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Government of India
Ministry of Rural Development
Department of Rural Development
(RL Division)

7th Floor, NDCC Building II,
Jai Singh Road
New Delhi 100 001
Dated: 08th February, 2018

To,
The Principal Secretary/Secretary (RD&PR) all States/UTs
Mission Director/CEO of SRLM all States/UTs

Subject: Implementation of Community Based Recovery Mechanism (CBRM) and placement of Bank Sakhi

Madam/Sir,

The mission under the Ministry of Rural Development is closely working with Banks for eliminating rural poverty through mobilizing poor rural women into community based institutions like Self Help Groups (SHGs) and strengthening their livelihoods. SHG Bank linkage is one of the most important pillars of the entire program. As a strategy to speed-up the process of linking eligible SHGs with banks, streamline the transaction by SHG members with banks and reduce NPA, it is desirable that SRLMs take up a systematic implementation of Community Based Recovery Mechanism (CBRM) and place Bank Sakhis in all bank branches. It has been experienced from few states that implementation of this mechanism has boosted the overall flow of credit to SHGs and reduction of NPA.

National Workshop was organized from 21st to 25th January, 2019 at New Delhi with participants from 13 NRETP States and N/W including GOA. For N E States except Assam, it was held from 29th January to 1st February 2019 at Guwahati. It was gathered that Bank Sakhi has played significant role in implementation of CBRM and specially in those rural branches which are facing staff crunch. Some of the SRLMs informed that they are not in a position to place Bank Sakhi in all the bank branches due to provision of positioning of Bank Sakhi in branches having certain number of SHG accounts. All SRLMs are requested to make necessary arrangements for systematic implementation of CBRM and placement of Bank Sakhi in all the branches engaged in SHG financing. Guidelines on implementation of CBRM are attached. Illustrative list of arrangements for implementation is as below:

1. Developing a policy/Amendment in the existing policy for Bank Sakhi/CBRM (including provisions for honorarium)
2. Vetting of policy on CBRM and Bank Sakhi by SLBC
3. Identification of bank branch for implementing CBRM and placement of Bank Sakhi
4. Identification & Training of Bank Sakhi
5. Formation of CBRM committee and institutionalization of CBRM meeting process at bank branches
6. Setting up of review and monitoring mechanism for CBRM and Bank Sakhi

Enc:a/a

Yours faithfully,


(Leena Johri)

Joint Secretary to the Govt. India

Background

Self Help Groups (SHGs) have been recognized as a community based programme for poverty alleviation and empowerment of poor through building access to institutional finance. The SHG-Bank Linkage Programme has emerged out of a modest pilot by NABARD way back in 1992 to evolve as a major plank of the strategy for delivering financial services to the poor in a sustainable manner. The programme has expanded at a fast pace in India and now considered as the largest community based microfinance programme in terms of outreach in the world. As on 31 March, 2018, an estimated about 8.7 million SHGs are saving linked out of which about 5.02 million SHGs are credit linked with a total outstanding amount of Rs 75,598 Cr.

The SHG programme has proven beyond doubt its relevance in poverty alleviation and delivering financial services to poor. However, there are few concerns which need to be addressed. One of the key concern expressed by Banks is the rising Non Performing Asset (NPA) on loans to SHG.

Ministry of Rural Development, Government of India is implementing the DAY – NRLM. Self Help Groups are the mainstay of this programme. The programme has a strong focus on building access to financial services to poor. In order to facilitate stronger linkage between SHGs and banks, DAY- NRLM is promoting the concept of Community Based Recovery Mechanism (CBRM) to address the issue of non-repayment or delayed repayment of loans to SHGs. The concept implemented in the states like Telangana, Andhra Pradesh, Bihar, West Bengal, and Odisha has been successful in ensuring prompt repayment and bring down the NPA level in SHG loans. DAY - NRLM will extend all support to banks to expand this to all branches where the programme is being implemented.

Community Based Recovery Mechanism (CBRM)

Community Based Recovery Mechanism (CBRM) is a community managed system where by a committee with representatives drawn from various SHGs or their federations take responsibility of monitoring SHG banks linkage and also ensure prompt repayment by SHG to banks by enforcing rules and social pressure.

Structure of Community Based Recovery Mechanism (CBRM)

The Community Institution structure envisaged under DAY- NRLM suggests formation of a primary level federation at all village or Gram Panchayat Level. At each primary level federation SHG Bank linkage sub-committee with 2-3 members is being facilitated.

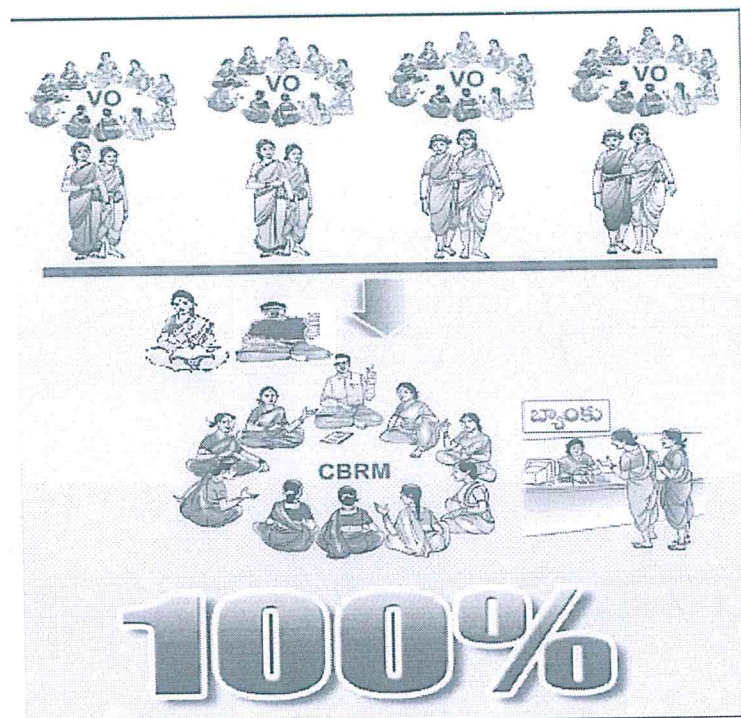
Community Based Recovery Mechanism (CBRM) committee will be formed at each bank branch level with the members of the SHG-Bank linkage sub-committee from all primary level federations falling within the service area of the bank branches. The Committee will be chaired by the Branch Manager of the respective Bank Branch. The committee formed will be informal in nature.

In areas where the SHG Bank linkage sub-committees under SHG Federations are yet to be promoted, it is recommended that a committee with leaders from select SHGs within the service area of the branch may be formed under the supervision of the branch manager.

Other members like Bank Sakhi (if positioned under the bank branch), book keeper of federation and State Rural Livelihood Mission (SRLM) staff of the area may also be included in the committee.

Suggested member of the Community Based Recovery Mechanism (CBRM) committee:

1. Respective Bank Branch Manager as Chairman of the committee
2. Members of the Bank Linkage sub-Committee (2-3 members) from all Primary level Federations within the Bank Branch Area
3. Bank Sakhi placed with the bank branch
4. Book keeper of Federation
5. Staff of SRLM in-charge of the area (Community Coordinator/ Area Coordinator/ PFT member)



Roles & Functioning

The CBRM committee will hold meeting at least once a month preferably on a pre-decided day at the bank premises or any other location as decided by the committee members. The Chairman of the committee may also convene additional meeting if the situation demands.

Mandatory Agenda for CBRM committee meetings

1. Discussion on the repayment performance of each Credit linked SHG (Village wise) during last month
2. Discuss in details on reasons for defaults in any SHG and prepare follow-up/ action plan (with responsibility of SHG leaders, Bank Sakhi, SRLM staff and Bank Manager)
3. Discussion on plan for the next month
 - Repeat Credit linkage of SHGs
 - Credit linkage of new SHG
 - Opening of SB A/C for new SHG
 - Opening of SB A/c for individuals

Minutes of each meeting may be noted with detailed actions to be performed by each member. Branch Managers may also provide basic inputs on financial literacy to the members of the committee.

Reporting

All bank branches should report the formation of CBRM committee to respective BLBC. BLBC and DCC should also monitor the conduct of monthly meeting of the CBRM committee.