

**NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT
MICRO CREDIT INNOVATIONS DEPARTMENT, MUMBAI**

NO.NB.MCID. 68 /96(3)VVV/2000-01
28 April 2000

All Scheduled Commercial Banks /
Regional Rural Banks and
State Cooperative Banks

Dear Sir,

Scheme for Promotion of SHGs through VVV Clubs under VVV Programme

Of late, it has been observed that many bank branches have effectively utilised the VVV Clubs for promotion and nurturing of SHGs, as is evident from the fact that nearly 1,700 SHGs promoted by some of these Clubs have been financed by the nodal branches. Recent studies on the quality of SHGs and efficacy of VVV Clubs for promoting SHGs have shown that these Clubs, with proper orientation, can effectively promote good SHGs.

2. The importance of using the VVV Clubs for promoting SHGs can also be appreciated from the fact that many parts of the country do not have committed NGOs which could help banks in forming SHGs. This, at times, works as a constraint for the banking system in widening the formation and linkage of SHGs. Although many Regional Rural Banks have taken up promotion of SHGs through their own branch staff, periodic guidance and nurturing of the promoted SHGs, and maintenance and checking of their books of account by SHGs, etc. may become an impediment even in these branches, specially if the number of SHGs increases substantially. It is therefore felt that using VVV Clubs as extended arms of the bank branches may, in fact, help the branches promote, link, and monitor SHGs more effectively. It would also be useful for these branches to induct socially committed individuals in the vicinity of bank branches as their volunteers.

3. It has therefore, been decided to introduce a scheme for capacity building of the nodal bank branches, VVV Clubs associated with them and their Volunteers for upscaling the SHG promotion by VVV Clubs. The scheme also provides an opportunity to effectively use socially committed individuals living in rural areas to help the bank branches in this work. NABARD would be extending the required financial support to the banks in this regard. Besides meeting the cost of training to the branch staff, VVV Club volunteers, and SHG members, NABARD would also provide financial assistance to the banks for supporting the identified VVV Clubs in their SHG promotion initiatives. A detailed note on the scheme is given as **Annexure I**.

4. It is expected that with the introduction of this scheme, bank branches would be able to use the existing and new VVV Clubs for promoting a large number of SHGs and thereby build substantial business for themselves in a highly cost effective manner.

5. You are therefore requested to kindly advise the details of the scheme to all the controlling authorities and branches of your bank. Our Regional Offices and DDMs have been advised to extend all cooperation to your controlling authorities and branches. In case you need any further information or clarification, please do not hesitate in contacting us.

Kindly acknowledge receipt.

Yours faithfully,

Dr. Prakash Bakshi
Chief General Manager

Encl : As above

ANNEXURE I

The Scheme for Promotion of SHGs through VVV Clubs

Background and Rationale

1. What is VVV ?

Vikas Volunteer Vahini (VVV) programme was conceptualised by NABARD, as an experiment in social engineering in the field of rural banking in India in the backdrop of multi-pronged action on the part of the lending institutions. The thrust of the programme is to instill better credit discipline among the rural fraternity by bringing together a body of the rural borrowers who had successfully availed of and utilised bank credit. This body of rural borrowers referred to as a "Farmers Club' or a VVV club is an informal forum set up in a village/cluster of villages by a bank within the Service Area of its identified branch. The club consists of 10-15 farmers, artisans and members of weaker section/persons of small means who had made good use of credit and repaid in time. The club is primarily responsible for propagation of the below mentioned five principles of 'Development through credit' among the fellow villagers.

- i. Credit must be used in accordance with the most suitable methods of science and technology
- ii. The terms and conditions of credit (or techno-economic parameters) must be fully respected.
- iii. Work must be done with skill so as to increase productivity and income.
- iv. A part of the additional income created by credit must be saved.
- v. Loan instalments must be repaid in time and regularly so as to recycle credit.

2. Why promote SHGs through VVV Clubs ?

- There are large areas where such NGOs do not exist.
- In quite a few cases, bank branches have themselves taken up promotion, nurturing and linkage of SHGs. Such branches have seen the good results of SHG linkage and would like to promote and link more SHGs. Strong local presence, better appreciation of local needs and problems, and proximity to poor are the key requirements for anyone promoting SHGs. Generally, NGOs were expected to have these traits. In fact, VVV Clubs can have these traits much better than any other agency and are therefore better placed in organising poor into SHGs and subsequent nurturing.
- Linkage of such promoted SHGs would be faster since the nodal bank would be actively participating in the process.
- The core objective of VVV Clubs is facilitating "Development through Credit" and inculcation of repayment ethics, etc. Promotion of SHGs would further complement the overall objectives of the VVV Clubs.
- Use of VVV Clubs for promotion of SHGs has therefore been found to help the banks in solving the twin problems of high transaction cost and poor recovery. The VVV clubs

therefore, may function as extended arms of banks with little additional cost in promotion and linking of SHGs.

- It would allow local socially committed people to associate with the VVV Clubs and help the banks in promoting and training SHGs.
- Community and development activities can be organised periodically by the VVV Clubs rather than relying on outside agencies for the same.

3. Steps in promotion of SHGs through VVV Clubs :

3.1 Identifying suitable branches

Controlling authorities of banks may identify active VVV Clubs, and also those branches where banks would like to start this scheme. Even inactive VVV Clubs with potential for reactivating could also be considered with due care and moderation. Consultation with DDM / Regional Office of NABARD may facilitate this process. There is no limitation to the number of branches for any bank where this scheme can be started. Once the branches where this scheme will be started during each year is finalised, their names can be advised to the NABARD Regional Office.

3.2 Selecting “SHG-Volunteers”

First, it is essential to create an awareness among the selected branch and Volunteers of the VVV Club about the scheme, its objectives, approach, role of different partners, benefits of SHG promotion, etc. Either this could be done through discussions on the subject in a special meeting of the VVV Club or by conducting a joint one-day awareness programme for say, 5 VVV Clubs with concerned nodal branch managers, Chief Volunteers and 4-5 other Volunteers from each selected VVV Club as participants. The bank may arrange for a joint awareness programme. The Regional Office and the concerned DDM of NABARD have been advised to assist the banks in arranging such joint awareness programmes. The module for such a one-day sensitisation programme is given in Exhibit I. In case the number of participants is less, such programmes can be organised jointly for VVV clubs of different banks also. After the joint awareness programme, the VVV Club and the nodal branch manager are expected to select **1 or 2 “SHG-Volunteers”**, who would be taking up promotion of SHGs.

3.3 Selection of SHG-Volunteers for promotion of SHGs

Proper selection of SHG-Volunteers is key to the success of the programme. Willingness, experience in social sector activities like health, education, their acceptability among the poor (especially women), availability of time for nurturing of groups, ability to manage conflicts within the group members, ability to train SHG members in maintenance of books of account, etc., are important parameters for selection of SHG-Volunteers for promotion of SHGs.

In tune with the VVV principles, defaulters to banks / cooperatives must not be selected. The SHG-Volunteers could be the existing members of the Farmers’ Club or others from the same village or nearby villages. Preference could be given to women, but this is not a necessary condition. Initially, not more than two SHG-Volunteers may be identified per VVV Club. Such SHG-Volunteers could be co-opted as members of the Club.

3.4 **Training of SHG-Volunteers in SHG promotion**

Once the SHG-Volunteers are selected, NABARD Regional Office may be requested to arrange for a two-day training programme for them for imparting the basic skills and knowledge on promotion and nurturing of SHGs. The participants for the training programme may also include the nodal branch representative and the Chief Volunteer. It may be ideal to have such a training programme covering participants from 5 to 6 VVV clubs, even if they belong to different banks. A training module for this purpose is given at Exhibit II.

3.5 **Promotion of SHGs by SHG-Volunteers**

After the two-day training programme, the selected 1 or 2 SHG-Volunteers would take up promotion of SHGs under the overall supervision of the Club and the nodal branch. It is expected that over a period of one year, it would be possible for such SHG-Volunteer/s to promote 10 good quality SHGs. The SHGs are expected to consist of **only poor members** with features such as **homogeneity** and **affinity** among themselves. Emphasis may be given to promotion of **women** SHGs.

3.6 **Opening of Savings Bank Account of SHGs**

Once an SHG is organised, the nodal branch would open a savings bank account of the SHG as per the prevailing instructions. The SHG-Volunteers, under overall guidance of the VVV Club and nodal branch would continue to nurture the promoted SHGs.

3.7 **Credit Linkage of SHGs**

The credit linkage would be established by the branch only after a period of about six months from starting of the savings and internal lending activities of the SHG and also subject to the rating norms accepted by the bank being fulfilled by the concerned SHG.

4. **Financial Assistance to the banks / Farmers' Clubs :**

The details of financial assistance to the banks from NABARD are given below :

4.1 **Training / Sensitisation Costs**

If the training programme is organised by banks, NABARD would be willing to reimburse the actual cost of the one-day awareness programme within a limit of Rs. 3000 per programme. This would cover the costs like venue, stationery, honorarium to trainers, lunch and refreshments, reimbursement of bus or II class train fare to the volunteers, etc. The entire cost of the two-day training programme would be borne by NABARD.

4.2 **Reimbursement of cost of promotion of SHGs to SHG-Volunteers**

Though the SHG-Volunteers would be putting in voluntary efforts in promotion of SHGs, they may have to incur some expenditure on going from one place to another etc. In order not to burden them with any additional expenditure from their side, it is envisaged to provide one time financial assistance to the VVV Clubs to meet such expenditure incurred by the

SHG-Volunteers at the rate of Rs. 500 per credit linked SHG, with a maximum of Rs. 5,000 per VVV Club for 10 SHGs. The SHG-Volunteers are not required to maintain any details of the expenditure incurred by them in promotion of SHGs to the VVV Club.

4.3 **Stationery / Books of account for SHGs**

The NABARD Regional Office would arrange to provide for stationery / books of account to the nodal branch / VVV Club for the use of the promoted SHGs, at a cost not exceeding Rs. 200 per SHG.

4.4 **Incentive for the VVV Club for monitoring and guiding the SHG-Volunteers and SHGs**

Since the VVV Club would be taking up monitoring of the work of SHG-Volunteers and guiding the SHGs promoted, it is also envisaged to recognise such initiatives of VVV Clubs by providing an incentive of Rs. 200 per credit linked SHG with a maximum of Rs. 2,000 for 10 SHGs to the Club. The nodal branch would release the amount to the Club at the rate of Rs. 200 per credit linked SHG. The modalities of using the money would be left to the discretion of the VVV Club.

5. Mode of Release of Financial Assistance by NABARD:

5.1 The Controlling Authority of the nodal branch would first express their interest in associating selected branches and seeking (i) financial assistance of Rs. 3,000 for conduct of the one-day awareness programme for the nodal branch manager and the VVV Club members (if the programme is proposed to be conducted by the bank on its own) **or** requesting NABARD Regional Office to arrange for such a programme and make direct expenditure on the programme, and (ii) conduct of a two-day training programme for SHG-Volunteers/Chief Volunteer/ nodal branch staff as per the proforma of letter given in Exhibit III.

5.2 After the conduct of the awareness programme and two-day training programme, the Controlling Authority may seek NABARD support for (i) providing stationery to the SHGs to be promoted, and (ii) assistance of Rs. 5,000 per VVV Club to enable these Clubs reimburse the cost of promotion of SHGs to SHG-Volunteers as per the proforma letter given in Exhibit IV.

5.3 NABARD would release Rs. 5,000 per VVV Club in advance to the nodal branch, which will in turn, credit the same to the savings bank account of the VVV Club. It is clarified that this advance of Rs. 5,000 is to be used by the VVV Clubs exclusively for reimbursement of expenditure incurred by SHG-Volunteers on promotion of SHGs and is not to be utilised for any other activities of the VVV Club for which separate assistance is available from NABARD. The nodal branch would release the amount to the VVV Club, at the rate of Rs. 200 per SHG promoted on opening of savings bank account of the SHG and its successful functioning for three months and the balance of Rs. 300 per SHG would be released on the SHG meeting the sustainability parameters mentioned in para 8. Only such of the SHGs promoted by the VVV Clubs after their selection under the scheme and training of SHG-Volunteers would be kept in view by the nodal branch while releasing the assistance to the VVV Club. The Club would decide the manner of utilising the assistance for recongising the voluntary work done by the SHG-Volunteers in consultation with the nodal branch.

5.4 Additional assistance of Rs. 200 per credit linked SHG, maximum Rs. 2,000 per VVV Club, towards the incentive to the VVV Club for monitoring and guidance to SHGs, as indicated at Para 4.4 above would be released by the Regional Office of NABARD on receipt of intimation of credit linkage of a minimum of 5 SHGs by the nodal bank branch.

6. Promotion of more than 10 SHGs by VVV Club :

The module of financial assistance has been evolved for facilitating promotion and nurturing of 10 SHGs per Club. However, after the promotion and credit linkage of first 10 SHGs, in case the nodal bank branch is satisfied about the feasibility of promotion of more SHGs in the same village or nearby villages through the identified VVV Club, pro rata additional financial support would be considered on merits of each case. The bank may interact with the Regional Office of NABARD for this purpose.

7. Monitoring :

The nodal bank branch would furnish to NABARD Regional Office a quarterly statement in the prescribed proforma (given in Exhibit V) showing the progress in promotion of SHGs, opening of savings bank accounts and credit linkage of SHGs.

8. Performance Indicators :

It is expected that a VVV Club through the SHG-Volunteers would promote 10 SHGs over a period of maximum two years. The SHGs promoted may have the following operational features:

- The membership of SHGs should not be less than 10 and more than 20.
- A minimum of 40 weekly meetings of a SHG must have been conducted in a year. Only if there are compelling reasons for not having weekly meetings due to long distances that SHG members have to travel to attend the meetings should fortnightly meetings be accepted. In that case, a minimum of 20 fortnightly meetings per year should be conducted.
- Level of average attendance in the meetings must be above 85 %.
- The SHGs and their members would be regular in weekly / fortnightly savings. With minimum savings of Rs.1 per day, an SHG should be able to mobilise a minimum savings of Rs. 2,500 by the end of the first half year to qualify for a bank loan.
- The account books (books with the SHG and individual pass books) and a brief record of meetings should be properly maintained.
- All the SHGs should have internal lending from out of the savings mobilised for at least 6 months before approaching the branch for loan.

9. Roles of SHG-Volunteers

Identified SHG-Volunteers of selected VVV Clubs would take up promotion of the SHGs of the poor. They would,

- assess the rural poor households in the area of operation of VVV Club
- propagate SHG concept among the poor, especially women, through awareness building

- organise the rural poor into homogeneous and affinity groups
- initiate regular meetings, thrift and internal lending activities of the SHGs
- select only one person from a family and make her/him a member of the SHG
- help the formed SHGs in book keeping and record maintenance
- assist SHGs in conflict resolving, group dynamics and regular meeting
- assess the training needs of SHGs
- assist the SHGs in opening Savings Bank Accounts with the bank branch
- assist the SHGs in assessing the credit requirements of members
- encourage SHGs to start internal loaning from the savings mobilised and also in deciding the terms of such internal loaning.
- encourage SHGs to take up self rating
- help SHGs in credit linkage with the branch
- involve SHGs in social activities
- monitor progress of development of SHGs after credit linkage
- maintain liaison with the VVV Club and the bank branch

10. Advantages of SHG promotion to VVV Club

Promotion of SHGs through VVV Clubs, being complementary to the objectives of VVV Programme, is expected to enable the Club to focus on disadvantaged sections of the village community. The Club would be able to harness the latent spirit of social service available in many rural individuals. SHGs will help enlist participation of hitherto unreached segment of the village community in financial, economic and social developmental activities of the Club, making them more dynamic and vibrant. SHG promotion activity of the clubs will add a new dimension to the role of VVV Clubs. The Clubs would get support from the SHGs in popularising the principles of 'Development through Credit'.

11. Advantages to Banks

Financing of SHGs has been increasingly accepted as a cost effective mechanism for banks in expanding the outreach to the poor and adding quality loan portfolio to their branches. However, banks continue to depend largely on the NGOs for promotion of SHGs due to various reasons including the availability of time and appropriate manpower in rural branches. By utilising the services of VVV Clubs, the banks would be able to externalise a number of functions in promotion of SHGs in a cost effective manner. Utilising services of the socially committed rural individuals in promotion of SHGs through VVV Clubs would help intensify participation of banks in areas with low NGO presence. Besides the direct business accrual in banking with SHGs, the branch is expected to benefit from generation of good-will for the branch in service areas which may get translated into incremental business and good repayments from other rural clients.

EXHIBIT I

MODULE FOR ONE-DAY JOINT AWARENESS PROGRAMME FOR BRANCH MANAGER AND A FEW VOLUNTEERS OF VVV CLUB

Session	Contents	Inputs preferably from	Mode	Duration
1	Programme objectives	Coordinator (could be official of controlling authority of banks/ NGO / NABARD)	Presentation	15 minutes
2	Assessment of microFinance problems (savings and credit) faced by the poor and magnitude of such problems in area of operation	Nodal branch managers / controlling authority officials	Discussion / participation oriented	45 minutes
3	What is SHG, why SHG, for whom SHG and SHG-Bank Linkage Programme	Experienced NGO / bank / NABARD official	Presentation followed by clarifications	1 hour
4	VVV Club in SHG Promotion : The scheme objective, modalities, roles of nodal branch, Farmer's Club, SHG-Volunteers, financial aspects of the scheme, how to monitor and guide the SHG-Volunteers and SHGs	Experienced bank / NGO / NABARD officials	Presentation followed by clarifications	1 hour 30 minutes
5	<i>SANKALP SATRA</i> - (Preparation of an action plan for each VVV Club covering assessment of poverty, scope for promotion of SHGs in their village/s, availability of potential SHG-Volunteers and time frame for their selection, etc followed by VVV Club wise presentations)	Coordinator to moderate the presentations by the VVV Clubs and nodal branches	Group work followed by presentations	1 hour

Suitable lunch break to be given as per the timings of the programme.

EXHIBIT II

MODULE FOR A TWO-DAY TRAINING PROGRAMME ON PROMOTION OF SHGs FOR THE SHG-VOLUNTEERS, CHIEF VOLUNTEER AND NODAL BRANCH

Session	Contents	Inputs preferably from	Mode	Duration
DAY I				
1	Programme objectives	Coordinator (could be experienced NGO / NABARD official)	Presentation	15 minutes
2	Assessment of microFinance problems (savings and credit) faced by the poor and magnitude of such problems in area of operation	Coordinator	Discussion / participation oriented	45 minutes
3	Concepts of Self Help Groups	Experienced NGO / bank / NABARD official	Presentation	45 minutes
4	What are the features of a good SHG ? What is self-rating by SHGs ? Rating of SHGs by banks.	Experienced NGO / bank / NABARD official	Presentation	1 hour
	Lunch break			45 minutes
5	Features of SHG-Bank Linkage Programme	Experienced bank / NABARD official	Presentation	45 minutes
6	Role of SHG-Volunteers. How to organise poor into homogeneous and affinity groups ?	Experienced NGO	Presentation - cum- discussions	1 hour
FIELD VISIT TO TWO SHGS IN SEPARATE GROUPS				

Sessi on	Contents	Inputs from	Mode	Durati on
DAY II				
1	Impressions on field visits	Groups to present their observations and coordinator to moderate discussions		1 hour
2	Conduct of meetings and group dynamics	Experienced NGO		45 minutes
3	Importance of regular savings and initiation of internal loaning	Experienced NGO		45 minutes
4	Loan appraisal, determination of rates of interest, repayment schedule, modalities of loan sanction by groups	Experienced NGO		45 minutes
	Lunch break			45 minutes
5	Maintenance of records and books of accounts at SHG level (A model set of books of accounts to be given to participants)	Experienced NGO	Presentation - cum- discussions	45 minutes
6	Group exercise on conduct of meeting, mobilisation of savings, appraisal of loans, writing of minutes and books of account	Coordinator to moderate and guide the discussions		1 hour 15 minutes
7	Social issues and empowerment	Experienced NGO		30 minutes
8	SANKALP SATRA (Preparation of an action plan for each VVV Club covering assessment of poverty, scope for promotion of SHGs in their village/s, availability of potential SHG-Volunteers and time frame for their selection, etc followed by VVV Club wise presentations)	Coordinator to moderate and facilitate preparation of SHG - Volunteer wise / VVV Club wise action plan	Presentations by SHG-Volunteers and Clubs	1 hour

EXHIBIT III

PROFORMA OF LETTER FROM CONTROLLING AUTHORITY OF BANKS EXPRESSING INTENTION TO ASSOCIATE FARMERS' CLUB/s IN PROMOTION OF SHGs and SEEKING ASSISTANCE FROM NABARD

The General Manager/ Chief General Manager
NABARD
Regional Office,

Dear Sir,

Associating VVV Clubs for promotion of SHGs

With reference to your circular No. NB.MCID.68/ 96(3)VVV/ 2000-01 dated 28 April 2000, we are pleased to advise that the following VVV Clubs have volunteered for taking up promotion of SHGs.

Name of VVV Club	Nodal Branch	Block	District

2. We would like to conduct the one-day joint awareness programme for the nodal branch managers, Chief Volunteers and other few Volunteers of the VVV Clubs through experienced officers of our bank. You are therefore requested to kindly release Rs.3000 for such a training programme covering the above VVV Clubs. You are further requested to kindly organise a two-day training programme for the SHG-Volunteers in a suitable later date.

OR

2. You are requested to kindly arrange for the following :

- Conduct of one-day joint awareness programme for the nodal branch managers, Chief Volunteers of these clubs and a few other volunteers from these VVV Clubs and
- Conduct of a two-day training programme for the SHG-Volunteers and Chief Volunteers of these VVV Clubs and nodal branch staff.

Yours faithfully

Controlling Authority

EXHIBIT IV

**PROFORMA OF LETTER FROM CONTROLLING AUTHORITY OF BANKS
SEEKING FINANCIAL ASSISTANCE FROM NABARD**

The General Manager/ Chief General Manager
NABARD
Regional Office,

Dear Sir,

Associating VVV Clubs for promotion of SHGs

With reference to your circular No. NB..MCID. 68/ 96(3)VVV/2000-01 dated 28 April 2000, we are pleased to advise that the following VVV Clubs have already been covered under the two-day training programme on promotion of SHGs and are now ready to take up promotion of SHGs.

Name of VVV Club	Nodal Branch	Block	District

2. You are requested to kindly arrange for the following :

- Provide _____ sets of stationery and books of accounts for the SHGs to be promoted.
- Release of Rs.5000 per club towards the reimbursement of productivity linked expenditure on promotion of SHGs.

Yours faithfully

Controlling Authority

EXHIBIT V
Scheme for promotion and linkage of SHGs by VVV Clubs by banks

Progress Report for the quarter ending _____ (June/Sept/Dec/March)

Name of the Nodal Branch:

Block :

Name of bank :

District :

Name of the VVV Club	
Number of SHG-Volunteers	
SHGs promoted during the quarter	
Cumulative No. of SHGs promoted	
Cumulative No. of SHGs whose Savings Bank Accounts opened	
Cumulative No. of SHGs started internal lending	
Cumulative No. of SHGs credit linked	
Aggregate Amount of First Loan disbursed to such SHGs so far (Note : Only first loans to be indicated.)	
Average loan repayment to banks by SHGs in % age	

Note :

In this statement, branch may report the figures in respect of only such SHGs which are promoted by SHG-Volunteers under VVV programme

The statement may be forwarded by the nodal branch to the Regional Office of the NABARD with copies to the controlling authority and concerned DDM of NABARD.

Progress Report to be submitted within 15 days of end of each quarter.

Progress Report to be submitted ONLY till the 10 SHGs are credit linked and upto a period of two years, whichever is later.
