

SHG Credit Data Reporting: Overcoming Obstacles and Way Forward

Introduction

In June 2014, RBI mandated universal reporting of credit data of SHG members to Credit Information Companies (CICs) with the objective of having access to reliable credit information of SHG members for credit appraisal by banks and furthering the agenda of financial inclusion among those who are unbanked and underbanked. Prior to this, financial institutions such as banks and MFIs were mandated to do so by RBI. These regulations were also expected to reduce over-indebtedness of individual customers. However, banks and other financial institutions faced several practical challenges in its implementation. In view of this, RBI constituted a working group with members from within RBI, NABARD and Credit Information Companies (CICs) to discuss the implementation challenges and suggest measures to address them¹.

Implementation

The collection and reporting of credit data of SHGs took place in two phases with emphasis on quality of data collected and reported. The first phase began on July 1st 2016 and the second phase on July 1st 2017 with the data collected in the second phase to be more detailed. Additionally, the credit information collected was directed to be more detailed for members whose loan amount exceeds 30,000 INR¹.

Type of information to be collected	Criteria for collection and reporting of information	Mechanism of collection of information
Credit Information	For members of those SHGs that avail bank loans exceeding 1 lakh	Information can be collected directly by banks from CICs
Non-Credit Information	For members of all SHGs irrespective of the loan amount	Information will be collected through the SHG group at the time of opening of a new savings bank account of the SHG

Source: <http://www.ifmr.co.in/blog/2016/02/10/credit-information-reporting-for-self-help-group-members/>

Challenges

- SHGs in particular face a number of challenges with respect to credit data reporting. One of the issues is that most of the banks lack individual members' records as they maintain SHG data as a group. Additionally, there is no common form of KYC/ ID accepted throughout the country, which leads to duplicate credit records. Reporting individual level data is a cumbersome process and requires additional staff at bank branches that particularly focus on this².
- The SHG bank linkage programme is over two decades old and would require tracking and reporting historic data, without which, poor individual SHG members risk being excluded from credit in future.
- Challenges may also arise due to data quality issues in CICs. One of the reasons is the lack of a widely accepted unique ID, as mentioned above. Unless this is done, there can be no guarantee of an error free data capture. Banks face different data rejection experience when dealing with the CICs with the same data

and format as different CICs have different norms on data quality. There is no check and monitoring of poor quality of data in cases of repeated rejections, even though it is the responsibility of member banks to ensure 100 percent error free data and it is very necessary to know at the bank level the reasons for data rejection³.

- Finally, financial support to cover additional costs of member level tracking and reporting is required as the government has always directed the PSU banks to lend to SHGs at lowest possible interest rates, which makes it difficult for banks to cover these additional costs. So far, it remains unclear as to who would bear the burden of incurring additional costs with regard to digitizing the data.

Current Initiatives and Way Forward

One of the initiatives which may be useful in streamlining the credit information collection and reporting of SHG members is the E-Shakti or Digitization of SHGs, which is an initiative of NABARD and is being implemented in 100 districts across the country. The E-Shakti initiative will bring all the data related to SHGs on a common web based platform. The data includes information of all members, transactional data, as well as SHG level data. As this initiative aims to bring all the social and financial information of SHG members on a common platform, it will help in channelizing the credit information and can be used by relevant stakeholders like banks and CICs in an efficient way⁴.

Progress on EShakti



Source: <https://eshakti.nabard.org/Default.aspx>

Policy Implications

The RBI with the SHG credit data reporting initiative, is further formalizing the SHG movement which will help the SHG loan market to develop as an asset class with easy access to reliable information. This is a step in the right direction as it will improve the accessibility and usage of credit received by the SHG members and will promote inclusive and affordable finance. Initiatives such as digitization of SHG accounts will lead to greater transparency in the SHG movement that has played a pivotal part in the financial inclusion space in India for the last 25 years. Government along with regulators need to continue taking steps in this direction and using technology as an enabler for better outcomes and impact of the SHG program.

References

- 1-www.ifmr.co.in/blog/2016/02/10/credit-information-reporting-for-self-help-group-members/
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