

Agenda/ Background Papers

Background:

NABARD, R.O. Jammu, vide communication bearing Ref. No. NB (J&K)/ mcid /2015-16 dated 28 May, 2015 intimated that SHG-Bank Linkage programme has grown exponentially in different states during last two decades. In J&K State also the programme is catching up though the pace of implementation remains slow. Apart from NRLM, SHGs are also being promoted with the support from NABARD to Self Help Promoting Institutions (SHPIs).

NABARD further informed that J&K State has potential to promote 90,000 SHGs. SHGs promoted outside NRLM fold also are eligible for interest subvention benefit subject to fulfilling prescribed norms. However, SHGs in the state remain devoid of such benefit due to lack of coordination among different stakeholders. Therefore, in order to monitor the orderly and balanced growth of SHG-Bank Linkage Programme in J&K State NABARD desired constitution of a **Sub-Committee of SLBC**, which shall be effective in discussing various issues from formation to nurturing of these groups. Accordingly, in the 98th SLBC meeting house observed that the issue of monitoring SHG-Bank Linkage Programme be taken up in the said Steering Sub-Committee.

Subsequently, in 99th meeting of J&K SLBC held on 16.11.2016 Director, SRLM, J&K Govt. pointed out that there are two agencies doing the SHG programme, one is the SRLM for which targets are fixed by Ministry of Rural Development, GoI and performance of the programme in the State as per the report at the end of September, 2015 has remained quite satisfactory. However, parallel to this NABARD is also doing SHG promotion in the State where under performance has not been satisfactory, for which he desired that meeting of the Steering Sub-Committee on SHGs should be convened to discuss the issue. The house directed that measures should be initiated for convening meeting of the Steering Sub-Committee as soon as possible to monitor the orderly and balanced growth of SHG-Bank Linkage Programme in J&K State.

Agenda Item No: 01

Monitoring Performance of banks under SHG-Bank Linkage Programme:

In terms of RBI guidelines the banks have been reporting data relating to “Advances to Self Help Group (SHG)”. Progress achieved under the Scheme is being monitored regularly in the quarterly meetings of J&K SLBC.

The **cumulative position of achievement under SHG Scheme upto the end of December 2015** and comparison with the progress as on corresponding period of the previous year i.e. **31st December, 2014** is given as under:

(Amt. in Crores of Rupees)

	Position as on 31.12.2014	Position as on 31.12.2015	YoY Growth %
Total SHGs formed	12,852	17,399	35%
SHGs Savings linked	11,159	16,523	48%
SHGs Credit linked	8,167	12,885	58%
Total loans disbursed	Rs.56.26	Rs.92.79	65%

The above data represents cumulative position of SHGs in J&K State, i.e. under NRLM, NULM as well as the SHG Bank Linkage Programme of NABARD together. The Bank-wise progress as of 31st December, 2015 is given in **Annexure-A** for information of the forum.

But the said data is being reviewed as a cumulative figure irrespective of any targets prescribed by the concerned agency. However, in the 98th SLBC meeting held on 26.08.2015 the house observed that the agenda does not indicate any targets for the SHG Scheme. The house also observed that since targets for SHGs are also being fixed under NRLM as well as NULM Schemes, therefore, it was decided that henceforth review of progress under SHGs programme should be target-based.

Although under NRLM Scheme all the bank lending is done in the form of Self Help Groups (SHGs) for which specific targets are being fixed by the concerned agency (i.e. Rural Development Department, J&K Government). Similarly, there are specific targets for SHGs prescribed under the NULM Scheme by the Housing & Urban Development Department, J&K Govt. But so far as SHG- Bank Linkage Programme is concerned, which is being promoted by NABARD, no specific targets are prescribed for the banks operating in the State.

In order to have clarity regarding performance under SHG Scheme in J&K State, SLBC Secretariat has devised and circulated a new combined format for monitoring/ reviewing Advances to Self Help Group which encompasses all the three components, viz. SHGs under NRLM, SHGs under NULM and SHGs under SHG-Bank Linkage Programme of NABARD.

- **NABARD is required to take necessary measures for prescribing specific yearly (District-wise) targets for SHG-Bank Linkage Programme based on potential available in the State, so that progress viz-a-viz prescribed Annual Targets under the said scheme can be monitored/ reviewed in the SLBC meetings.**
- **NABARD may also describe the incentives available to the SGH-Bank Linkage Programme like the interest subvention etc.**
- **Since SHGs are being nurtured by Rural Development Department, J&K Government under SRLM Scheme, but there is no clarity on fixing of targets for the banks. Some districts have fixed targets for individual accounts, whereas some have done it for Groups. The Mission Director, SRLM may kindly clarify the issue, so that ambiguity is removed.**
- **There has been no clarity in the targets prescribed by HUDD under NULM Scheme for the J&K State. The representative of SUDA may clarify the matter for information of the members.**

The forum is requested to deliberate the issue

Agenda Item No. 02

Issues/constraints related to SHGs promotion and Credit linkage

It has generally been observed that SHG-Bank Linkage Scheme in J&K has not been picking up in the State satisfactorily. Some of factors that could be responsible for lack of performance of SHG programme in J&K State, as outlined by NABARD, Regional Office, Jammu, are described below for information of the forum:

(I) **Paucity of good NGOs:**

The SHGs promotion needs presence of good and dedicated NGOs to be friend, philosopher and guide for mobilizing the rural masses into SHGs. However, given the potential of promotion of SHGs in the State, such NGOs are not available in adequate numbers. Thus, a strategy needs to be developed for capacity building of available NGOs and also to find other alternatives for the deficit.

(II) **Lack of awareness among rural masses:**

Many a times it is found that rural people are not adequately aware about the SHG-Bank linkage concept. Thus, all agencies especially banks need to take up mass awareness campaign. Apart from other measures, FLAPs sanctioned to banks can be used effectively to handle this task. Further, Financial Literacy Centres (FLCs) established by the banks in all the districts may come forward more effectively for creating awareness about SHGs and JLGs.

(III) **Lack of adequate awareness among banks branches:**

The bankers, right from the Branch Managers, Cluster Heads, LDM and Nodal Officers at Controlling Offices need to have correct and comprehensive understanding of the SHGs and JLGs programmes. This calls for capacity building of the officials at all levels. Banks may organize sensitization programmes for their officers in which NABARD and NRLM officials could provide inputs. Banks may also depute officers in training programmes being organized at BIRD, Lucknow.

(IV) **Low priority by banks:**

SHGs linkage at present appears to be low priority for banks. Banks may accord due priority to SHG-Bank Linkage Programme both under NRLM and non-NRLM to ensure provision of microcredit to excluded rural people. SHG-BLP has already proved its effectiveness as business strategy for rural branches in other states.. In this context, a much needed fillip has to come from the controlling office of the banks.

(V) **Effective use of BCs:**

Banks have appointed BCs, however, low compensation makes their operations unviable. Banks need to utilize the services of BCs in an effective way for their business promotion. Apart from fixed remuneration, BCs can be incentivized for different tasks including promotion and mobilization of SHGs/JLGs to expand bank's business.

(VI) **Hassel free services to SHGs**

NGOs engaged for SHG/JLG promotion reported that SHGs/JLGs generally face difficulties at branch level due to –

- Repeat visits required by members to branches for opening SB accounts.
- Delay in completing loan sanction and documentation process.
- Branches sometimes also insist on third party guarantee.

This discourages NGOs in expanding the work relating to SHGs / JLGs. Controlling offices of banks need to sensitize the branch staff in this regard.

Forum is requested to deliberate the issue

Agenda Item No: 03

NRLM – Aajeevika – Interest Subvention Scheme:

As per RBI circular No. **FIDD. GSSD. CO. BC .No. 19 /09.01.03/ 2015-16 dated January 21, 2016** the revised guidelines for the year 2015-16 on Interest Subvention Scheme under NRLM, have been circulated by RBI for implementation by Public Sector Banks (applicable to RRBs and Cooperative Banks also). The guidelines stand already circulated to banks by J&K SLBC for implementation of the scheme immediately. A copy of the same is **enclosed** for information of members.

- **The interest subvention scheme shall be implemented for all Public Sector Banks through a Nodal Bank selected by the Ministry of Rural Development (MoRD). The Nodal Bank will operationalize the scheme through a web based platform, as advised by MoRD. For the year 2015-16, Canara bank has been nominated as the Nodal bank by MoRD.**
- **For the RRBs and Cooperative Banks the scheme will be operationalized by NABARD similar to the short term crop loan scheme.**
- **All Banks (including the Public Sector Banks, RRBs and Rural Cooperative Banks) who are operating on the Core Banking Solutions (CBS) can avail the interest subvention under the scheme. Operational guidelines for both Category I and II districts have been given.**
- **The timeline as ordained in the guidelines are to be adhered to.**

Apart from above, Government of J&K, Office of the Mission Director, J&K SRLM, vide their communication dated 20.01.2016 have informed as under:

“The correct coding of SHGs by respective bank branches is key to accurate data sharing on credit linkage of SHGs and extending benefits under interest subvention to eligible SHGs. In this connection, RBI has already issued a circular No. RPCD-GSSD.CO.7270-7295/09.01.03/2013-14 dated 02.01.2014. However, as pointed out by the Government of India, the coding of SHGs has not been done correctly by various banks thereby depriving the NRLM beneficiaries to avail the benefits of interest subvention, which has serious impact on the implementation of the programme with the targeted women population”.

As such, concerned banks need to ensure that all the mandatory fields (codes) while opening loan accounts of SHGs are correctly populated in the system by branches dealing with SHGs to ensure proper reporting on the national portal.

Clarification required regarding Interest Subvention:

The aforesaid RBI revised guidelines provide that the Commercial Banks and Cooperative Banks will lend to all the women SHGs in Rural Areas at the rate of 7% in the 150 identified districts, which include only three districts of J&K State, viz. **Ganderbal, Budgam and Udhampur.**

However, simultaneously NABARD is promoting the Women Self Help Group Scheme in other three districts of J&K viz. **Kupwara, Poonch and Doda.** NABARD may clarify about the interest subvention scheme available to the Women SHGs of the said three districts of the State also. NABARD may also clarify whether any type of incentive is available to SHGs comprising of male members only.

Forum is requested to deliberate the issue

Agenda Item No: 04**Joint Liability Groups (JLGs):**

MoF, GoI had launched a new scheme for landless farmers called “**Joint Liability Farming Groups of Bhoomi-heen Kisan**” through NABARD in the last financial year (2014-15). The target group under the scheme is the landless farmers who are denied institutional finance because of not having any land holding. Performance of the said Scheme in J&K State is being monitored regularly in the SLBC meetings. For CFY (2015-16) NABARD has prescribed a target of 1500 for banks operating in J&K State. Progress achieved under the Scheme upto the end of **31st December, 2015** is given below for information of the forum:

(Amt. in lacs)

S.No.	Name of the Bank	Target	No. of JLGs formed	JLGs credit-linked	
				A/C	Amount
1	J&K Bank	641	121	102	175.05
2	J&K Grameen Bank	361	302	258	372.65
3	Ellaquai Dehati Bank	191	348	348	560.80
4	State Bank of India	139	25	16	32.00
5	Punjab National Bank	63	2	2	3.20
6	HDFC Bank	53	0	0	0
7	ICICI Bank	50	0	0	0
8	Punjab & Sind Bank	02	1	1	2.00
9	Central Bank of India	0	6	6	1.45
	TOTAL	1500	807	733	1147.15

Steps required for improving the position of advances to JLGs:

- With a view to enhancing the GLC in agriculture and allied sector, as also in turn boosting CD Ratio of the State, financing of JLGs in mission mode both for farm as well as non-farm activities is required in the State. Further, if the JLGs are financed on a cluster basis, this will not only help in training and improved monitoring of these groups, but also enable them to aggregate into Producers’ Organisation at a later stage. This helps the JLGs to contribute positively to the agriculture value chain and enhance agricultural production and productivity by leveraging on economies of scale.
- Grant support is available from NABARD to banks and other JLGPIs for formation, nurturing and financing of new JLGs @ Rs 2000/- per JLG.
- There are a number of JLGs being financed by banks, however, the reporting mechanism has to be strengthened by SLBC to get data from all the banks on monthly/ quarterly basis.

Banks are accordingly requested to provide the requisite feedback to J&K SLBC Secretariat.

Forum is requested to deliberate the issue**Agenda Item No: 05****SHGs and JLGs to be priority area for inclusive growth:**

State Govt. may adopt SHG and JLG financing through banks as priority area for inclusive growth.

There is need for creation of dedicated Govt. machinery to promote SHGs and JLGs of targeted individuals in view of the paucity of quality and experienced NGOs in most districts of the State.

There is need for creation of training infrastructure for skill up-gradation of the members of SHGs and JLGs in the State. RSETIs can be allotted suitable land and be asked to provide skill training to groups.

Forum is requested to deliberate the issue

Agenda Item No: 06

Remission of stamp duty on loans to SHGs & JLGs:

Remission of stamp duty on bank loans to SHGs promoted under various programmes on the lines of remission already granted to SHGs promoted under NRLM may be considered. Similar exemption may also be considered in respect of loans to JLGs. A proposal in this regard has been submitted to State Govt by NABARD for consideration in Budget 2016-17.

It is in place to mention here that State Project Manager, SRLM has informed that although Stamp Duty has been exempted by Govt. of J&K Finance Deptt. vide SRO 241, but some of Bank Branches are still asking for stamp papers.

Forum is requested to deliberate the issue

Agenda Item No.07

Constraints faced by SHGs – concerns expressed by J&K SRLM, Govt. of J&K:

State Project Manager, J&K SRLM vide their communication dated 03.01.2016 have highlighted a number of constraints being confronted by the SHGs (NRLM) in J&K State. Some of these constraints requiring attention of the forum are mentioned below:

There are some Branches which are very slow in disposing of the cases, which discourages the SHG Community. An advisory needs to be issued to dispose-off all loan cases of SHGs within a maximum period of 15 days from its receipt. This will not only encourage the SHGs/ Members of the SHGs to build relationship with the banks but also boost their motivation to start their livelihoods and encourage their regular re-payments.

As per instructions by MoRD, Govt. Of India all Banks, which are dealing with SHGs are required to upload data on the National Portal, so that Interest Subvention is released on time, as the Interest Subvention applicable to Bank-Linkage cases shall only be reimbursed after verification of data shared by the Banks at the National Portal. An Advisory in this regard needs to be issued to all Banks for uploading the data (Details and Transactions of the Loan accounts of the SHGs) on the National Portal enabling to initiate the process of passing on the interest subvention to the eligible SHGs.

Some of the Branches are still asking for KYC for all the members which otherwise is not required as per existing guidelines.

Forum is requested to deliberate the issue

Agenda Item No.08

Any other issue with the permission of Chair: