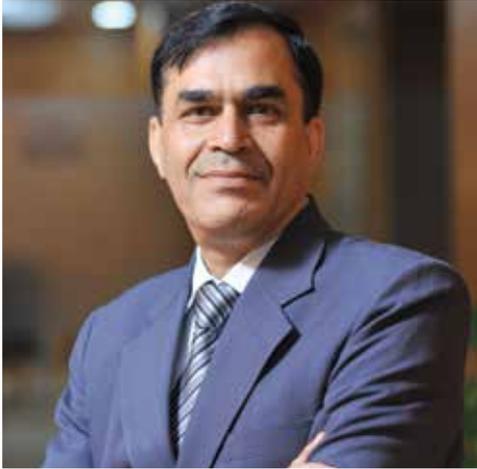


Notes

**SHG
MOVEMENT
'REFLECTIONS
AND WAY FORWARD'**

H. K. Bhanwala

Chairman



FOREWORD

Quarter century is not a long time in the history of a nation that is many millenniums old. But for 100 million rural women the last twenty five years of SHG movement have been like a leap through centuries. A small step in innovative banking turned out to be a giant step for women empowerment. For those of us, who have been part of the SHG movement, it has been an exhilarating and satisfying journey that has taken us through the huts and hamlets of India. It gave us moments of both joy and occasional despair, but in the end, there was the determination to take the movement forward from strength to strength.

The initial action research project of NABARD with MYRADA in 1987, convinced us that what the poor wanted was primarily to safe keep their thrift and that loans for livelihoods can be better appraised and customised by the members of the group. It also established that timely and hassle-free access to micro credit was more important than the rate of interest on such loans. A

lot of preparation and research went into the launching of the pilot project in 1992. RBI became possibly the first central bank in the world to allow opening of savings bank accounts of informal groups.

A home grown microfinance model, way different from the other models adopted and practiced world over, was about to unfold. A unique savings led, self-managed, door step financial inclusion and bank outreach programme with least transaction costs and participation of community at its core was mainstreamed in April 1996. At NABARD we dreamt of providing financial services to more than a third of India's rural poor through 1 million SHGs in ten years, beginning from the year 1998. But within a period of eight years of mainstreaming, 10.79 lakh groups were credit linked.

Being the largest coordinated programme with participation of more than 30,000 bank branches, more than 5,000 NGOs and



numerous foot soldiers spread over all nooks and corners of the country it required anchoring on a scale never done before. Those were the days of hectic activity filled with massive promotional campaigns, capacity building and training exercises, exposure visits driven by the innate belief that this microfinance product could change millions of lives. The success of the programme can also be adjudged from the fact that SHGs not only got recognition from banks and the RBI but became a vehicle for convergence. A large number of stakeholders started using SHGs as vehicles of social sector services. There are numerous examples of NGOs and Government departments using the SHG platform for delivery of social sector interventions. Many Governments later also utilised the SHGs for poverty alleviation interventions. NABARD salutes all these stake holders of the SHG movement.

This synergy between all the stakeholders has resulted in a vibrant community of 8.6 million SHGs today with savings balances of Rs 16,114 Cr. During 2016-17, bank loans worth Rs

38,781 Cr were disbursed to 1.9 million SHGs taking the credit outstanding to Rs 61,581 Cr. The year-on-year increase shows the fundamental strength of the concept. NABARD has taken upon itself to rejuvenate the SHG programme with focus on Digitisation of SHGs through its e-Shakti initiative in 24 districts, besides other steps. The GOI's flagship poverty alleviation programme viz. National Rural Livelihood Mission has made large strides and taken up more than half the country's blocks for intensive implementation emerging as a major player in the SHG space.

On the occasion of the silver jubilee of the SHG movement, NABARD reached out to some of the key stake holders and contributors of the vibrant SHG Movement, who have kindly penned their thoughts on the journey so far and way forward which are documented in this publication. I thank all these champions of SHG movement for continuing to guide the upscaling of this women-centric financial inclusion and livelihood movement.



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25 YEARS OF SHG
MOVEMENT



Dr C Rangarajan

Former Governor, Reserve Bank of India

This year marks the completion of 35 years since NABARD was set up. It also coincides with the completion of 25 years of the Self Help Group movement. Inheriting a rich legacy from RBI, NABARD has moved forward to strengthen the rural credit system in our country. The SHG – Bank linkage movement has also emerged as a powerful intervention to extend the frontiers of organised financial system to cover the small borrowers. The essence of the movement is the substitution of paper based collaterals by social collaterals.

When the SHG movement started, there were questions of how such an unregistered organisation like SHG could be given credit by banks. I took a decision and a circular was issued on April 2, 1996 which said, "it has been decided to extend the SHGs linkage

programme beyond the pilot phase as a normal business activity of banks to improve the coverage of the rural poor by the banking sector. Accordingly, the banks may consider lending to SHGs as part of their mainstream credit operations. This was followed up by a similar circular by NABARD.

The Committee on Financial Inclusion (2008) of which I was Chairman, had recommended technology led financial inclusion in rural areas. The SHG movement must move strongly from being consumption credit based to production credit based. It must also enter into areas like agricultural production to bring together farmers in small groups to gain scale benefits. It is equally important that the movement remains apolitical. The history of cooperatives should not repeat itself.

Smt Arundhati Bhattacharya

Chairman, State Bank of India

At the outset I would like to congratulate NABARD for entering into its 36th year of service to the nation and combining this occasion to commemorate the silver jubilee of one of its land mark initiatives- the SHG Bank Linkage Programme designed to empower the downtrodden and especially the women. State Bank of India (SBI), as the bankers to the Nation, considers it a privilege to have been associated with NABARD in this pioneering outreach-cum-empowerment movement from its pilot stage to the present level of more than 85 lakh groups.

We in State Bank of India have assimilated the concept of SHG as a regular business model. At more than 17%, the market share of SBI under SHG Bank Linkage Programme is the highest among all banks. Our figures pertaining to number of savings groups and also the outstanding loan to the groups speak of the institutional commitment in furthering this savings led, self-managed, credit initiative. More than 91% of SHG members are women underlining SBI's commitment in extending a helping hand to them.

SBI on its part had also taken several initiatives viz., sensitization of staff working in rural and semi-urban branches, partnering with NGOs, extending technical/skill training to the SHG members through RSETIs, promoting Women SHGs in backward/LWE affected districts and also participating in a big way in the NRLM program.

Given the scope of the SHG movement to empower the poor and also its impact on poverty, I would like to say that we have just started tapping the potential of banking with the poor. New initiative of NABARD in bringing resilience to the movement through Digitisation of SHGs is going to bring the needed momentum to tap that ultimate potential.

Once again, wishing the SHG movement a great success, SBI would continue to look at sustainable banking with the poor through SHG approach on an enhanced scale in times to come, in association with NABARD.



25 YEARS OF SHG MOVEMENT



Shri Aditya Puri

Managing Director, HDFC Bank Ltd.

SHG started as a project and has now become a widespread movement across India. This phenomenal growth is the result of right conceptualization, accommodating diversities in socio-economic ecosystem and systematic implementation by aligning stakeholders – public, philanthropy, government & banks – with diverse objectives. I believe it is the largest initiative continued to prove successful even after 25 years of commemoration. I attribute the success to NABARD for its constant endeavours like SHG2, EShakti, etc., which make SHG concept relevant to the changing time.

HDFC Bank committed for inclusive growth devised “Sustainable Livelihood Initiative” (SLI) with a mandate of bringing self-sustainability in 10 million families at the Bottom of the Pyramid by offering holistic services which include financial literacy, credit

counselling, livelihood training and market support besides savings, credit & insurance. SLI is an exclusive business vertical and has adopted group model. More than 68 lakh families have benefited so far.

SHG concept can be aligned to current information era; penetration of mobile, Aadhaar & Jan dhan accounts can be leveraged for the better SHG linkages. Credit Bureau reporting and SHG registry can help in scaling up. Prevailing interest cap on SHG lending may be removed and banks may be permitted to determine the rate which can make group lending a compelling business proposition.

I record my best wishes to NABARD on completion of 35 years of service.



Shri Aloysius P Fernandez

Member Secretary, MYRADA

NABARD provided the first social venture Capital for Self Help Groups (SHGs). MYRADA worked with PACs in the early 80s. The poor farmers who were not happy with the PACS, broke away in 1984-5 and formed groups in which all were poor. These developed into SHGs which had all the structural features of a Cooperative. The members self-selected themselves on the basis of affinity and started with regular savings which were placed in a group common fund. MYRADA provided training on how to conduct meetings, how to encourage participation of all, how to identify and address problems related to poverty, gender and social oppression and find solutions. Funds for training were later provided by Nabard. The members borrowed small loans from the common fund which MYRADA embellished with a grant. SHGs built human and institutional capital at the bottom of the pyramid which enabled the poor to use credit for their growth; if credit alone is invested, it will extract further capital.

When there were about 200 groups, MYRADA approached NABARD on August 29, 1986, for a grant to match the groups savings and to train them. Rs one million was sanctioned on 24 October, 1987. This was the first social venture capital which today has blossomed all over India. Nabard/RBI took three policy decisions: i) to allow Banks to advance one bulk loan to the SHGs leaving the SHG to decide on individual loans to members; ii)

to lend to unregistered SHGs provided they functioned with adequate documents and accounts and iii) to lend without physical collateral. The affinity and the common funds were the two pillars of joint liability. On the basis of these decisions Nabard launched the SHG-Bank Linkage programme in 1992. Nabard, NGOs and the Bank were the driving forces from 1992 till 2000; these comments refer only to this period.

SHGs were the Facebook of the 80s and 90s: One of the major concerns today in advancing loans is to have adequate information on the client through digital lending based on algorithms and predictive models. The SHGs had all this data in "living mode". The members knew one another, their credibility, income, behaviour, spending patterns, repayment culture etc; they added an important dimension of lending, namely strong relationships.

SHGs coped with diversity in size and purpose of loans and schedule of payments. Families required different sizes of loans even for similar assets. Livelihoods in rural economy are risky and cannot be standardised and incomes are lumpy; they depend on the monsoons which is the most disruptive instrument.

In brief, the pre 2000 SHG model and the SHG-Bank Linkage program were the most appropriate to cope with the needs of an informal, high risk, diversified rural economy.



25 YEARS OF SHG MOVEMENT



Smt Chanda Kochhar

MD & CEO, ICICI Bank

The Self Help Group Programme has been one of the most successful initiatives for financial empowerment and sustainable livelihoods in rural India. The comprehensive approach of addressing savings and credit needs, as well as enhancing earning capacity has seen significant success, particularly for women who have been the largest beneficiaries. The role of NABARD in scaling up this movement, and its support to various stakeholders in their engagement with the rural economy, has been truly commendable.

Looking ahead, we must focus on aligning the activities of the SHGs to the changes taking place in the rural economy and

ensuring that the livelihood earning activities are oriented towards areas of growing demand. At the same time, we must keep in mind that technology is revolutionizing society and economy, including the delivery of financial services. This is true of both urban and rural India. Hence, we must leverage technology to maximize the outreach and impact of initiatives for rural empowerment.

We look forward to NABARD continuing to play a leadership role in further scaling up financial and broader economic inclusion in rural India and helping our rural economy to realise its full potential.



Shri Harun R Khan

*Former Deputy Governor, RBI
& Director on the Board of NABARD*

It gives me great pleasure to scribble a few thoughts on the occasion of the seminar being organized by NABARD to commemorate the completion of 25 years of SHG movement in India. I was always fascinated by this unique experiment that combined informal, semiformal and formal approaches to financial inclusion based on social bonding, particularly among disadvantaged and deprived sections of the society, through positive, participative and collaborative group dynamics. My engagement with the sector grew substantially when I joined as the Principal of Agricultural Banking (CAB). There my colleagues and I took a number of initiatives for capacity building among the bankers, government officials and NGOs for upscaling of the programme. In particular, SHG groups and their federation were given an important role as business facilitator/correspondent in expanding the banking outreach in the report of the Working Group on Rural Credit and Micro-finance. As we look back at 25 years of history of the movement one feels that while it has achieved a lot, many challenges remain ahead, more so when one feels that it has not leapfrogged into higher levels of economic/livelihood activities, social and financial inclusion, and organised participation in the markets. Some of the challenges we need to address are: lack of focus by policy makers in harnessing SHG movement for financial literacy and inclusion, occasional

political interference vitiating the credit culture, lack of effective coordination among different programmes for livelihood development and achievement of the Millennium Development Goals (MDGs) by leveraging this largest micro finance + movement in the world, slow progress in building up of credit history through credit bureaus of groups and individuals, waning enthusiasm and engagement of bankers in SHG bank linkage programme, particularly the absence of focus on more intensive handholding and closer follow-up, non-disbursement of repeat loans, absence of dedicated verticals at the zonal / head office level to monitor the progress, absence of comprehensive national and regional data base on SHGs, building up a robust framework where technology and people have to be synergized to bring about desired outcome, smoothing out the design and ground level implementation issues arising out of bringing women SHGs under the remit of the National Rural Livelihood Mission (NRLM) and sharp practices followed by some institutional lenders in disrupting the sustainable group dynamics of existing SHGs. I am hopeful that initiatives like e-Shakti programme of NABARD aimed at digitization of SHGs, use of Aadhar and credit bureaus for sustainably upscaling the movement and experiments being undertaken for market linkages through e-commerce will help in bringing focus back to the importance of SHG movement.



25 YEARS OF SHG MOVEMENT



Smt Jayshree Vyas

Managing Director, SEWA Bank

Self Help group programme has now become a National Movement across India. The concepts of mutual trust/ guarantee and collateral free lending inter alia, are unique to the SHG movement. The movement has become the largest grass-root level democratic National Movement, where millions of informal financial institutions have designed their own operational systems, their own rules and regulations and their own financial products. In spite of this tremendous growth, it has more or less remained apolitical – “Passive Revolution” and has remained a decentralized movement without any centralized power.

NGOs have played an important role in forming, handholding and building capacities of these SHGs. I am very lucky to have witnessed this entire movement from the beginning and have seen many organizations facilitate this process, can name few of them like MYRADA, PRADAN, CDF, APMAS, CHAITANYA, DHAN Foundation- IDF. Many of the State Governments and the Central Government have also recognized SHGs and its federations and have implemented many financial welfare programmes through SHGs.

NABARD was the first to recognize the importance of this grass-root level movement. To me, for a formal financial institution, which is also a regulator it was a very bold step to recognize these small informal groups and help them to grow. I have personally seen NABARD senior officials visit village groups and learn about their systems and understand their needs. NABARD's bank

linkage programme has really helped SHG movement to come to the mainstream.

Sewa is also promoting and nurturing SHGs in many states of India and has promoted more than 10000 SHGs. Our experience has been that women with their inherent qualities of taking responsibility, being honest and selfless, ability to take decisions, make for very good leaders.

Issues

One issue confronting SHGs is the limited scope of additional savings within the SHGs and combined with low quantum of loans, it results in slower growth of capital of SHGs as compared to NBFC-MFIs, who are receiving national and international investment. Availability of loans from NBFCs is fast and bigger which has often created problem at SHG level – either there is multiple borrowing or SHGs are broken.

Taking over of the SHGs by Central and state governments along with subsidy, grants and waivers may impact autonomy and financial discipline of the SHG movement.

WAY FORWARD:

Federations or network of SHGs at district or state level can start a Bank (Small Bank) of SHGs, where women can put their Savings (deposits) and can provide credit and other related financial services – local area bank is a suitable model for a SHG Bank - NABARD can take the lead in helping SHG networks to form banks of SHG women members.



Dr Kshama Metre

National Director, CORD

NABARD needs to be congratulated on the Silver Jubilee celebration for the SHG movement that it has spearheaded. It is again a time to pause and reflect. The clarion call should be to reach the un-reached in backward remote areas. However, the bank linkages and disbursements in these areas should be made client friendly. Flexibility, nurturing and capacitating SHGs should be central and non-negotiable for their growth and resilience.

There is no need to insist blatantly on the models of federation that may have been successful in some states or areas. In certain areas, good SHGs have been destroyed when multiple large government programs takeover them with lures of subsidies and

incentives leading often to defunct groups later.

At this juncture, I would like to share CORD's experience since 1994. CORD has been facilitating Mahila Mandal (Women Group) first in each ward of the Panchayat with the purpose of bonding maximum households together for larger collective comprehensive and decentralised development actions with the spirit of seva/service toward each other for lasting relationships. This is followed later with formation of SHGs of members within the Mahila Mandal. It has led to a convergent model of social, economic and local self governance that has been transformative and sustainable.



25 YEARS OF SHG MOVEMENT



Dr L H Manjunath

ED, SKDRDP

Providing banking services to every citizen in our country which has an overwhelming population under the “bottom of the pyramid” has remained a major challenge for the sector. In spite of several path breaking initiatives, millions have still remained excluded from financial services. The situation is more complex in respect of women. Since many Indian women are involved in homemaking and work in the unorganized sector, bringing them to the banking fold is very tough. With no money in their hands, the Indian women are highly marginalized.

The advent of the SHG movement has brought money in the hands of women and small farmers. It has also brought dignity to the women folk. They have got a new found confidence and are today heard in the family. This movement cannot be replaced by formal banking services in at least the next five decades. As such, there is a great need to strengthen the SHG movement to not only empower the women with employability but also to push up the rural productivity.

Following are the immediate necessities to further strengthen the SHG movement in our country.

1. Effective digitisation of the SHG member level data. Develop tracking system for member level transactions so that this data becomes dynamic. Make this data available to bankers for taking lending decisions.
2. Aggressively canvas Jan dhan accounts of SHG members and their family members and link these accounts to SHG accounts so that the internal group transactions become completely cashless.

3. Encourage the Business Correspondents/Facilitators in the SHG sphere and make their activities completely sustainable.
4. Use the SHG as last mile delivery institutions for providing banking and insurance services to the excluded sector.
5. Aggressively increase credit flow to the SHG sector. Make available collateral-free, higher funds of upto Rs.10 lakhs to the members of SHGs for taking up microenterprises and build infrastructure like housing through the SHG module. These will further strengthen the cohesiveness among the members to provide group guarantee for higher loan amounts.
6. Do away with savings-based credit and start need-based credit for the SHG members.
7. Develop SHGs as strong competitors to the micro finance industry.
8. Approach the government agencies to meet the cost of SHG monitoring services undertaken by the SHPIs.
9. Bring down unwanted subsidies to the capital investments made by the SHG members.
10. Provide interest subsidy as applicable to such SHG members who apply the credit received from the SHGs for their micro enterprise rather than consumption purposes. For this purpose member level borrowing profile needs to be digitised so that spending for micro enterprises and certain infrastructures are encouraged rather than just consumption.



Shri M P Vasimalai

Executive Director, DHAN Foundation

SHG-Movement has signaled a paradigm shift in the development approach of the country with focus on gender-based social capital. Organising the unorganised poor communities for holistic development and poverty reduction has been the primary objective of the SHG Movement. We have a mixed bag of results, it is a pity that over time SHG Movement has been reduced to a narrow narrative of bank linkage, access to credit and recoveries. Though access to financial services is critical and important to aid and abet development, SHGs have not still graduated from savings and credit to insurance and pension services, even in southern states where SHGs have advanced well. The social security schemes (PMJJBY, PMSBY and APY) have brought great opportunities and it is the responsibility of all the stakeholders to enable the SHGs to access the entitlement schemes.

SHG programme depends on the enabling environment for its effectiveness in addressing poverty and its sustainability

as has been demonstrated by a few successful NGOs and civil society groups. DHAN's experience has reinforced this need more forcefully through networking of SHGs as federations which sets a platform for larger development. There needs to be a national acknowledgement of this critical element and consequential long term support for enabling process which calls for public investment, not to mention great engagement in the regions where the Movement is weaker like in North India.

There must be a freedom of expression for diversity of SHG models and approaches with core principles being kept intact. At this juncture of celebrating 25 years of SHG Movement, it is more important that the governments (central/state) and other policy making bodies should critically look at successful stories of development outcomes in addressing all dimensions of poverty through SHG movement across the country and devise such policies and programmes to support and expand such initiatives and interventions.



Shri Malcolm Harper

International Expert on Microfinance

The Indian self-help group movement is the world's largest microfinance programme. I was perhaps the first person to point this out, in a conversation many years ago with Mr Y C Nanda, and it is still true.

Much more important, however, is the fact that it is also the best. I say this for the following reasons:

- SHGs are linked to banks. India has a vast and effective banking system, which provides financial services to everyone, rich and poor. SHG members are not stuck in a specialized microfinance institution or 'ghetto' for the poor, they are customers of the same institutions as everyone else, and can as they become less poor, access the same services.
- The SHG movement is wholly Indian, in its origins, its structure and its management. It is designed for Indian conditions, it owes little or nothing to foreign money or expertise, and the role of foreign 'experts' such as myself has been mainly to appreciate, to learn, to document and to compare.
- Thanks to NABARD's leadership, innovations such as e-shakti are rapidly taking shape. I am unqualified to comment on these and other developments. But I was asked to express my hopes for the future; professors never resist the temptation to "profess", so here goes:
- SHG savings balances are well over \$161 billion and loans outstanding are over \$615 billion. I hope that both these figures will grow and that the level of savings will come closer to and perhaps eventually exceed the level of debt.
- Many SHG members are opening their own individual savings accounts and taking loans direct from the banks; I myself do not save with a group or borrow from one, and I hope that the 100 million plus SHG members will soon be able to do the same.



Shri Mallikarjun Mahajan

CEO, Bidar DCCB

One of the problems causing concern to humankind especially developing states is economic poverty. It can be tackled at family level by bringing families suffering economic hardship under Self Help Groups. In Bidar district, it has proved that the micro finance initiatives of NABARD through Self Help Groups are a powerful tool for the socio economic empowerment of the rural poor. It has also been demonstrated that Co-operatives can play a vital role in promoting and nurturing SHG movement in a sustainable manner.

The District Cooperative Central Bank Ltd. Bidar (DCCB Bidar) in Karnataka has made recognizable contribution in empowerment of women by promoting Self Help Groups. Every village and hamlet in the district (numbering 912) has women SHGs. As at the end of 31st March 2017 there are 24674 SHGs in the district having the membership of 365774 poor families. While all these women belong to poor families, majority of them, 50% (163292) are socially deprived belonging to Scheduled Tribes and Scheduled Castes.

For the development and upgradation of skills among the SHG members & youths and to share the best practices of SHG promotion with other DCCB's in the country, the Bidar DCCB has started SAHARDA a premier training institute which has made its impact throughout the country.

In Bidar 171 Primary Agricultural Credit Co-operative Societies are functioning in rural areas being revived by linking SHGs with them. The PACS get an opportunity to not only serve the economically poor but also get good business. The dream of reaching the unreached is also realised. It is a cost effective business proposition. NABARD has been providing momentous guidance and incessant support. The co-operative Model developed by the District Central Co-operative Bank, Bidar is being replicated by various DCCB's in India.

Achievements of Bidar Co-operative Model of SHGs:

The Bidar DCCB promoted Cooperative Model of SHG

programme's sustainable growth that won many accolades and was recognized with many awards. The SHG's have not only influenced the poor but the physically disabled have also benefitted. SHG booklet in Kannada Braille written by visually impaired SHG members has been released in Bidar during 2002 by the then chairman of NABARD. Sahakara Rural Development Academy (SAHARDA), promoted by Bidar DCCB is providing training support to SHGs with NABARD/Govt. Support. Bidar DCCB for 12 years from 1998 to 2010, successively bagged the Best SHG performance award in the state by NABARD RO Karnataka. The DGM of micro credit division of DCCB won the Best Performer Nodal Officer Award successively for 6 years. The 5 branches of DCCB Bidar bagged highest no. of credit linkage award for 8 times between 2002 to 2016. The highest recovery of SHG loan award, the highest SHG financing award, the highest number of JLG bank linkage award, the highest SHG loan outstanding award etc are the other awards bagged by DCCB Bidar in recent years.

All these achievements of the bank helped the poor women bring changes in their life. Empowered groups have started showing interest in the surrounding socio-cultural and political aspects of life. Money is being invested in not only income generating activities but also education of children, health of the members of the family, repair shelter and improve the living conditions. The status of women in the family is improving. Families have started supporting each other. Most of the SHGs have their own funds created out of savings and the interest earned. This has helped in gaining self- confidence. Some of the senior self-help groups have become self- dependent and looking forward towards prosperity.

Empowered women are gradually attaining better status in the family. =Financial status of the family is gradually improving. Majority of private moneylenders have closed their shops in rural areas. There is new hope of leading a dignified life been created in the minds of the economically poor families. The credit goes to Bidar DCCB and also to NABARD which initiated the Self Help Groups movement in India during the year 1992.



25 YEARS OF SHG
MOVEMENT



Dr P Kotaiah

Former Chairman, NABARD

I was one of the stakeholders who piloted SHG Bank Linkage programme and also had the pleasure of participation in the journey from a small pilot programme to one of the World's largest Microfinance Programmes. Rural Finance has always been the centre stage of the Development agenda of Indian Policy makers. 1980's witnessed a growing and serious concern about the quality of delivery of rural finance, its depth and breadth and particularly, the outreach to marginalized sections of society, in other words qualitative inclusive growth. This resulted in: A series of brain storming sessions, Seminars, Workshops, Study tours to some of the countries where new initiatives in Microfinance were taking place, constituting committees and reports etc. There was

also passion to see the birth of a new generation bank in India on the pattern of Bangladesh Grameen Bank. NABARD was the spring board for policy initiatives. The outcome was the SHG Bank Linkage model which is a blend of India's success in building rural financial infrastructure and Grameen Banking Microfinance model with its variants followed in certain regions of the world. The wisdom in development of this policy initiative lies in the growth and evolution of SHG Bank linkage programme into one of the world's largest Microfinance programme. Various African countries also showed interest in adopting this model. Credit is due to NABARD who passionately piloted the programme with policy support of RBI/Union Government and NGO sector.



Dr Prakash Bakshi

Former Chairman, NABARD

SHG methodology was devised through an action research with the poor in the face of already existing and famous programmes like the 20 Point Programme, IRDP, SFDA, MFAL, Antyodaya, et al, which were all designed by extremely well-meaning, experienced, senior, and famous politicians, planners, and bureaucrats but still failed to meet the needs of the poor. While devising the methodology, instead of prescribing from the top, we had tried to find out from the poor themselves what were their requirements, capabilities, and limitations in the given social, economic, institutional, and policy context, and then we came out with doable solutions which included products, processes and policy prescriptions. This practice of learning from the bottom continued during the entire implementation phase with which I was involved. Not even once, expert opinions of politicians and bureaucrats, of whatever genre and fame, were prescribed from the top, and we kept going back to the poor themselves to find out what had changed and what should change. We had also learnt that SHGs is not a tool for mere financial transactions but a very potent tool for entrepreneurship development, appraisal and monitoring, aggregation, and social change.

There were a few exceptions at the top who understood this process very well. For example, Mr. Yashwant Sinha as Finance Minister encouraged us to expand the programme as much as possible but never prescribed what we should do or what SHGs

should do. Mr. Venkaiah Naidu was another person who, as the Central Rural Development Minister organized a workshop for all the rural development ministers from states and clearly told them in his inaugural speech not to start issuing their prescriptions but try to learn what are the fundamentals of working with the poor and SHGs. Learning from the poor on what needs to be done was our forté.

I am aware that the entire economic, social, and institutional context has changed since the birth of SHGs in late 1980s making some or many of the earlier found core issues and solutions redundant. When we created SHGs in 1980s or even early 90s, there was no electronics, mobiles and smartphones, BCs and BFs and universal deposit accounts. Even deposit and investment products were limited. We need to think seriously, are SHGs required today to mobilize deposits? Is it not safer and more convenient to have deposits of the poor in Jan Dhan accounts? Can they be linked to mutual funds? What is the role that SHGs can have today so far as deposits are concerned?

While noting the changed scenario, I would again refrain from prescribing what I think should be done. Again, we need to go back to the poor and find out from them what they want, what difficulties they face, what would be the role of the group as THEY feel, and remould the process accordingly. The same, is true for all other products and processes.



25 YEARS OF SHG
MOVEMENT



Dr Sudha Kothari

Managing Trustee, Chaitanya Foundation

Everyone, including the Government, regards self-help group program that has come a long way, as instrument to bring about change in women's situation. SHGs are expected to provide women with identity and self-esteem - "women ventured out of confines of homes and hearth, shared their experiences and expressed their ideas in intimate groups, learned of their rights and, ultimately, such ventilation in peer groups eased several kinds of unnamed pressures and fears."

This was possible, of course, only after sustained and sensitive facilitation of rare kind of perceptive women professionals. This dynamics of group process, moreover, necessitated giving regular time with group members beyond just collecting savings. The promotion of SHGs, in other words, is not merely an uni-dimensional transaction relationship. It requires building personal bonds with women to help them gain confidence to change. The SHG program understood women's priorities. The program

looked at diverse challenges that women faced as women. This intervention was, clearly, not isolated to just savings or credit activity.

"Groups are for sharing of our joys and sorrows" said a member.

It is important that the SHG program is able to retain qualitative aspects like building self-confidence, self-esteem, decision making and creating new social support network. Risk taking, creativity and trying out something new are forged in members through the SHG program and are necessary to help members get out of poverty as well as have greater gender equity in society. SHG program brings about unity and ownership of women. The significance of these aspects of collective process, however, seems to be losing itself with more focus on transaction based relationships. These elements, obviously, may not always be tangible or measurable but nevertheless, are critical drivers of change.



Shri T. Vijay Kumar

*I.A.S (retired), Advisor to Govt. of A.P (Agriculture and Co-operation),
Former Mission Director, NRLM (2010 – 2015)*

The SHG movement is India's unique contribution to women's empowerment. NABARD has played an extraordinary role in this journey and I salute NABARD. It is a great partnership of women, civil society organizations, NABARD, Banks, State Governments and Central Government.

I had the privilege of being associated with this movement from 1990. I led a state wide Government program in Andhra Pradesh from 2000 to 2010 and later I was the first Mission Director, National Rural Livelihoods Mission, Govt of India from 2010-2015. My life has been transformed because of this association. I have become a better human being. I had the great privilege of learning continuously from the poor women, from their struggles and successes, their resilience in the face of enormous odds and their joy in recognising that they have unlimited potential which

is being realized through their participation in their SHGs.

SHG is a very unique platform of the women, for the women and by the women. A large number of women champions have emerged from this movement to lead their organizations and also to spread the movement. They have enhanced their skills to achieve multiple objectives for their members – livelihoods, financial self-reliance, education, health, gender, etc. Their successes have been unparalleled.

Looking into the future, the dream of a poverty-free India requires women to be in the centre and Governments, Local self-Governments, civil society organizations, financial institutions and others to work out mutually beneficial and self-sustaining models of partnerships with the women, SHGs and their federations.



25 YEARS OF SHG
MOVEMENT



Shri Vijay Mahajan

Founder, BASIX

Aloysius Fernandez of MYRADA in 1986 introduced me to SHGs when I was in PRADAN. In 1987, we formed SHGs in the Alwar district, Rajasthan, as part of a Ministry of Rural Development funded PRADAN project to improve the performance of rural development programs at the block level. Punjab National Bank's Khairtal branch opened accounts for the SHGs and we were thus able to establish an "SHG-Bank linkage" in 1987! PRADAN later started forming SHGs in various states. RBI approved a pilot project in 1992. In 1995, Aloysius and I were members of a Working Group chaired by NABARD MD, Mr Kalia and helped devise guidelines for the SHG Bank Linkage Program. By then, I had set up BASIX in Hyderabad and was able to contribute to the growth of SHGs in Andhra Pradesh. In 1999,

with the support of IAS officers - late Smarjit Ray, SP Tucker, K Raju and Vijay Kumar, former NABARD Chairman Dr Kotaiah and Sukhwinder Arora of DFID, I helped CS Reddy establish the Mahila Abhivruddhi Society for capacity building of SHGs. In 2000, Gol adopted the SHG model for poverty alleviation loans and the program grew larger. But it lost some quality as it grew in numbers. Nevertheless, reaching 100 million women is historic. The SHG movement is a great instrument for women's empowerment and poverty alleviation. We must therefore strengthen the poorer women's voice in their SHGs and SHG Federations, and resist attempts to use these for distributing political patronage to get electoral advantage.





Dr Wolfgang Hannig

Country Director, GIZ, India

In the second half of the 1980s the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ, formerly GTZ) in India on behalf of the German Federal Ministry of Economic Cooperation and Development (BMZ) started promoting linkages between self-help groups (SHG) and banks in order to facilitate the access of the poor to financial services and education. Based on the experience of the first pilot projects, NABARD adapted the approach in 1992 and developed it into the largest microfinance programme worldwide with an outreach to about 100 million SHG members of whom 80% are women. Impact studies indicate that the programme contributed to achieving the Millennium Development Goals, especially through increasing incomes of low-income households and empowering women in rural areas.

Essential for success was NABARD's unprecedented commitment to support the implementation of the programme through its

nationwide branch network and the capacity building of all stakeholders. NABARD also kick-started decisive innovations such as converging the linkage approach with current financial inclusion strategies i.e. through supporting women-SHG members to become banking agents.

We congratulate NABARD and all stakeholders to this outstanding endeavour and are proud that we could contribute to its success.

The commitment of both institutions to this long-standing rich cooperation is based on mutual respect and trust and has transformed over the years into a strategic partnership of wide reach. In future, both NABARD and GIZ will jointly be able to utilise their complementary capabilities and networks for working together on topics related to sustainable development, climate change, climate finance and capacity building.



Shri Y C Nanda

Former Chairman, NABARD

The Self Help Group Bank Linkage Programme has been in existence for well over 25 years. The operational guidelines for the pilot project for linking 500 SHGs with Banks were issued by NABARD on 26 February, 1992. It is one of the few programmes which has continued to get policy support from the Reserve Bank of India, financial support and involvement of the Government of India and NABARD's leadership for all these years. NABARD's top management including the chairman have actually supported this program. Right from Sh. P R Nayak, during whose Chairmanship this programme was launched as a Pilot programme to the present CMD Sh. Harsh Bhanwala, have been actively involved with the programme and provided leadership, guidance, and support. It was Sh. P R Nayak who convinced RBI to issue instructions to Banks so that they could open SB Accounts of informal/unregistered SHGs and also lend to these groups, bulk amounts, without the group furnishing details of purposes for which the loan amount would be lent to their members.

Dr. P Kotaiah fully supported the SBLP and even attended one of the many 3 day familiarization programmes in Karnataka which MYRADA conducted for our officers.

I took over from Dr. P Kotaiah as Chairman and provided support and guidance to the programme to the best of my abilities. In

the process, I made a few errors of judgment which I feel have adversely affected the SBLP. I would like to state these here.

First of all, I inadvertently made the concerned department (MCID) start chasing the numbers. I remember once, sometime in 1998 suggesting to the then CGM of MCID, Sh. G K Aggarwal and the then GM of the department Sh. Sheokhand to instead focus on institutional development, particularly the RRBs and Cooperative Banks. I felt the re-engineered RRBs and Cooperative banks would take care of the needs of poor who were by-passed by the banking system. The officers strongly resisted and felt that their department would like to continue its strong involvement with SBLP. I then challenged the officers in that case to aim for something big, like linking one million SHGs with banks. Sh. Sheokhand readily accepted this and indicated that the department would ensure linking of a million SHGs with banks by 2008. Actually this target was reached by 2004 itself. But the chase of numbers had begun and the focus shifted to increasing the number of linked SHGs rather than developing a sustainable, self-managed financial institutional setup for the poor who were and never will be the favourite clients of traditional banks because of the low value of their transactions which do not generate profits or even meet the costs.



The second error of judgment was when I as MD agreed that NABARD could provide grant support for formation of SHGs, as an add on activity, to even those NGOs which were primarily involved in various rural development programmes such as health, education, environment, woman empowerment, etc., but were willing to form SHGs. The strategy was to increase our partner NGOs and reach every nook and corner of the country which we were not able to reach and the SBLP numbers were heavily biased in favour of Southern India from the beginning and in the process also reach the million mark.

This was an error of judgment as these NGOs were not deeply involved in developing sustainable financial inclusion and would only form the SHGs or at best link them with banks. The long term interest or expertise in financial matters of self-managed SHG system was not there. The quality of SHGs formed by these NGOs was very poor and the SHPI did not oversee them once the credit linkage was achieved. Round about the same time, different departments of the State Government also started formation of SHGs as a delivery mechanism for their programmes. Many of the SHGs got credit linked to banks over time under target approach which ultimately led to fall in recoveries and increase in NPAs.

I feel another error of judgment was on the part of RBI when RBI

agreed to mainstream SBLP without any revised guidelines. The pilot project guidelines remained unchanged. Actually at the time of mainstreaming, a careful thought should have been given to the role of Federations in SBLP. Frankly, we cannot blame the RBI as the mainstreaming was based on the recommendation of Shri S K Kalia (the then MD of NABARD) Committee Report. My idea is to publicly own my mistake concerning SBLP and apologize. However, inspite of my errors of judgment, the SBLP has done exceptionally well and according to NABARD has successfully provided access to self-managed, door step financial services to over half of the rural households in India. But if I had been more careful and had avoided these errors of judgment perhaps the SBLP would have done even better and the programme would have proved to be more sustainable and an effective supplementary channel for provision of financial services to the asset-less poor, who even today are bypassed by the formal banking system. The stagnation which we now observe in SBLP perhaps would not have happened, even if the number of poor families covered by SHGs would have been smaller, the system could have been better structured to serve the poor in a sustainable manner and provide door step financial services to them in a manner best suited for their requirements.

Notes

