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Dear Esteemed APRACA Members,

Sub: Webinar: Self Help Group- Bank Linkage Programme: An Indian Experience

Greetings from BIRD, Lucknow!

We are pleased to invite you to a *Webinar* scheduled to be held on **28 May 2020 at 3.00 pm** (Bangkok Time) on **“Self Help Group- Bank Linkage Programme: An Indian Experience”**.

The Self Help Group- Bank Linkage programme pioneered by NABARD is the largest Microfinance programme in the world touching 110 million rural households. For the last 28 years, NABARD has been spearheading the movement and has a wealth of experience which we would like to share. We are also aware that group lending model is being practiced by many APRACA member institutions and we hope that the interaction through the Webinar will enrich our collective understanding and lead to more innovations in the field of Microfinance.


The participants are required to connect to the web link through Desktop / Laptop with Camera and Microphone with necessary connectivity. They can also connect the webinar through their smart phone. The URL, Meeting identification number and password would be forwarded to the participant in a separate mail from messenger@webex.com before the webinar.

We solicit your participation in the webinar on 28th **May 2020 at 03:00 pm**

(Bangkok Time). It will be a one-hour programme with two 15 minute slots of presentation interspersed with 15 minute Q&A sessions. Kindly send us participants email id latest by **05:30 pm** (Bangkok Time) **on 25th May 2020** for sending the link.

A brief note on Self Help Group Programme is enclosed for your kind information.

Yours faithfully,


(Mrs. T. S. Raji Gain)
Director
Bankers Institute of Rural Development (BIRD)
Lucknow, India

SHGs: An Introduction

NABARD's SHG Bank Linkage Programme emerged from a long quest for a suitable microfinance programme for the rural poor. NABARD since its inception in 1982, had been conducting surveys, research and pilots striving to strengthen the credit delivery mechanism to the unbanked poor. Its in-house research revealed that the procedures at banks were too complicated for rural poor, loan products inappropriate for their needs and banks uninterested in their meagre savings.

To address these issues that were depriving and denying access of banking services to the rural poor, NABARD embarked upon a series of initiatives, one such landmark initiative was the "**Self Help Group- Bank Linkage Programme**" (**SHG-BLP**) which was designed to reach banking services to the unreached lowest strata of the society i.e. millions of poor rural women at the bottom of the pyramid.

NABARD sanctioned Action Research Programme to MYRADA in 1987. MYRADA taught the group members the importance of cultivating weekly savings and giving loans to each other from their savings. Under the Action Research, fund were provided to Self Help Groups (then called Credit Management Group) matching to their corpus and they were trained to manage the corpus in internal lending.

Self Help Groups were conceived as community owned, self-managed doorstep savings & credit delivery informal institution by a group of 10-20 members having homogeneous socio-economic background coming from a small contiguous area, who operate on the principle of self-help, solidarity and mutual interest.

The learning from the Action Research led NABARD to launch a pilot in 1992, which envisaged linking of 500 SHGs with banks by the end of 1994.

The framework developed for SHG bank linkage pilot helped SHG members to imbibe the essentials of financial intermediation, including prioritization of needs, setting terms and conditions and maintaining books of accounts. This was their learning ground before they could be in a position to handle bigger size funds by way of credit from Banks. The linkage had the possibility of reduction of transaction cost of banks by obviating the servicing of individual loans while peer pressure ensured timely repayment.

Three radical innovations were introduced through the Reserve Bank, the Central Bank of India and NABARD guidelines during the pilot phase:

- Acceptance of informal groups as a client of banks-both deposit and credit linkage
- Introduction of collateral free lending , and
- Permission to lend to group without specification of purpose/ activity/ project.



The pilot was successful and 4750 SHGs were credit linked with different banks by the end of 3 year phase with bank loan of \$ 0.81 million covering 28 Commercial Banks, 60 Regional Rural Banks and 7 Cooperative banks. Financing to SHGs was mainstreamed into the operations of the bank and accepted as part of priority sector lending by Reserve Bank of India in April 1996.

The programme design has remained unchanged throughout. The groups are formed by Self Help Group Promoting Institutions (SHPI) and after six months of regular meeting and saving, they are linked with banks by opening of SB account in the name of the group. The president and secretary of the group elected by the members amongst themselves operate the account on behalf of the group. Banks initially lend in the ratio of 1:4 (saving: credit) but in the subsequent cycles the amount can go up depending upon the group's performance. There are prescribed registers and books to be maintained by the group. They also have to subscribe to the *panchsutras*, the five essentials – regular meeting, regular saving, internal lending, regular repayment and regular maintenance of books on which banks grade the groups for credit support.

The SHG-BLP as envisaged by NABARD hinges on active support from the banking community and a strong foundation of involvement of NGOs who promote informal groups in the rural areas and could be nurtured to form groups. The biggest by-product is the social capital created in the form of local affinities that drew from a tradition of cooperation and mutual help. The SHG enhanced the social capital allowing the groups to transcend the confines of mere thrift and credit and engage in a range of group activities both social and economic in the long run.

Today, there are 10 Million Self Help Groups accessing more than \$11.6 billion credit from the banks.