

**Proceedings of the State Level Review Coordination Committee
on Credit Delivery Innovation (SLRCCDI) Meeting held on 17 March 2007**

The Meeting of the State Level Review Coordination Committee on Credit Delivery Innovation (SLRCCDI) was held on 17 March 2007, at Hotel Pinewood, Shillong. The Meeting was inaugurated by Dr. Shreeranjana IAS, Commissioner & Secretary, Cooperation and State Level Coordinator for SHGs. Representatives of banks, NGOs and Government Agencies/Departments attended the Meeting. The list of participants is enclosed (Annexure-I).

2. In his inaugural address, Dr. Shreeranjana exhorted all the stakeholders of the SHG promotional programme – Government departments, NGOs, banks etc. not to work in isolation but to join hands and work together as this was the only way that maximum benefit can reach the poor through SHGs. He felt that there are various issues and problems being faced by SHGs in the State which need to be addressed early and adequately and SLRCCDI was the right platform to discuss these issues and suggest suitable remedial measures. While discussing the SHG programme in Meghalaya, Dr. Shreeranjana pointed out that it was the NGO, Bosco Reach Out (BRO) which initiated the process of SHG promotion in the State but the major thrust came from the Community & Rural Development Department, Government of Meghalaya. He however felt that the SHG movement in Meghalaya has still a long way to go. The SHG Bank linkage programme is yet to make its impact in South Garo Hills District, parts of West Khasi Hills & Jaintia Hills bordering Bangladesh. He requested the house to come up with an action plan to ensure that these areas are not left behind in the micro-credit movement. While reminding the house about the Road Map for Meghalaya outlined by the President of India during his recent visit to the State, Dr. Shreeranjana opined that the responsibility of ensuring success under any programme finally rests with the people and their understanding of the issues. As regards formation of a SHG Federation, Dr. Shreeranjana felt that the role of the State Government in this regard would be that of a facilitator. He pointed out that even after more than ten years of the SHG movement in the State, many bankers are still not fully aware of SHGs outside SGSY and tend to understand SHG as synonymous with SGSY. Although there are around 6000 SHGs in the State, no adequate data is available with the Government regarding these groups. He apprised the house about the initiative taken by him to prepare a data base of SHS in the State. He requested the concerned Government departments, NGOs and banks to expedite compilation of data in the prescribed format. It was also informed that the State Government had recently directed various departments to compile a list of schemes directly benefiting the poor with the objective of bringing the same to the knowledge of Cooperative Societies, NGOs, and SHG members and also to ensure that the entitlements of the poor are not cornered by those with vested interests

3. Shri J.G. Menon, General Manager, NABARD made a presentation on the SHG-Bank Linkage Programme in the country and also in Meghalaya (hard copy of the presentation is enclosed (Annexure-II)). He felt that any policy to be adopted in the NE Region has to take into consideration its unique location, topography and problems. He lauded the Government of Meghalaya for being the first State in the country to have a senior IAS Officer as State Level Coordinator for SHGs and for having come up with a SHG website. Shri Menon also mentioned that Meghalaya was among the few States where stamp duty on loans to SHGs have been fully waived. He elaborated the various micro credit innovations being implemented in the country and requested banks and NGOs to examine whether the same can be replicated in Meghalaya.

4. It was suggested that by Dr. Shreerajan that there is a need for adoption of the model where SHGs are financed by Banks using NGOs as financial intermediaries. In this connection, it was informed by Shri H.K. Dkhar, AGM, SBI that the bank had, for the first time, directly financed the NGO, FMA-Outreach for onlending to SHGs. He informed that this was just a beginning and other NGOs fulfilling the necessary criteria would also be eligible for such finance from the State Bank of India.. In this connection, it was felt that details of facilities for SHGs/NGOs by banks, details regarding SHPI should be made available to the State Government by NABARD, SBI, SCB, RRB etc. so that the same can be placed in the Meghalaya SHG website (www.megselfhelp.gov.in) for easy access by all. All the NGOs were also requested to send details of their organizational structure, details of SHG linkage for placing in the State Government website.

5. It was informed by Shri H.K. Dkhar, AGM, SBI that the bank was proposing to set up an information kiosk and is presently developing a software for this purpose. The bank is also looking for an NGO facilitator to run/manage these information kiosks. In this connection, Dr. Shreerajan mentioned about the setting up of block level Community Information Centres (CICs). The functioning of these centers needs to be improved and he suggested that NGOs may take up on themselves the responsibility of managing these centers as their own. Since it may take some more time for such centres to attain sustainability, he suggested that financial support from banks to meet part of the cost for running these centers could be examined. It was decided that a working group comprising of Lead Bank (convener), MRDS, MCAB, RRB and NIC would look into this aspect and come up with an action plan.

6. As regards replication of various innovative projects of NABARD in the State of Meghalaya viz. Grain Banks, Processor Cards, e-grama project, Joint Liability Groups, Computer Munshi, Micro-Enterprise promotion by SHGs, etc., it was decided that a small group with Smt. A. Jyrwa (SIRD), Smt. A. Rangad (MRDS), representative of NABARD and Lead Bank will examine them in detail and prepare suitable project proposals. As regards the scheme of providing grant assistance of Rs.50,000 from NABARD to NGOs for purchase of computers, the forum decided to request NABARD to relax the norms so that all NGOs which have promoted a minimum of 100 SHGs, will be eligible for grant support.

7. As regards training for Government officials, members of PACS (involved in SHG promotion) and NGOs, it was decided that the Registrar of Cooperative Societies would prepare the details of training requirement and submit the same to NABARD. As regards training for bankers, the banks were requested to send their proposals to NABARD so that the SHG training programmes can be firmed up based on the requirements of the banks.

8. Responding to the complaints by representative of NGOs that branch managers of some branches were either not cooperating or reluctant to help SHGs, the AGM, SBI requested that such issues may be brought to the notice of the controlling offices of banks with full particulars of each case.

9. Smt. Angela Rangad from MRDS felt that there was a need to adopt a uniform and simpler format in respect of SHG books of accounts as presently different books of accounts are being maintained by SHGs. It was decided that NABARD, SIRD and MRDS would look into the matter.

10. All the NGOs were requested to send success stories of SHGs promoted by them to NABARD as the latter was planning to come up with a Bulletin on SHGs highlighting success stories. In this connection, Dr. Shreerajan also requested the NGOs to forward these success stories in soft copy for placing the same in the Government's SHG Website.

11. As regards marketing outlets for SHG products, Dr. Shreerajan felt that one of the steps that can be taken in this regard is that arrangements could be made for display and sale of the SHG products at SARAS, Mumbai. There is also a need to have a permanent stall for sale of SHG products. He suggested that NABARD may consider supporting such a venture.

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13. Thereafter, Shri D.F. War, Managing Director, Meghalaya Cooperative Apex Bank Ltd. made a presentation highlighting the progress made / initiatives taken by the SCB under the SHG-Bank linkage Programme.

14. Shri. K. Lyngdoh from NEICORD also made a presentation on the various activities and programmes of the NGO with special reference to SHG promotion.

The Meeting ended with a vote of thanks by Ms. E. Tariang, Asstt. Gen. Manager(DD), NABARD Meghalaya Regional Office.

Meeting of the State Level Review Coordination Committee
on Credit Delivery Innovation (SLRCCDI) held on 17 March 2007

List of Participants

Sl. No.	Name	Designation & Department / Organisation
1.	Dr. Shreerajan IAS	Commissioner & Secretary, Planning & Cooperation, Government of Meghalaya and State Level Coordinator for SHGs
2.	Shri J.G. Menon	General Manager, NABARD, Meghalaya Regional Office
3.	Smt. L. Diengdoh	Registrar of Cooperative Societies, Government of Meghalaya
4.	Shri D.F. War	Managing Director, Meghalaya Cooperative Apex Bank Ltd.
5.	Shri H.K. Dkhar	Asstt. Gen. Manager, SBI Zonal Office, Shillong
6.	Smt. B.B. Nalle	Dy. Director, Social Welfare Department, Government of Meghalaya
7.	Smt. I. Dkhar	Dy. Registrar of Cooperative Societies, Government of Meghalaya
8.	Shri R.S. Chaudhury	Asstt. Registrar of Cooperative Societies, Government of Meghalaya
9.	Smt. K. Kharmujai	Sub Registrar of Cooperative Societies, Government of Meghalaya
10.	Shri G.S. Das	Area Manager, Ka Bank Nongkyndong Ri Khasi Jaintia
11.	Dr. A.P. Jyrwa	Senior Faculty Member, SIRD
12.	Shri B. Rumnong	SIRD
13.	Smt. Angela Rangad	Manager(Gender), MRDS
14.	Sr. Judith Shadap	Executive Director, WISE
15.	Shri Gregory Kharumnuid	WISE
16.	Smt. Ibameai S. Nongrum	Bethany Society, Shillong
17.	Sr. Helen Puwein	FMA-Outreach, Shillong
18.	Kum. Gloria L. Kharnaioir	Lady Mobiliser, NCUI, Shilong
19.	Kum. Sabita Mawlong	Bosco Reach Out
20.	Smt. Jennie Nongrum	Bosco Reach Out
21.	Smt. Evangeline Shangpliang	North Eastern Regional Domestic Workers' Movement, Shillong
22.	Kum. Laxmi Thapa	North Eastern Regional Domestic Workers' Movement, Shillong

Sl. No.	Name	Designation & Department/Organisation
23.	Kum. R. Thethiem Doung	Administrator cum Project Officer, NEICORD
24.	Kum. Ibarilin Wanshong	Project Coordinator, NEICORD
25.	Shri. K. Lyngdoh	Block Coordinator, NEICORD
26.	Shri P. Minj	Asstt.Gen.Manager, NABARD, Meghalaya Regional Office
27.	Kum. E. Tariang	Asstt.Gen.Manager(DD), NABARD, Meghalaya Regional Office
28.	Shri K. Balachandran	Assistant Manager, NABARD, Meghalaya Regional Office
29.	Shri P. Swer	Development Assistant, NABARD, Meghalaya Regional Office

Status of Micro Finance in India

National Bank for Agriculture & Rural Development
Meghalaya Regional Office

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Micro Finance Approaches

- ✓ SHG –Bank Linkage - Dominant Model
- ✓ Financing through MFIs - Emerging Model

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SHG-Bank Linkage Programme

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The Self Help Group (SHG). . What is it ?

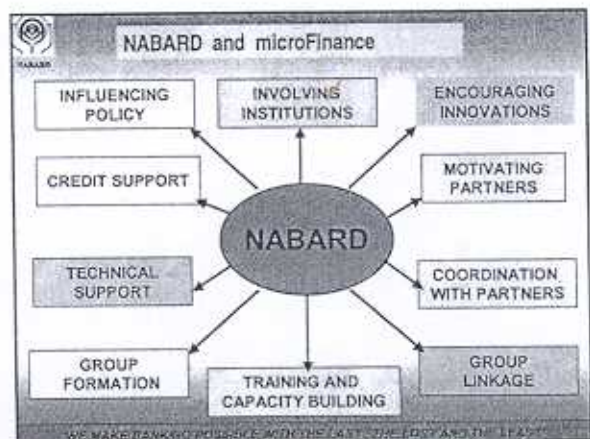
- A homogeneous group of about 15 to 20
- Every member to save a small amount regularly. Pooled savings kept in a savings bank account in SHG's name
 - transaction costs of both the poor and bank reduced !
- SHG to use pooled thrift to give interest bearing loans to members – decisions taken in group meetings
 - Every member learns prioritisation and financial discipline. Their capacities to think and handle larger resources improves!
- Depending on the SHG's maturity, bank gives loan to the SHG as a multiple of the pooled savings. Bank loan added to the SHG kitty.
 - Adequate & sustained access to financial services!

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Design features of SHGs

- ✓ Enables exclusion of rich
- ✓ Self-selection
- ✓ Focus on women
- ✓ Saving first and credit later
- ✓ Intra group appraisal systems and prioritization:
- ✓ Credit rationing
- ✓ Shorter repayment terms
- ✓ Market rates of interest
- ✓ Progressive lending

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SHG-Bank Linkage Models

MODEL-I
SHGs formed and financed by Banks – 20%

MODEL-II
NGOs act as Facilitators – SHGs financed directly – 74%

MODEL-III
SHGs financed by Banks using NGOs as Financial Intermediaries – 6%

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INNOVATIVE PROJECTS

- > SETTING UP OF GRAIN BANKS
- > PROJECT ON PROCESSOR CARDS
- > PROJECT ON EGRAMA
- > JOINT LIABILITY GROUPS
- > SETTING UP OF COMPUTER MUNSHI
- > MICRO-ENTERPRISE PROMOTION BY SHGs

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SCHEME OF PROVIDING TECHNOLOGY SUPPORT TO NGOs

- > Grant Assistance upto Rs.50,000
- > Purchase of PC
- > NGO should have completed 3 years
- > Should have promoted minimum 500 SHGs
- > Should not have been black-listed

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MICROENTERPRISE DEVELOPMENT PROGRAMME FOR MATURED SHGs

WHO CAN SPONSOR

- > NGO or SHPI which has promoted Groups
- > Banks who have financed Groups
- > SHG members themselves that have been credit linked

SUPPORT FROM NABARD

- > Rs.78 per participant per day
- > Provides key inputs

DURATION
3 – 13 Days

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SCHEME OF CAPITAL / EQUITY SUPPORT TO MICROFINANCE INSTITUTIONS

- > CAPITAL SUPPORT
- > Rs.25 LAKHS TO Rs.1 CRORE

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NABARD manpower building approaches ...

- Bankers
6 different training and exposure programmes for CEOs, Directors on Boards, middle management, branch managers, field staff
- NGOs
3 different training and exposure programmes for CEOs and field staff, Refresher programmes
- Govt officials
3 different training and exposure programmes for senior bureaucrats, middle level operational functionaries, and field staff
- Trainers
3 different programmes to equip trainers from Banks, Government, and NGOs.

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Progress

As at.....	Mar '93	Mar '96	Mar '05	Mar '06
• SHGs linked	255	4,757	16,18,456	22,38,565
• % women's groups	70	74	90	90
• Families assisted	5,100	80,000	24.3 m	32.9 m
• Banks participating	14	95	573	545
• SHG promoting Partners	32	127	4323	4896
• Districts covered	26	157	572	583
• Aggregate bank loans handled (US\$ million)	0.06	1.24	1604	2533

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Physical and Financial Support

(Cumulative as on 31 March 2006)

Major Purpose	Physical	Financial (Rs crore)
Training and Capacity Building	13,00,725	17.57
Promotion of SHGs through		
NGOs (1515)	1,64,550	25.65
RRBs as SHPIs(93)*	41,190	3.34
Cooperatives as SHPIs (69)	34,810	3.16
FCs as SHPIs (1,012)	12,659	0.55
IRV as SHPIs (757)	8,800	1.30
Revolving Fund Assistance to mFIs/NGOs	32	27.32

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Progress as on 31 March 2006

Year	Credit Linked SHGs		Cumulative credit linked SHGs	Bank Loan (2005-06) In Rs. Crore	Bank Loan (Cumulative) In Rs. Crore
	Repeat	New			
2003-04	1,71,669	3,61,731	10,79,091	1,856	3,904
2004-05	2,58,092 (50)	5,39,365 (49)	16,18,456 (50)	2,994 (62)	6,898 (57)
2005-06	3,44,502 (34)	6,20,109 (15)	22,38,565 (38)	4,499 (50)	11,398 (65)

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Progress .. contd

Agency wise share

Agency	2005-06		Cumulative as on 31 March 2006	
	SHGs	Percentage to Total	SHGs	Percentage to Total
Commercial Banks	3,44,838	56	11,88,311	53
RRBs	1,76,178	28	7,40,024	33
Co-op Banks	99,093	16	3,10,230	14
Total	6,20,109	100	22,38,565	100

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Area of Concern

Region wise share

Region	SHGs credit linked during 2000-01		SHGs credit linked during 2005-06	
	During 2000-2001	Cumulative as on 31/03/01	During 2005-2006	Cumulative as on 31/03/06
North	4,221 (3.0)	9,012 (3.4)	47,079 (7.6)	1,33,057 (5.9)
North East	160 (0.1)	477 (0.2)	28,279 (4.5)	62,517 (2.8)
East	11,057 (7.9)	22,252 (8.4)	1,28,723 (21.0)	3,94,351 (17.6)
Centre	8,631 (6.2)	28,851 (10.9)	70,550 (11.4)	2,67,915 (12.0)
West	6,911 (4.9)	15,543 (5.9)	69,988 (11.3)	1,66,254 (7.4)
South	1,09,218 (77.9)	1,87,690 (71.2)	2,75,490 (44.4)	12,14,431 (54.3)
Total	6,20,109 (100)	2,63,823 (100)	6,20,109 (100)	22,38,565 (100)

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Summary of data collected from CBs, RRBs and DCCBs at the behest of Parliamentary Standing Committee as on March 2005

- ✓ 1.44 million groups had loan outstanding as against 2.03 million groups cumulatively financed by all agencies
- ✓ The SHG portfolio constituted 1.13% of the priority sector portfolio of the banks.
- ✓ Average loan outstanding to an SHG is Rs.32,487 in Commercial Banks, Rs.25,406 in RRBs and Rs.19,313 in Co-operatives
- ✓ On an average a bank branch had about 35 SHG accounts and the average Loan outstanding of the SHG portfolio was Rs.10.10 lac.
- ✓ On an average it took around 9 days to sanction SHG loan by the bank branches.

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Summary of data collected from CBS, RRBs and DCCBs at the behest of Parliamentary Standing Committee as on March 2005

- ✓ The on-time recovery under SHG – Bank Linkage Programme as on June 2005 was :
 - ✓ Commercial banks 89.66%
 - ✓ RRBs 87.14 %
 - ✓ Cooperative Banks 86.04 %
- ✓ The on-time recoveries in the case of major commercial banks was well above 90%.
- ✓ The net NPA under SHG portfolio was 0.93% in case of
 - Commercial banks 0.93%
 - RRBs 2.32 %
 - Cooperative banks 2.14 %

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Legal Forms of MFIs

- a.) NGO mFis
 - ✓ Societies Registration Act, 1860 or similar Provincial Acts and/ or Indian Trust Act, 1882
- b.) Non-profit Companies
 - ✓ Section 25 of the Companies Act, 1956
- c.) Cooperative MFIs
 - ✓ Cooperative Societies Acts of the State & Central Governments
- d.) Non-Banking Financial Companies (NBFCs))
 - Indian Companies Act, 1956
 - Reserve Bank of India Act, 1934

(MFIs are unregulated excepting NBFC MFIs)

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Status & Policy Environment for MFIs

- ✓ MFIs in India were initially driven by Apex Institutions & Donor agencies
- ✓ NABARD alone has provided RFA to 32 MFIs to the tune of Rs.273.2 million
- ✓ About 800 MFIs are operating in the country. Majority of MFIs are NGO MFIs with less than 1000 clients
- ✓ In 2000, Commercial Banks were advised to provide funds to MFIs for onlending to their clients through different models like SHG, Gramin model, JLG & individual lending
- ✓ About 150 to 200 MFIs are accessing funds from commercial Banks. The outreach of MFIs is estimated to be 2 million families & annual disbursement of around Rs.5,000 million

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Exposure to Commercial Banks as on March 2006 (Rs.crore)

Bank	No. of MFIs	Loan O/s
ICICI Bank	100	2350 *
HDFC Bank		250
UTI Bank	40	103
ABN AMRO Bank	19	87
ING Vysya Bank	19	61
Standard Chartered Bank	12	30
HSBC	8	15
Rahikulya Gramen Bank, Ganjam	3	6
Some Public Sector banks	9	10
Total		1991 **

* Figure for ICICI includes all microfinance lending
 ** Includes only partnership lending component for ICICI Bank (Assumed to be 60% of total microfinance lending)

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Initiatives to Support MFIs

- ✓ MFDF redesignated as Micro Finance Development & Equity Fund (MFDEF) with enhanced corpus of Rs.200 Crore for promoting the sector through grant for capacity building support, debt, equity, etc.
- ✓ NABARD provides refinance to Banks at concessional rates of interest in order to encourage Bank – MFI linkage
- ✓ A scheme for rating is launched by NABARD to enable qualifying and deserving MFIs to obtain loans from banks
- ✓ Capital and Equity support to Micro Finance Organisations and NBFC – MFIs respectively to enable them to leverage funds from other financing agencies
- ✓ A legislative framework is being evolved for orderly growth of the MFI sector which is currently unregulated.

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Thankyou

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