Beyond MFIs –

SHGs and their Silent Revolution

Impact and Policy Conference

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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

- **District**
  - 200K-400K members
  - Overall management of system
  - Monitoring/Reporting
  - Link with govt deptts, markets, FIs

- **Block Organisation**
  - 4K-6K members
  - Support Village Org
  - Link with govt deptts
  - Auditing of groups

- **Village Organisation**
  - 150-200 members
  - Support SHG activity
  - Arrange line of credit
  - Marketing

- **Self-Help Groups**
  - 10-15 members
  - Thrift and Credit
  - Monitoring Group Performance
  - Micro-credit planning

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Scale of SHGs in India

Scale: ~3.5 million SHGs; 40 million women members

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Source: NABARD
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## Comparing the SHG and MFI Models

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<thead>
<tr>
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<th><strong>MFI Model</strong></th>
<th><strong>SHG Model</strong></th>
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<tbody>
<tr>
<td><strong>Type of Group</strong></td>
<td>• Joint-liability Groups</td>
<td>• Informal affinity Groups</td>
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<tr>
<td></td>
<td>• ~ 5-7 members per group</td>
<td>• 10-20 members per group</td>
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<tr>
<td><strong>Purpose</strong></td>
<td>• Credit focus, for productive purposes</td>
<td>• Sustainable institution of the poor for thrift, borrowing, service delivery, etc.</td>
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<td><strong>Structure and Set-up</strong></td>
<td>• Loan Agents of MFI deal with JLG members</td>
<td>• Federated structure: SHGs federated into VO, BO and district organisation</td>
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<td>• Loan process quick – less than a month</td>
<td>• 6-24 months to set up and bank-link</td>
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<td><strong>Ownership / Driven by</strong></td>
<td>• MFI-driven</td>
<td>• Women-driven, who manage own affair</td>
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<td></td>
<td>• Profits go to MFI</td>
<td>• Interest margin retained by women’s group</td>
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<tr>
<td><strong>Typical Interest Rates</strong></td>
<td>• 24-48% to customer</td>
<td>• 9-12% (Bank to SHG)</td>
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<td>• 3-9% to SHG member</td>
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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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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 percent (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

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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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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