

20th November 2010

To

The Honourable Prime Minister of India

The Honourable Finance Minister of India

The Honourable Governor of Reserve Bank of India

The Chairman of National Bank for Agriculture and Rural Development

The Chairman, Indian Bank's Association

The Chief Managing Director of Indian Overseas Bank

The Chairman of Pandyan Grama Bank

The Managing Director, IFFCO Kisan Sanchar Ltd

A Memorandum submitted by 25,000 Self-Help Group members and representatives of farmers associations for strengthening the role of banking sector in building the capacity of borrowers by promoting credit-specific learning in agriculture and Self Help Group sectors through Information and Communication Technology (ICT) based Open and Distance Learning (ODL).

VIDIYAL & VIDIVELLI Women Self Help Group Federation
Ms. K.Kanmani, Secretary
VIDIYAL, Rasingapuram Post
Theni District, Tamil Nadu- PIN: 625528
Email: vidiyal386@gmail.com
Ph: 04546-229215

Valamkundra Velaan Sangam,
Uppukottai & Govindanagaram, Theni District, Tamil Nadu

Vaigai Velaan Sangam,
c/o Rev. Father (Dr) Thomas Amirtham
Arul Anandar College, Karumathur, Madurai
Email: thomamir@gmail.com
Ph: +91 9443377840

Reddiyarchatram Sustainable Agriculture Producers Company Ltd
C/O. R. T. Rajasekar, President
Kannivadi, Dindigul, Pin: 624705
Email: rsgaseed@rediffmail.com
Ph: +91 9443505209

MEMORANDUM

RESPECTED SIR/MADAM

This is a memorandum signed by 25,000 persons mostly women from Self-Help Group (SHG) movement in Theni district and representatives of farmers association in Dindigul and Madurai districts Tamil Nadu. However the views expressed in this memorandum represent the aspirations of millions of SHG members and agricultural & rural population all over India.

Reserve Bank of India and National Bank for Agriculture and Rural Development (NABARD) agree that the performance of SHGs in the banking sector is exemplary. The Non-Performing Asset (NPA) rate is low compared to many other sectors in the Indian economy. We are proud that the SHGs all over India have started perceiving banks and financial institutions as partners in entrepreneurial development and not as mere funders or donors. Thus SHG members and many members of farmers association consider themselves not as *beneficiaries* but clients of the banking sector.

This has been made possible by the untiring efforts of NABARD, Central and State Governments and many development agencies. NABARD's SHG-Bank linkage is a great strength to us. Non-Governmental organizations (NGOs) have played a major role in defining and refining the SHG movement in India.

Two important factors have contributed to the success of SHG movement in India:

1. Strengthening of social capital particularly by NGOs through strong mobilization and organization process
2. Capacity Building

This memorandum is about the capacity building. At present, government agencies and NGOs through various development organizations and private sector are providing training programmes. But most of these programmes are ad-hoc in approach and have limited scope of addressing our immediate needs. Most of the training programmes are defined by targets, resource availability and priorities which have limited relevance to our context. The declining resource availability in government as well as with development agencies has made training programmes very ad-hoc in nature.

We are of the view that learning for livelihood is a continuous process. Due to well mobilised social capital within SHG movement, we are in a position not only to learn from external institutions but also within ourselves. Modern information and communication technologies (ICTs) like mobile phones have helped us to learn from where ever we are without sacrificing our opportunities and responsibilities.

For example some of us borrowed for goat rearing enterprises from a bank. Through the initiative of various development agencies under *Lifelong Learning for Farmers* initiative, we started learning about various aspects of goat rearing and enterprise management through voicemails from mobile phones in our languages and dialects. We also shared our learning among our SHG members using mobile phones. This resulted in a continuous learning process. Through such learning process we were able to raise the goats in a scientific manner with better productivity and profitability. We were able to repay 80% of the loan amount to the bank within two years in a five year repayment schedule. Our experience shows that

credit-specific learning process using ICT based Open and Distance Learning (ODL) can help to strengthen the performance of the credit and reduce the Non-performing asset (NPA) rate in the banking sector. Such initiatives not only help us but also the banking and the telecom sector in terms of business and returns. In addition such a mode of learning does not involve drudgery and opportunity costs for us.

Hence we submit to you the following suggestions which could help to improve the livelihood of poor people particularly in agricultural sector as well the business of the banking sector:

1. The banks and financial institutions should invest 2% of their total agricultural and SHG credit portfolio in providing credit specific learning packages to the borrowers of agricultural credit as well as to the SHGs which would not only help the borrowing poor community but also enhance the repayment rates to the banks.
2. NABARD's Assessment of Self-Help Groups is based on nine principles. We suggest that NABARD should include capacity building as the 10th principle. SHGs with well organized capacity building should be given a better assessment.
3. Appropriate institutional arrangements involving various stakeholders such as universities, NGOs, Private sectors, banks, telecom companies, etc should be evolved for the delivery of the capacity building process through ODL mode using modern ICTs and certification procedures need to be established.
4. Community banking (which are based on social capital, community-based organization, joint liability and responsibility of the community) is not the same as Microfinance Institutions (which are managed by external institutions). Community banking needs a distinctive recognition by the government and the financial institutions.

Looking forward to your kind response.

Members of Self Help Groups and Farmers Association