



Beyond MFIs – SHGs and their Silent Revolution

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NOTE: The views expressed in this document are personal

Agenda



- **SHGs and their Scale**
- **How is SHG Model different from traditional MFIs**
- **What all do SHGs do?**
- **Scaling-Up**

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What Are SHGs

Lessons from Large-Scale Experiments

Even the poorest family can come out of abject poverty , in 6 - 8 years provided:

- They are **organized**, build and nurture own institutions and, provided continuous **handholding support**
- They are able to **access thrift and credit** in repeat doses
(External finance of ~Rs. 1 lakh per family required)



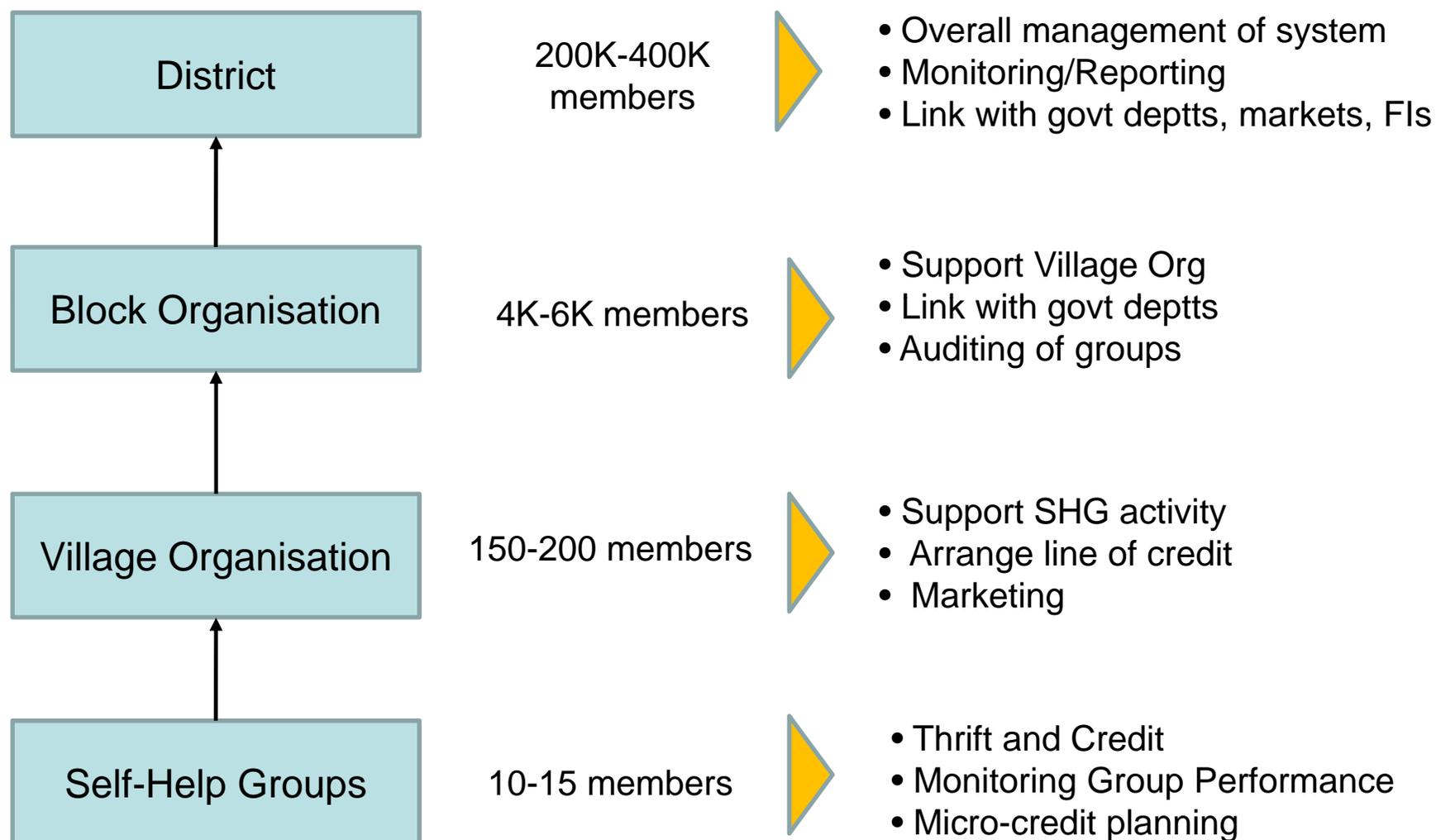
SHGs are Self-Managed Institutions of the Poor

- Federated into a tiered structure
- Act as institutional platforms for knowledge and technology dissemination, and hubs of production and commerce

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SHG Model Explained

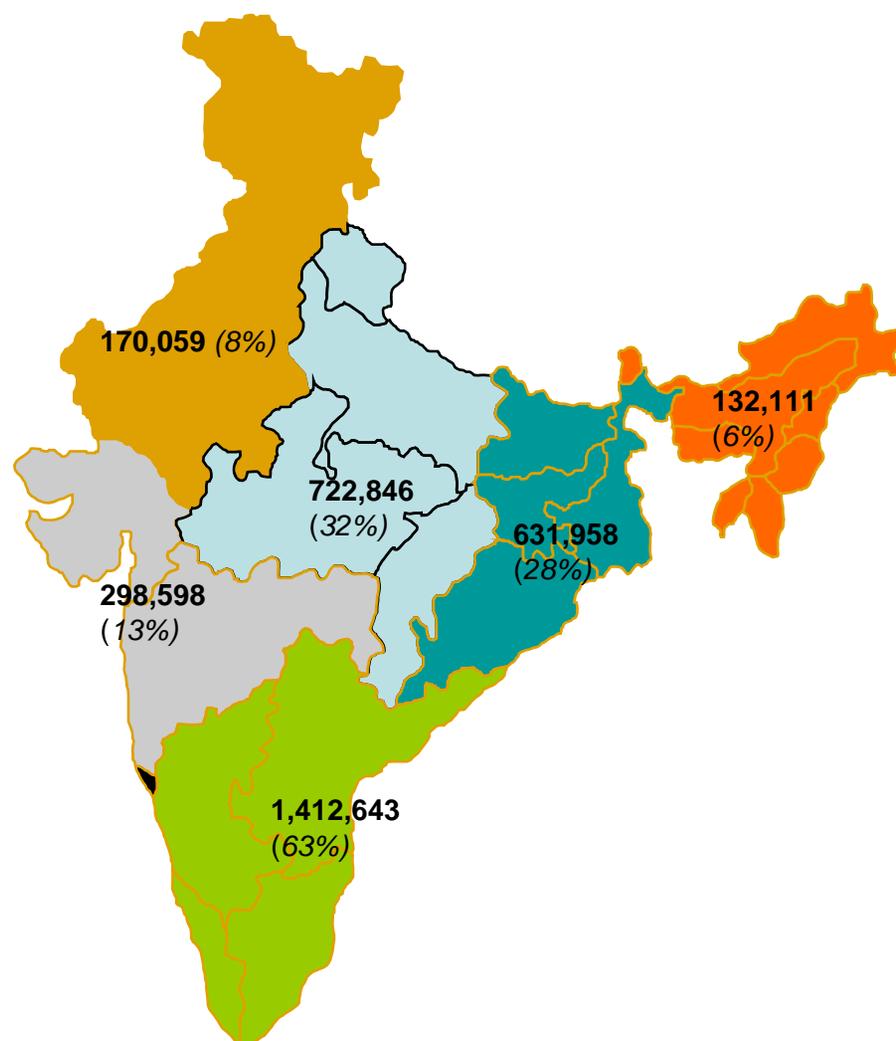


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Scale of SHGs in India

Scale: ~3.5 million SHGs; 40 million women members



Source: NABARD
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Comparing the SHG and MFI Models

	<u>MFI Model</u>	<u>SHG Model</u>
Type of Group	<ul style="list-style-type: none">• Joint-liability Groups• ~ 5-7 members per group	<ul style="list-style-type: none">• Informal affinity Groups• 10-20 members per group
Purpose	<ul style="list-style-type: none">• Credit focus, for productive purposes	<ul style="list-style-type: none">• Sustainable institution of the poor for thrift, borrowing, service delivery, etc.
Structure and Set-up	<ul style="list-style-type: none">• Loan Agents of MFI deal with JLG members• Loan process quick – less than a month	<ul style="list-style-type: none">• Federated structure: SHGs federated into VO, BO and district organisation• 6-24 months to set up and bank-link
Ownership / Driven by	<ul style="list-style-type: none">• MFI-driven• Profits go to MFI	<ul style="list-style-type: none">• Women-driven, who manage own affair• Interest margin retained by women's group
Typical Interest Rates	<ul style="list-style-type: none">• 24-48% to customer	<ul style="list-style-type: none">• 9-12% (Bank to SHG)• 3-9% to SHG member

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- **Challenges for SHG Model**

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What All Are Mature SHG Federations Doing Today?

1. **Savings and Credit**
2. **Procurement and Marketing (e.g., Rice, Dairy)**
3. **Service Delivery –**
 - PHC managers
 - Pension delivery
 - Bank Mitras
 - Micro-insurance
4. **Non-Pesticide Management (NPM) in Agriculture**



Ultimately: Tool for Voice, Identity and Empowerment

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SHG Experiences – Andhra Pradesh

- **11.2 million rural households** organized into **1 million SHGs** covering **90% of the identified poor** households in the Andhra Pradesh
- Manage **own funds of US\$1.1 billion**
- Cumulatively leveraged **US\$7.86 billion** from commercial banks, building on successful SHG Bank linkage Program
- **NPA of 2%** by March 2011, the lowest percentage in the country
- Reduction of poverty among the participants from 29.8 percent to 17.5 percents (**12.3%**) in comparison the poverty ratio for **non-participants** declined to just 27.2 (**2.6%**) percent.

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Aajeevika – National Rural Livelihoods Mission

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To reach out to 7 crore (70 million) rural poor households, and, stay engaged with them till they come out of poverty

Vision:

Each poor family to have an annual income of at least Rs 50,000 p.a.

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APPENDIX

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Aajeevika – National Rural Livelihoods Mission

Key Elements



Social Mobilisation allows us to do the following:

1. Financial Inclusion:

Linking SHGs to mainstream banking institutions, NABARD, Co-operative banks to prevent singular dependence on Government grants/loans

2. Provide a Portfolio of Sustainable Livelihoods:

- **Mahila Kisan Sashaktikaran Pariyojana (MKSP):**
Empowering women in agriculture by strengthening their community institutions
- **Skill Development and Placement through PPP:**
1 crore youth over a period of 7 years. Special project in place in J&K
- **Self Employment and Micro Enterprise Development:**
Promotion of entrepreneurship development among local youth to create 5-6 million micro entrepreneurs

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