E-Shakti: Digitisation of SHG’s

Ashish Saxena
Asst.Prof. Sharda University, Greater Noida

Abstract:
In spite of hard work from all quarters, 2 billion people across the globe are still excluded from formal sources of financial services. Digital financial services have emerged as a new ray of hope to reach the last-mile consumer in the most affordable and convenient manner. In the context of Indian economy, while there has been an incredible improvement in financial inclusion indicators with 53% of people being included in the sphere of formal financial services, the gender gap in access to finance between men and women remains significant. Indian women are 8% less likely to own a formal financial account and 12% less likely to use digital services offered by these accounts.

For the last 26 years, the term Self Help Group has become tantamount with financial and social empowerment of rural women. SHG means the soul and base of microfinance. The most widely used method of delivering the financial services to the deprived sections of the society is SHG and it is now surrounded by the collective realization of the country as a symbol and a tool for unlocking the potential of poor at the bottom of the pyramid. At this point of time, when the silver jubilee of the Self Help Group movement has recently been celebrated, it is appropriate to reprise the epochal quarter century journey and contemplate the future course of direction the movement needs to take.

Digital modes of enhancing financial inclusion for women by targeting self-help groups (SHGs) could be one probable channel for promoting and accelerating digital financial inclusion in India.

This research paper is an endeavor to highlights the issues faced by the SHG’s and banks at the time of disbursing the credit to the rural poor just because of the manual book keeping of accounts. This paper addresses the need of the hour about the digital empowerment of the microfinance.

Key words: Microfinance, Self help group, SHG empowerment, financial services, Banks, Digital empowerment
1. Introduction:

India is a assorted, vast and exceptional geography with just 2.4 percent of the total world area but sustaining almost 17 percent of the world population, means one in every 6 people on the planet, residing in India. Therefore, our problems are also countless and matchless - illiteracy, unemployment, urban - rural divide, dependence on agriculture, lack of access to financial services, limited outreach of financial institutions, are the names of few problems. Over the years, Government of India has taken a mixture of initiatives to overcome these diverse problems.

As an apex Developmental Financial Institution of the country NABARD came forward with a command to promote rural prosperity, and exploring unique solutions and pathways for addressing the above mentioned challenges. In addition to continuously experimenting and forging partnerships with practitioners and participants in the rural field, it has conducted surveys, funded research and launched various pilots for promoting rural development with quick focus on upliftment of the rural poor.

One such major project launched by NABARD, is the model of Self Help Groups (SHGs). Gender equality and development being the underlying focus of all NABARD’s interventions, the SHG interest group deliberately targeted women as they are at the bottom of the pyramid without any assets or access to credit. As a financial inclusion machinery, the programme is a full fledge package, starts with imparting basics of financial literacy, savings and credit management within group and later on graduating to availing of credit from the banks. The most important part of the programme is its management by the community itself, stress on savings and use of social collateral for maintaining discipline amongst members. Though looking at ways to strengthen the credit delivery mechanism to the rural poor, NABARD’s in-house research revealed that there are certain major issues and challenges, and they have expanded and evolved over a period of time. Few of them are:

- Manual book keeping which is not at all to the satisfaction of Banks
- Lack of transparency and precision in groups.
- Either no access or poor access to the credit history of SHG members
- Incapability of banks and financial institutions to do proper appraisal and monitoring of SHGs.
- Increasing NPA levels
- Lack of persistent handholding support by the NGOs.

Because of the above challenges, many of the SHGs either find no credit or delayed and inadequate credit or not getting credit at all. This led NABARD to consider about digitisation of records and accounts of the SHGs and their continuous updating.

Digitisation:

Reliable and authentic transactional SHG data is very important for the bankers to extend credit facilities to the needy and underprivileged sections of the society. It was felt that SHG Bank linkage Programme, which was still dependent relative on manual book keeping and a direct and
physical visits of bankers to the SHGs for appraisal and monitoring, would do well to adopt technology to address this major problem. Digitisation of Self Help Groups was thus conceptualized and developed as not only a method of addressing some of the challenges that the programme was facing but also as a step towards deepening and widening the banker’s engagement with the SHGs. It is believed that a digitally empowered SHG, will significantly change the prevailing scenario of governance, social empowerment and financial inclusion. Through intervention of technology we can address and resolve the major issues like the quality of book keeping, multiple memberships of SHG members, poor credit history of members and provides SHGs’ grading report based on its financial and non-financial records at the doorstep of all stakeholders.

2. **Objectives of the paper:**
   1. To analyze the problems faced by SHG’s in the rural part of the country.
   2. To analyze the problems faced by bankers in credit appraisal and disbursal.
   3. To analyze the problems posed by manual book keeping records of the SHG’s by the banks.
   4. To analyze the need and importance of digitization in the SHG’s.

3. **Research Methodology and Data used:**
The present study is based on secondary data collected from Bank report, annual reports of NABARD, news paper, govt. Websites, reference books and papers Published on SHG-Bank linkage programme and those are evaluated and in an logical manner in order to gratify the predetermined objectives and research based questions. The study is concentrated to the data related with SHG’s of India and banks particularly, and finds the ways for socio-economic empowerment and poverty reduction of SHGs members of India.

4. **Discussion**

4.1 About E-Shakti

**EShakti or Digitisation of SHGs** is an initiative of Micro Credit and Innovations Department of NABARD in line with the statement of our Hon’ble PM, 'we move with the dream of electronic digital India...'. Digital India is a very important initiative of Government of India worth of Rs 1.13-lakh crore to facilitate and integrate the government departments and the people of India and to ensure effective and efficient governance. It’s main objective is to "transform India into digital empowered society and knowledge economy".

Keeping in view the mission of Government of India's for creating a digital India, NABARD launched a project for digitisation of all Self Help Group (SHG) in the country. The project has already been implemented in 100 districts across the country.
4.2 Objectives and Needs of E-Shakti:

The project targets at digitisation of all the SHG account holders to bring SHG members under the purview of Financial Inclusion thereby helping them to access a wider range of financial services & products together with increasing the bankers’ comfort in credit appraisal, disbursal and linkage by way of:

- Integrating and attaching SHG members with the national Financial Inclusion agenda;
- Developing the quality of interface and communication between Banks and SHG members for efficient and hassle free delivery of banking products & services by using and exploring the available technology;
- Facilitate and integrate convergence of delivery system by linking the SHGs with the identity of Aadhar.

The need of digitization of records of SHGs has been felt for a quite long period of time due to inconsistent and setback in maintenance of books of accounts. A sound and transparent system of maintaining the records of SHG’s facilitates a lot in strengthening and nurturing the SHG’s of India.

It was also felt that digital strength and empowerment will surely helps in bringing SHGs on a common web based e-platform through which they can make the book keeping easy and especially for low literacy clients. Other than this benefit, digital empowerment will also helps in promoting national agenda of Financial Inclusion and cover the way of credibility of SHG data which can further be used by Credit Bureaus to eliminate and reduce the issues related to multiple financing by banks.

The major stakeholders of this project consists of rural poor community and members of SHGs, Self Help Promoting Institutions (SHPI), Non-Government Organisations(NGOs), Banks, NABARD, Government development departments and agencies like SLRM, NLRM etc. Last but not the least, Credit Bureaus may also be on board and can be benefitted through this empowerment.

4.3 Key Attributes of the project:

- E-book keeping for the SHGs i.e. digital solution to overcome the difficulties pertaining to book keeping and management of accounts of the SHGs.
- Regular and continuous updates of transactional data.
- Reports generated in the desired formats as and when required by stakeholders like bankers
- Inbuilt automatic and regular grading of SHGs based on NABARD/IBA(for NRLM) norms
- Auto generation of Loan application for the bankers on input of motion to borrow by SHG.
- To develop and built an easily searchable database and generating requisite MIS for the financial institutions for taking informed credit decisions.
Concurrent and continuous grading of SHGs to enable the banks and financial institutions to efficiently credit link the eligible groups and also monitor them.

Providing a broad and macro picture of SHG-BLP for the policy makers to push forward their developmental and financial inclusion agenda.

Presenting complete transparency to all the stakeholders, especially the poor SHG members, for increasing their confidence in handling the money and the accounts.

Potential and capability to identify if anyone is a member in more than one SHGs.

The project of digitisation of SHG’s will also helps in a inclusive information base and powerful MIS can be developed about poor community covered, which may facilitate suitable interventions and convergence of other programme for social and financial empowerment. Other than this, it also helps in identifying suitable support and interventions for proper nurturing and strengthening of SHGs. Ease of transfer of social benefits, Direct Benefit Transfer (DBT) through Aadhaar linked accounts, convergence with other Government benefits etc is the list of some benefits which can be achieved through the digital empowerment of SHG’s.

The major USP of E-Shakti software is 'one-click' availability of social and financial information of all the members of the Self Help Groups.

4.4 Components and Process of the Project:

- Mapping of the existing SHGs in the district (bank wise, branch wise);
- Training of volunteers to collect SHG wise/ member wise data;
- Data feeding through a customised software in central server;
- Hosting of data on the web under a dedicated website i.e. www.eshakti.nabard.org;
- Maintaining data centre and data recovery centre;
- Regular update of the transactional data
- Generating MIS for various users.

Process:

Information of all the SHGs and their members are uploaded onto the website. The transactions are updated through 'apps' on android Mobile/Tablet. Data authenticity is ensured through SMS alerts to members and sample audits. MIS reports on groups are generated and progress is tracked on a real time basis. Overall, the whole ecosystem was designed to address the complex issue related to patchy financial records of SHGs.

Information captured:

@Member Level:

Name, address, gender, marital status, Physically Challenge status, Aadhaar details, Voter ID card details, mobile number, BPL/APL status, membership of any Joint Liability Group (JLG),
house type, availability of toilets, electricity connection and other financial details like saving bank account number, savings, borrowing & repayment, life/ medical insurance, micro pension policy (if any).

@SHG level:
Name, address, date of formation, name of SHPI/NGO, programme under which supported, savings habits, lending policy, bank linkage, details of periodic savings collected and internal lending, utilization of bank credit availed for members.

Output and MIS:
- Member wise details of SHGs on saving, lending, attendance;
- SHG and member wise credit history;
- Financial statement of SHGs - Balance sheet and Profit and Loss account;
- Grading chart of SHGs;
- Micro Credit Plan of the SHGs;
- Audit report;
- Bank linkage details - savings and credit disbursement;
- Other periodical MIS on performance of SHGs.

4.5 Impact and Challenges encountered the Project
- Provided credit to SHGs based on real time performance;
- Extensively reduced Saving-Credit linkage gap;
- Collect credit history of members;
- Promoted transparency and lucidity through real time SMS alerts in 10 languages to members and groups;
- Facilitates convergence of SHGs with other Government welfare Programmes;
- Integrated and connect members with the larger Financial Inclusion Agenda;

Paving way for Credit Linkage:
- Bank branches to access and use the portal through Intranet or web link using their branch IFSC and password;
- Power of creating more than 31 MIS reports like Savings, meeting, Credit linkage, Repayment and Demand Collection Balance can be generated and evaluated sitting in the Bank branch itself;
- Easier and fast processing of loan using E-Shakti system generated prefilled application forms with all the detailed information of members and groups.

Challenges:

- Collection and compiling of information from poor database and records;
- Requires a large scale training and capacity building of SHGs, SHPIs and others involved in implementation of the programme;
- Capturing and collecting of ground level information from SHGs in a limited time period and periodic uploading of savings and credit details of SHGs;
- Cooperation and support from banks and other financial institutions;
- GPRS and network connectivity;
- Initial funding of the pilot project is being met by NABARD. There will be a huge fund requirement for launching and scaling this project from its present level to 86 lakh SHGs across the country.

4.6 Current Status of E-Shakti Programmed in India:

Progress of digitisation in the identified 100 districts as on 15 June 2018:

(Amount in crore)

<table>
<thead>
<tr>
<th>Partner SHPI’s</th>
<th>306</th>
<th>Cumulative Savings by SHG’s</th>
<th>1635.17</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHG Digitised</td>
<td>388925</td>
<td>O/S member loan (from savings)</td>
<td>923.65</td>
</tr>
<tr>
<td>Villages Covered</td>
<td>58006</td>
<td>Bank loan availed</td>
<td>4220.41</td>
</tr>
<tr>
<td>Total SHG Members</td>
<td>4391847</td>
<td>Bank loan outstanding</td>
<td>3371.47</td>
</tr>
<tr>
<td>Total BPL Members</td>
<td>2233906</td>
<td>Other loan availed</td>
<td>267.74</td>
</tr>
<tr>
<td>No. of literate members</td>
<td>3179588</td>
<td>Other loan outstanding</td>
<td>216.43</td>
</tr>
<tr>
<td>Individuals having SB account</td>
<td>3473957</td>
<td>Cash in hand</td>
<td>376.58</td>
</tr>
<tr>
<td>Bank branch involved</td>
<td>10642</td>
<td>Bank balance</td>
<td>688.55</td>
</tr>
<tr>
<td>Commercial</td>
<td>6667</td>
<td>No. of SHG’s credit linked</td>
<td>2,06,785</td>
</tr>
<tr>
<td>RRB</td>
<td>2174</td>
<td>DCCB</td>
<td>1630</td>
</tr>
<tr>
<td>SCB</td>
<td>171</td>
<td></td>
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</tr>
</tbody>
</table>

Source: NABARD’s Report 2017-18
5. Conclusion:

In spite of the great progress and movement in formation and savings linkage of 87.44 lakh SHGs, there is a still scope for 42% of the SHGs i.e. 37.24 lakh to be credit linked as only 50.20 lakh SHGs are having outstanding loans with the banks. Digitisation of all the existing SHGs will empower them and bring the SHG’s into the mainstream of growth and development and pave the way for their credit linkage. Project E-Shakti has proved itself as an important digitisation initiative measure and mechanism in bridging the gap between the savings linked and credit linked SHGs. However, the pilot in 100 districts has so far covered only 3.89 lakh SHGs out of the total 87.44 lakh SHGs. There is a pressing and urgent need to take the project onto a mega scale for the remaining 83.55 lakh SHGs in order to achieve the target of financial inclusion of the underserved rural poor. In present, SHG-Bank Linkage Programme in India is mounted at around one lakh crore. It is expected to double post completion of E-Shakti project. For the financial institutions and banks it will be a win-win situation as, at one side, it's cost of maintenance and monitoring of SHG loan accounts will decrease and on the other side, with increased SHG savings, volume and quality of SHG loans will also increase. Keeping in view the enormous and vast benefits and positives of the E-Shakti project, expansion to all the districts of the country requires a serious plan of action and implementation. However, as in any project, there are certain challenges like Collection and compiling of information from poor database and records, requires a large scale training and capacity building of SHGs, SHPIs and others involved in implementation of the programme, capturing and collecting of ground level information from SHGs in a limited time period and periodic uploading of savings and credit details of SHGs.

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