Financial Inclusion and digitisation of Self Help Groups

......an Indian experience
India: Country statistics

1.27 billion population (17% of the world)

- Literacy: 74%
- Rural: 70%
- Agriculture dependent: 60%
- Poor: 22%

India's Population Density

- 100 and below
- 101 - 250
- 251 - 500
- 501 - 1000
- 1001 and above

*No data

in number of persons, per km²
Year: 2011
Data source: The Office of Registrar General and Census Commissioner of India
# India’s Economy

## Area
- 329 Million Hectares

## GDP
- $2.2 Trillion

## Priority Sector Credit Flow

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$191 Billion</td>
</tr>
<tr>
<td>2017</td>
<td>$373 Billion</td>
</tr>
</tbody>
</table>

## Of which Agriculture

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$72 Billion</td>
</tr>
<tr>
<td>2017</td>
<td>$164 Billion</td>
</tr>
</tbody>
</table>
Banking Structure in India

- RBI
- NABARD
- SIDBI
- EXIM Bank
- NHB
- PSU Banks 20
- Private Banks 21
- Foreign Banks 43
- RRBs 56
- LABs 3
- Small Finance Banks 9
- Payment Banks 4
- Coop Banks (ST +LT) 1042
Vision
“Development Bank of the Nation for fostering rural prosperity”

Mission
“Promote sustainable and equitable agriculture and rural development through participative financial and non-financial interventions, innovations, technology and institutional development for securing prosperity”
NABARD’s major functions

- Credit
- Developmental
- Supervisory
- FI and microfinance
NABARD’s - Financials

Balance Sheet size – USD 57 billion (30th Sept. 2017)

- CAR – 17.71%
- Net Worth – USD 4.8 billion
- Profit after Tax – USD 408 million
- Development spends – USD 142 million

Investments: $ BILLION
- 36%
- 8%
- 21

Others: $ BILLION
- 53%
- 2

Refinance to RFIs, MFIs
- 29

Direct Finance for Rural Infra, Food Process. etc.
- 21

Direct
$ BILLION

36%
8%
21

8%
3%
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Others

53%
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Financial Inclusion in India: Journey since India’s independence

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>1969-71</td>
<td>Nationalization of major Private Banks</td>
</tr>
<tr>
<td>1972</td>
<td>Mandatory system of Priority Sector Lending</td>
</tr>
<tr>
<td>1975</td>
<td>Establishment of Regional Rural Banks</td>
</tr>
<tr>
<td>1982</td>
<td>Establishment of NABARD</td>
</tr>
<tr>
<td>1992-96</td>
<td>Piloting and mainstreaming of SHG movement</td>
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<th>Year</th>
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<tr>
<td>1998</td>
<td>Kisan Credit Card scheme for hassle free farm credit</td>
</tr>
<tr>
<td>2008</td>
<td>Use of Banking Correspondents for increasing outreach</td>
</tr>
<tr>
<td>2011</td>
<td>Policy for regulating MFI operations</td>
</tr>
<tr>
<td>2014</td>
<td>Launch of PMJDY - large scale opening of savings A/cs by banks</td>
</tr>
<tr>
<td>2016</td>
<td>Large scale initiative to promote digital transactions</td>
</tr>
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</table>
Govt. of India: JAM Trinity

- **PMJDY** a Mission for universal access to banking, insurance & pension.
- **Aadhaar as Identity** – A source of identity for Direct Benefit Transfers.
- **Micro Insurance & Micro Pension**: Life, Accident & Crop Insurance and Pension linked to bank accounts for easy settlement of claims
- **Mobile as Outreach Mechanism**
- **UPI, BHIM, Aadhaar Pay, e-KYC**
NABARD’s FI initiatives

• Promoting Tech’logy in Rural Coop. Banks - CBS implementation
• Computerisation of grassroots cooperatives (PACS)
• Promoting digital transactions in rural India
• Easing net connectivity for rural banks in backward areas
• Promoting Financial literacy in rural India
• Provided start up capital to MFIs for leveraging bank loans
• Supporting Banks and MFIs with refinance
What is SHG? A voluntary association of 10-20 poor people, preferably from the same village & socio-economic background who come together to save and lend to each other. These groups evolve over time to save with Commercial Banks and leverage loans.........
What makes SHGs unique?

- Informal nature and decentralised design
- Community based, Savings-led
- Door step financial services
- Democratic functioning
- Reduction in transaction costs of banks
- Creation of social capital and sustainable inclusion thro livelihoods
Core elements of Self Help Groups

- Unregistered groups (SHGs) as business clients of banks
- Six months of incubation
- Banks lend to SHGs based on credit plan for on-lending
- Social collateral a good substitute
- Mandatory savings inculcate discipline
- Effective instrument which helps fulfil at least 10 SDGs

SBLP – The Largest community based Micro Finance programme in the world
8.5 million SHG
100 million Rural HHs
Journey started with 500 odd SHGs in 1992 has today touches the lives of 100 million rural households in India.

Physical growth – Cumulative

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>0.2 mn</td>
</tr>
<tr>
<td>2010</td>
<td>7 Million</td>
</tr>
<tr>
<td>2017</td>
<td>8.5 Million</td>
</tr>
</tbody>
</table>

Financial growth in Savings & Bank Credit

<table>
<thead>
<tr>
<th>Year</th>
<th>Savings</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$44 Mn</td>
<td>$23 Mn</td>
</tr>
<tr>
<td>2010</td>
<td>$954 Mn</td>
<td>$2.2 Billion</td>
</tr>
<tr>
<td>2017</td>
<td>$2.5 Bn</td>
<td>$6 Billion</td>
</tr>
</tbody>
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Credit
Around $36 Billion credit accessed by SHGs since 1992
Challenges faced by SHG ecosystem

• Manual book keeping
• SHGs formed – Quality issue
• Multiplicity of membership
• Lack of transparency
• Unavailability of Credit history of members
• Limited manpower in banks
• No Credit rating - Rising NPA levels
Is there a Game Changing Solution to address some of the challenges???
EShakti: Digitisation of SHGs

✓ E-book keeping of SHGs
✓ Enable Bankers ease of doing business with SHGs
✓ Credit grading of SHGs
✓ Enable social intermediation
✓ Use technology as enabler of multiple interventions

**Major players:** NABARD, GOI, NGOs, Banks, Govt. agencies, CSR of Cos, credit rating agencies etc.
Challenges addressed by EShakti

- **Transparency** of group operation
- **Accountability** of members in group mode
- **Accuracy** of financial records
- Bringing **Good governance** among SHGs with above three
Empowerment on fingertips

**EShakti** enables them to update their transactions in real time.

- Mobile based
- Access to all stakeholders
- Cloud based
- SMS alerts to all members
- Nominal fee
- Vernacular app

Enables them to update their transactions in real time.
• Introduction of technology to rejuvenate the sector
• Reignite Bankers interest in banking with SHGs

• **EShakti** pilots for digitisation of SHGs:
  • Covers 0.15 Million SHGs in 25 districts across 19 States and 1 U.T.
  • Concurrent grading
  • Credit deepening to quality SHGs
  • Business planning for bankers to scale up SHG portfolio
  • Add on services like micro insurance, micro pension and social inputs
Benefits with Digitisation

- Exponential growth in credit – 20% in 5 mths
- Livelihood to 70k poor women- Agriculture and allied activities
- Savings of SHGs gone up by 100%
- Repayment rates have gone up
- Comprehensive FI - Savings, Credit, Insurance, remittances, pension made possible
- Member satisfaction due to increased transparency
- Enquiry for business on the profiles collected
- Bankers actively seeking SHG portfolio
Replication and scaling up

• Present NABARD driven initiative in 100 districts
• GOI’s SHG programme replicating EShakti
• Scaling up and Replication possible in all 650 districts
• NABARD in dialogue with GoI for nation wide expansion
• Mobile penetration to grow in India
• Eventually each SHG to self manage

For more details, please visit
https://eshakti.nabard.org
THANK YOU

....................miles to go before I sleep......