

FINANCIAL AND PROMOTIONAL SUPPORTS FROM NABARD UNDER SHG - BANK LINKAGE PROGRAMME

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Abstract

The main objective of this paper is to examine the financial supports and promotional efforts from NABARD for the progress of SHG-Bank linkage programme in India. NABARD extends refinance to banks for lending SHGs. Micro finance development and equity fund has been created by NABARD to facilitate and support the orderly growth of micro finance sector. Training and capacity building programmes are conducted by NABARD for the benefit of officials of banks, NGOs, SHGs and government agencies to enhance their effectiveness in the field of micro finance. NABARD extends grant support for formation and nurturing of joint liability groups. The micro enterprise development programme has been launched by NABARD to enhance the capacities of the members of matured SHGs to take up micro enterprises through the appropriate skill up-gradation. NABARD extends grant support to its partner agencies for promotion and nurture of SHGs. SHG- post office linkage programme has been launched by NABARD for releasing the potential of post offices to extend the micro finance initiatives. NABARD extends grant support to the SHGs federation for training, capacity building, and exposure visits of SHG members. NABARD has introduced a scheme for supporting small -scale active based groups, wherein capacity building, production, and investment credit and market- related support would be extended. NABARD has been associated with Rajiv Gandhi Charitable Trust for promotion, credit linkage and formation of SHG's federation.

Keywords: *SHG-Bank linkage programme, Financial and promotional supports from NABARD*

Introduction

In India after nationalization of commercial banks in 1969, a multi-agency rural credit delivery structure comprising of Commercial Banks, Regional Rural Banks (RRBs) and co-operative banks, with a large network of more than 1,53,000 retail credit outlets has been established. Apart from massive expansion of branch network in rural areas, mandatory directed credit to priority sectors at subsidized rates of interest has been also undertaken. These measures resulted in impressive gains in rural outreach and volume of credit. As a result between 1969 and 1991, the average population per bank branch has decreased from 64,000 to 14,000 and share of institutional agencies in rural credit has increased from 7.3% in 1951 to 66% in 1991. However, these impressive progresses made by the Indian banking sector in achieving its social goals were not without a cost. The problem at the start of 1990s were two-fold i.e. institutional structure was neither profitable in

rural lending nor serving the needs of the poorest. In short, it had created a structure 'quantitatively impressive but qualitatively weak' (Mishra, Alok, 2006). Reaching the poorest, whose credit requirements were very small, frequent and unpredictable, was found to be difficult. Further, the emphasis was on providing credit rather than financial products and services including savings, insurance, etc. to poor to meet their simple requirements (Krishnamurthy and Makarand Ratnaparkhi, 2002). Therefore, need was felt for alternative policies, systems and procedures, savings and loans products, other complementary services and new delivery mechanisms, which would fulfill the requirements of the poorest specially women. As a result, National Bank for Agricultural and Rural Development (NABARD) launched a pilot phase of Self Help Group (SHG) - Bank linkage programme in 1992. The programme is designed to integrate informal savings and credit groups with the mainstream banking system.

Besides, conceiving the SHG - Bank Linkage Programme two decades back, NABARD has assigned to itself the role of a facilitator and a mentor of the initiative. The focus was on bringing in various stakeholders on a common platform, building capacity among the stakeholders to take the movement forward while extending 100% refinance to all banks participating in the programme. A large number of seminars, workshops and training programmes have been organized to create awareness about the micro finance programme among all the stakeholders- the bankers, the government agencies, the NGO partners and more importantly the SHG members. The NGO sector who played the key role of organizing and nurturing the SHGs as the self help promoting institutions - later joined by many other including the rural financial institutions, farmers clubs, etc. - were encouraged by way of promotional grant assistance by NABARD for taking up such work. The phenomenal growth of SHG -Bank linkage programme during the last 20 years owe a great deal to these promotional efforts actively supported by NABARD and participated by the stakeholders. The rapid growth of the SHG- Bank linkage programme and its success in taking financial services to the poor, led to its recognition as the most important tool for financial inclusion. Simultaneously, efforts are also on to experiment innovative initiatives in improving the efficacy and reach of the programme with the involvement of all micro finance practitioners facilitated by NABARD. Through SHG- Bank linkage programme, The NABARD and RBI have tried to promote relationship between the poor and the banker. The programme has brought a positive social and economic impact on the livelihood of the people in rural areas. It has increased the social empowerment of women. With collective effort from banks, regulators, government, SHGs and voluntary sector, more of the rural poor can be brought within the ambit of financial inclusion. SHG- Bank linkage programme and its impact can be made sustainable with sincere intervention by banks in the area of awareness building, skill development, training and continuous counseling (Vanishree, 2012)

In this paper an attempt has been made to examine the financial support and promotional effort from NABARD for strengthening the SHG- Bank linkage programme. For

this purpose, the necessary data required for the study have been collected from status of Micro Finance In India, NABARD

Refinance to banks

During the initial years of the movement NABARD had been extending refinance to the extent of 100% to banks for lending to SHGs since the SHG-Bank Linkage Programme was launched. Initially, this is intended to encourage the banks to actively participate in the programme. As the banks gained confidence in lending to SHGs and realized the business potential in extending financial services through SHGs, they have been increasingly deploying their own resources in a mutually beneficial relationship with the SHGs. SHGs had been instrument in bringing in more business for the financing banks by way of improving credible client base, also promoting rural and inclusive banking. Banks have also extended other financial services like remittance, housing, insurance, etc, though in a limited way, to this segment. As a result, the banks have started "Owning up" the movement, as a sound business proposition and became less dependent on promotional support from NABARD. The gap between the total loans issued by banks to SHGs and the refinance extended by NABARD for such loans started widening. The refinance support from NABARD, however continues to supplement resource mobilization for the programme. During 2011-12, NABARD has extended refinance to the extent of Rs.3072.59 crores as against Rs.2545.36 crores disbursed during the previous year. Cumulative disbursement of refinance by NABARD for SHG lending now stands at Rs.18479.60 crores.

Microfinance development and equity fund

Microfinance Development and Equity Fund (MFDEF) has been created in NABARD with an initial corpus of Rs.100 crores (since enhanced to Rs.400 crores) to facilitate and support the orderly growth of the micro finance sector in the country. The fund is being utilized to support various promotional activities like grant assistance to self help promoting agencies (SHPIs), funding of training and capacity building of micro finance clients and stakeholders of the SHG - Bank linkage programme, support to MFIs, for supporting introduction of Management information system (MIS) for the sector and for helping research, studies and publication concerning micro finance related issues. During 2011-12, Rs.33.31 crores has released. Of which Rs.28.68 crores are grant support for promotional activities and Rs.4.63 crores for capital support and lending resources to MFIs. As against a total corpus of Rs.200 crores contributed by RBI, NABARD and commercial banks, the actual cumulative utilization of fund has stood at Rs.278.31 crores as on March 2012. NABARD has been augmenting this fund from its own resources and has also been crediting interest on the unutilized portion of this fund. There have been no further receipts forthcoming from other contributors of this fund.

Support for training and capacity building of micro finance clients

NABARD has continued to organize / sponsor training programmes and exposure visits for the benefit of officials of banks, NGOs, SHGs and government agencies to enhance their effectiveness in the field of micro finance. Training supplements and materials have been supplied to banks and other agencies. Best practices and innovations of partner agencies have been widely circulated among government agencies, banks and NGOs. During the year 2009-10, fund support of Rs.9.93 crores has been provided for capacity building, exposure visits and awareness-building as against Rs.6.10 crores during 2008-09. The cumulative fund support for the purpose as on 31 March 2010 has stood at Rs.45.02 crores. During 2009-10, 6804 training capacity building programmes have been conducted covering 2,53,868 participants. The progress under training and capacity building during the year 2010-11 is given in table-1

Table - 1
Training and capacity building programmes -2010-11

Programme particulars	Participants trained during the year	Participants trained since inception
Training on SHG- programme for Bank officers	31,324	2,93,183
Training of trainers on SHG -Bank Linkage programme	2,037	4,796
Awareness cum refresher programme for NGOs	4,939	97,436
Exposure cum training programme on Micro finance initiatives for SHG Leaders / Members	94,560	16,38,403
Training and exposure programme for Govt. officers on SHG - Bank Linkage programme	597	62,486
Exposure visits for Bank officers / NGOs in micro finance initiatives	164	8,831
Field visit of Block Level Bankers Committee members to nearby SHGs	4,581	60,473
Exposure programme on Micro finance initiatives for members of Panchayat raj institutions	2,161	14,766
Training for Micro Enterprises Development	60,160	1,31,678
Training for Micro Enterprises promotion Agencies	0	1,534
Bankers Meets on microfinance	768	21,622
NGO Meets on micro finance initiatives	1,094	27,650
Other meets	2,611	29,807
Other trainings	802	2,81,846
Grand Total	2,05,798	26,60,818

NABARD has been continuously imparting training to various partners and stakeholders of SHG-Bank linkage programme such as bankers, NGOs, government officials, SHG members and trainers. During 2011-12, about 1.87 lakh officials of various agencies

have participated in NABARD supported training programmes and exposure visits and cumulatively 28.48 lakh officials have been trained.

Financing of joint liability groups

Joint liability Groups (JLGs) are informal groups of 4-10 members (which can go up to 20 if needed) who are engaged in similar economic activities like crop production and who are willing to jointly undertake to repay the loans taken by the groups from the banks. Unlike in the case of SHGs, JLGs are interned basically a credit groups for tenet farmers who do not have proper title of their farmland, and as such, regular savings by the group is purely voluntary and such loans could be individual loans or group loans. Financing of JLGs has been introduced as a pilot project in 2004-05 by NABARD in eight states with the support of 13 RRBs. Apart from extending refinance support, NABARD also extends financial support for awareness creation and capacity building of all stakeholders of this programme. NABARD also extends grant support for formation and nurturing of JLGs to banks and other JLG promoting agencies. An amount of Rs.36.68 crores has been sanctioned as grant for promotion of 1.95 lakh JLGs across the country till March 2012. During the year 2011-12, 191662 new JLGs have been promoted (36% growth over the previous year) and fresh loans to the extent of Rs.1700.39 crores (48% increase over the previous year) has been disbursed to JLGs by banks taking the cumulative number of JLGs to 332707 and the cumulative loan disbursed to Rs.2845.69 crores. The growth of JLGs in the country is less skewed than the SHGs with Orissa leading the table with over 53000 JLGs followed closely by West Bengal with nearly 49000 groups though southern region states top among the quantum of loans disbursed with almost 69% loans disbursed to JLGs in the region.

Micro enterprise development programme for skill development

The Micro Enterprise Development Programme (MEDP) has been launched by NABARD in March 2006 with the basic objective to enhance the capacities of the members of matured SHGs to take up micro enterprises through appropriate skill up-gradation / development in the existing or new live hood activities both in farm and non-farm sectors by way of enriching knowledge of participants on enterprise management, business dynamics and markets. It is tailor - made and focused on skill building training programme. The duration of training programme ranged between 3 and 13 days depending upon the objective and nature of training. The training budget has been revised to Rs.39,000 per programme for imparting to 30 participants up to 13 days. In 2009-10 a total of 1,530 MEDPs, both under farm and non -farm activities, have been conducted across the country covering 38313 members of the matured SHGs. Cumulatively, total of 2,837 MEDPs have been conducted so far covering 93,777 participants. The dominant activities in agriculture and allied sector conversion under MEDPs are animal husbandry, bee-keeping, mushroom cultivation, vermin compost/ organic manure, horticulture, floriculture, etc whereas

predominantly non-farm activities taken up under MEDPs are readymade garments, agarbatti making, embroidery, bamboo-craft and beauty parlors.

Grant support to partner agencies for promotion and nurture of SHGs

Ever since the SHG-Bank Linkage Programme was launched by NABARD, the self help promoting agencies such as NGOs, Banks (RRBs, DCCBs), Farmers' Clubs and Individual Rural Volunteers (IRV) are being extended grant support to organize and nurture SHGs of the poor. In fact, the phenomenal growth of SHG- Bank Linkage Programme in the country is the result of the painstaking efforts put in by these agencies in forming and nurturing SHGs especially in areas where the concept never existed. The financial support extended by NABARD to various SHPIs as on 31st March 2012 is indicated in table -2

Table-2 Grant support to partner agencies as on March 2012

Agency	Cumulative Sanction		Cumulative Achievement	
	Amount (Rs. lakh)	No. of SHGs	Amount (Rs. lakh)	No. of SHGs
NGOs	16200.59	499909	4882.31	283007
RRBs	542.19	53145	197.10	56070
Co-operative Banks	857.81	71695	289.19	47515
IRVs	733.58	43223	86.02	13105
Farmers Clubs	83.16	7689	73.81	17356
Total	18417.33	675661	5528.43	417053

Source: NABARD

Pilot project on SHG- post office linkage programme

Releasing the potential of post offices to extend the micro finance initiatives, NABARD has launched a pilot project initially in five districts of Tamil Nadu and later extended to Meghalaya, by extending Revolving Fund Assistance (RFA) to post offices in the pilot area, for on lending to the SHGs. The SHGs which are linked to post offices will also have access to keep their regular savings in the post offices. This is particularly useful in areas where the branch net work of RFAs is low as in the case of north eastern states. A total of 2,819 SHGs have opened zero interested savings accounts with local post offices, of which 1,219 groups have been credit linked. Loans amounting to Rs.3.36 crores have been disbursed to these groups as on 31st March, 2011. During the year additional RFA of Rs.200 lakh has been sanctioned to Indian post offices in Tamil Nadu and Rs.5 lakh in East Khasi Hills in Maghalays (for 50 SHGs). Indian posts could very well earn its name in history of post officers as the trend setter for providing micro finance services for the masses.

Support to SHGs' federations

Recognizing the emerging role of the SHGs' federations in nurturing of SHGs, enhancing the bargaining powers of group members and livelihood promotion, NABARD has introduced during 2007-08 a flexible scheme to support such federations, irrespective of their model. The broad norms prescribed for supporting SHG federations stipulate that the federations should be need-based, member-owned/driven, and democratically managed with members at liberty to join, become self-managed over three years, etc. NABARD extends grant support to the federation for training, capacity building, and exposure visits of SHG members, etc., as also under all of NABARD's existing promotional schemes. So far grant assistance of Rs.22.02 lakh has been sanctioned to SHG federations.

Support to activity - based groups

NABARD has introduced a scheme for supporting small-scale Activity Based Groups (ABGs) in 2008-09, wherein capacity building, production and investment credit and market-related support would be extended. The scheme focuses on forming and nurturing the groups engaged in similar economic activities, such as farmers, handloom weavers, craftsmen, fishermen, etc., to improve efficiency of their production and realize better terms from the market through economies of aggregation and scale. The scheme drew upon NABARDs existing modes of support and has both grant and loan components. While grant support would cover expenditure on SHGs formation and training, extension services, establishing market linkages, etc., bank loan/s would cover investment activities and working capital needs of the SHGs. Banks would be eligible to draw refinance for the loans provided to activity - based groups on the same terms as applicable for SHG's financing. In select cases, NABARD may also provide loans directly to registered SHGs or through the agencies promoting SHGs to establish few initial projects where none exists.

Special initiative for scaling up SHGs / SHG federations

NABARD has been associated with Rajiv Gandhi Charitable Trust (RGCT) for promotion, credit linkage and formation of SHG federations in select districts of Uttar Pradesh. The project envisages promotion and credit linkage of 22,000 SHGs, 1,100 cluster-level associations and 44 block-level associations in collaboration with participating banks and implementing NGOs. The project would cover 15 and 29 blocks under Phase I and II respectively in 12 districts of Uttar Pradesh viz. Sultanpur, Rae Bareli, Barabanki, Pratapgarh, Lucknow, Unnao, Fatehpur, Jhansi, Lalitpur, Bahraich, Shravasti and Banda. NABARD and RGCT have designed the project with technical assistance from Society for Elimination of Rural Poverty (SERP), government of Andhra Pradesh. As at the end of 31st March 2010, 21,868 SHGs have been promoted, of which 12,749 SHGs have been credit linked. In addition, 676 village level and 15 block level SHG federations have been formed under Phase I and Phase II.

Conclusion

NABARD has assigned to itself the role of a facilitator and a mentor of the initiative. The focus was on bringing in various stakeholders on a common platform, building capacity among the stakeholders to take the movement forward while extending 100% refinance to all banks participating in the programme. A large number of seminars, workshops and training programmes have been organized to create awareness about the micro finance programme among all the stakeholders- the bankers, the government agencies, the NGO partners and more importantly the SHG members. The NGO sector who played the key role of organizing and nurturing the SHGs as the self help promoting institutions - later joined by many other including the rural financial institutions, farmers clubs, etc. - were encouraged by way of promotional grant assistance by NABARD for taking up such work. The phenomenal growth of SHG -Bank linkage programme during the last 20 years owe a great deal to these promotional efforts actively supported by NABARD and participated by the stakeholders. The rapid growth of the SHG- Bank linkage programme and its success in taking financial services to the poor, led to its recognition as the most important tool for financial inclusion.

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