

CHAPTER – 3
EVOLUTION OF SHGS IN INDIA

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1. The Early Years

Self help groups (SHGs) first emerged in Mysore Resettlement and Development Agency (MYRADA) in 1985. In 1986-87 there were some 300 SHGs in MYRADA's projects. Many had emerged from the breakdown of the large cooperatives organized by MYRADA. In these areas, a number of members asked MYRADA to revive the credit system. They usually came in groups of 15-20 when reminded of the loans they had taken out from the cooperative, they offered to return them to MYRADA, but not to the cooperative, which in their experience was dominated by a few individual MYRADA staff suggested that they return the money to themselves – in other words to the members who had come in a group to present their case to MYRADA. After some hesitation, they decided to continue meeting in these smaller groups.

MYRADA staff realized that they would need training; how to organize a meeting, set an agenda, keep minutes, etc. efforts were made to train the members systematically. On analysis it emerged that the members were linked together by a degree of affinity based on relationship of trust and support, they were also often homogeneous in terms of income or of occupation (for example, agricultural labourers), but not always. Caste and creed played a role, but in several groups, affinity relationship and economic homogeneity were stronger, as a result, several groups included different castes and creeds.

From the time that the first SHGs emerged in 1985 to the inclusion of the SHG strategy the annual plan for 2000-01 (Government of India, 2000), several important steps were taken by the National Bank for Agriculture and Rural Development (NABARD), the

Reserve Bank of India (RBI) and leading NGOs as well as by multilateral agencies, particularly IFAD. The SHG strategy is an important component of the Government's overall thrust to mitigate poverty and has been included in every annual plan since 2000. This period of 20 years can be divided broadly into two phases.

Phase I : From 1987 to 1992

During this phase – largely omitted in recent studies – NABARD focused on supporting NGO initiatives to promote SHGs and on analyzing their potential and performance. In 1987 NABARD first put funds into the SHG/SAG' movement (in response to a proposal from MYRADA submitted in 1986). In 1987 it provided MYRADA with a grant of 1 million Indian rupees (Rs.) to enable it to invest resources to identify affinity groups, build their capacity and match their savings after a period of 3 – 6 months. The grant was based on MYRADA's experience in promoting SHGs since 1985 and the initiative of the NABARD chairperson at the time, Shri P.R. Nayak.

In 1989 NABARD launched an action research project in which similar grants were provided to other NGOs. After an analysis of this action research, and owing to the efforts of successive NABARD chairpersons and senior management, in 1990 RBI accepted the SHG strategy as an alternative credit model. NABARD (1992) issued guidelines to provide the framework for a strategy that would allow banks to lend directly to SHGs. Based on these initial experiences, the SHG – Bank Linkage Programme was launched in 1992 (this second phase is described in Section III). Since then – and on the basis of its extensive network of officers – NABARD has promoted and monitored the SHG programme, provided funds for capacity building and innovation, and helped change policy to create an enabling environment.

The Tamil Nadu Women's Empowerment Project, an IFAD supported project implemented through the Tamil Nadu Women's Development Corporation, was the first project in the country, in about 1990, to incorporate the SHG concept in to a state-sponsored programme. MYRADA was asked to play a lead role, which it agreed to do in Dharmapuri District. This was a year or more before the launch of the SHG-Bank Linkage Programme. The empowerment of women was sought through SHG strengthening, with capacity-building modules, and through the provision of credit for income-generating activities.

2. Phase II : From 1992 Onwards the SHG-Bank Linkage Programme

The programme began in 1992 with a two-year pilot project to link 500 SHG's. It was indeed the pilot of the SHG-Bank Linkage Programme, although not of the SHG movement, with which NABARD had already been involved since 1987. Without that 1987 investment, the SHG movement would not have had official recognition and ownership. The SHG-Bank Linkage Programme was slow to take off, but has been speeding along since 1999. It has received unstinting support from RBI, the central and several state governments of India – notably Tamil Nadu, Andhra Pradesh, Maharashtra and Karnataka – and thousands of NGOs and the banking sector, as well as multilateral agencies, notably IFAD. This paper focuses on the progress of the SHG movement as reported by official documents, which understandably highlight the SHG-Bank Linkage Programme.

Although the data are difficult to verify, reports indicate that as of March 2006 there were about three million SHGs in India. Of these, about 1.6 million are linked to banks. NABARD (2005) provides data on the SHG-Bank Linkage Programme. It is an official publication into which NABARD has invested much work and care and it will be used as a reliable source of information, with the following clarifications. The

report provides information only on the 1.6 million SHGS/SAGs linked to banks. Its data only core cases in which refinancing is requested by the banks. The report also focuses, understandably, on the financial management of SHGs.

Owing to this social impact, MYRADA has pointed out that the SHG movement does not focus on the provision of credit, rather it focuses on the management of savings and credit. It is the experience of managing finance that gives poor people the confidence and skills to initiate and manage change in society. The SHG movement arises from the belief that it is not enough to teach people to fish when they cannot reach the river. There are hurdles in their way (class, caste and political) that the SHGs have been able to overcome. NABARD has also financed case studies focusing on these social issues and on the changes that SHGs have been able to initiate.

The SHG-Bank Linkage Programme is the major component of the SHG movement for which official data are available. Such data give a reliable overview of the progress of the movement in India.

By March 2005, the programme had provided credit to 1,618,456 SHGs with a membership of over 24 million poor families or about 120 million poor people, making it the largest microfinance initiative in the world. There are, however, many more SHGs in India than those to which the banks have advanced loans. Many banks have lent to SHGs, but have not asked for NABARD refinancing because they have ample funds or can mobilize funds at lower rates of interest. Hence these linkages are not reflected in NABARD's data.

Many of the SHGs that are functioning well have not approached banks for their own reasons-some, for example, have adequate savings and grants provided by NGOs to meet their requirements. In some areas, banks are located too far away from the SHGs. A number of

SHGs are too young to access bank loans, while others are functioning poorly and the thus ineligible. Hence the number of SHGs is greater than that reported in the NABARD document: other reports indicate that they number some 3 million, including the good, the average and the bad.

Tables 1 – 4 and Figures 1 and 2 provide data on the SHG-Bank Linkage Programme. They were taken from NABARD (2005).

Table 3 helps provide a clearer picture of the level of outreach that can be achieved in a year (in terms of new SHGs and financing).

Table 3.1: SHG coverage in India 1992-93 – 2004-05

Cumulative number of SHGs financed by banks	1,618.456
Number of poor families that have accessed bank credit	24.3 million
Estimated number of poor people assisted	121.5 million

Table 3.2: Bank loans (in Rs) 1992-93 – 2004-2005

Cumulative bank loans disbursed to SHGs	More than 68 billion
On-time repayment reported by participating banks	Over 95%

Table 3.3: Outreach in 2004-05

Number of new SHGs formed by formal agencies	352 575
Number of new SHGs formed by NGOs	716 122
Number of new SHGs financed by banks	539 365
Number of existing SHGs provided repeat financing by banks	258 092
Number of poor families accessing bank credit, including repeat financing	11.2 million

Table 3.4: Amount of loans (in Rs) disbursed by banks to SHGs in 2004-05

Bank loans disbursed to new SHGs	17266 million
Repeat loans disbursed by banks to existing SHGs	12676 million
Increase in credit flow to SHGs over the previous year	61%

While progress was slow from 1992 to 2001, the linkage programme really gained momentum over the past five years (Figure 1).

Figure 3.1: Number of new SHGs financed by banks during last five years

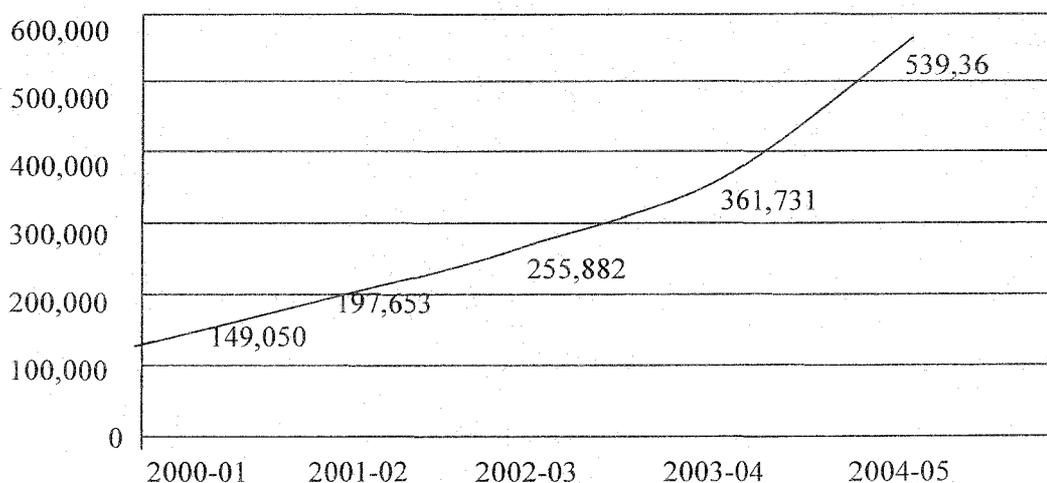


Figure 3.2: Bank Loans provided during last five (5) years

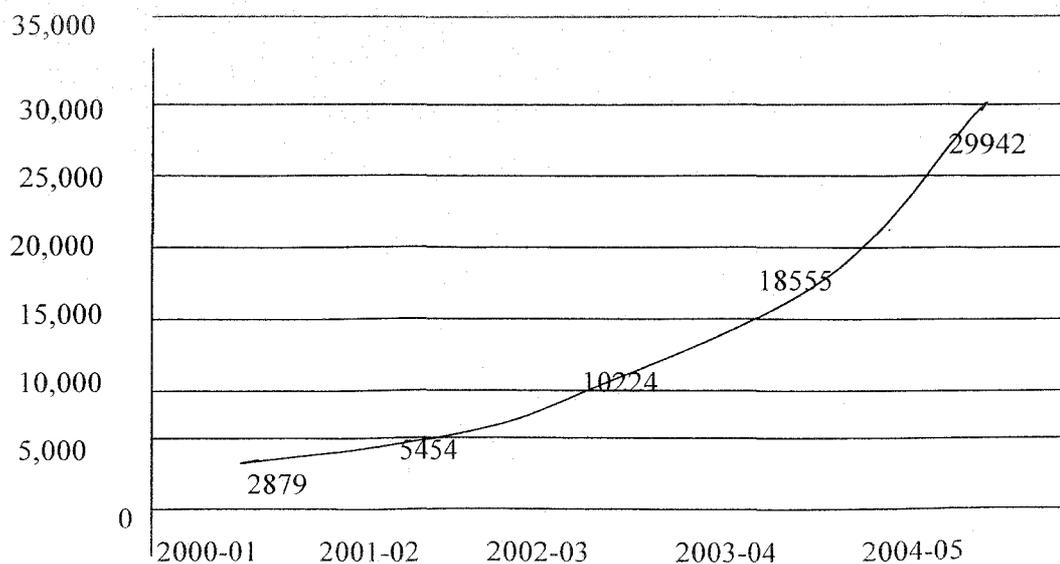


Figure 2 does not project a true picture of the total credit loaned by SHGs to their members for two reasons. First, the common fund of each SHG from which loans are given to members includes not only bank loans, but also savings, interest earned, etc. A breakdown of the total common fund (as of 31 December 2005) of the 9715 SHGs in MYRADA's projects gives the following picture: the total common fund amounts to Rs 1126 million, of which Rs 513 million is savings and Rs 485 million is the interest earned by SHGs on lending, the remaining Rs 128 million consists of bank loans, fines and contributions. Second, many banks that have extended loans to SHGs have not claimed refinancing from NABARD. Thus the total credit from SHGs to its members is actually far higher than the total amount lent by banks to SHGs.

NABARD/GTZ (2002) documents show that the SHG-Bank Linkage Model has also served the banks well.

The above data look very impressive. However, a note of caution should be added when data on the performance of repayment from SHGs to banks are collected from the banks. A recent visit by this writer to several SHGs in the state of Uttar Pradesh in northern India gave a different picture.

The SHGs were formed by government officials (Gram Panchayat secretaries). Each was controlled by one or two powerful women members and very little or no training was given to the SHGs. The Gram Panchayat secretary was paid to form the group. He received another payment to open a bank account and a further payment when the bank lent to the SHG. The visit showed that, in most SHGs, the dominant members controlled all funds, including the loan. In many cases they lent to people outside the SHG at very high interest rates.

They ensured that the bank loan was repaid, and thus the bank reported excellent performance.

3. Self Help Groups : Path Ways Out of Poverty in India

Self-help groups (SHGs) play today a major role in poverty alleviation in rural India. A growing number of poor people (mostly women) in various parts of India are members of SHGs and actively engage in savings (in actual term Thrift) and credit (S/C), as well as in other activities (income generation, natural resources management, literacy, child care and nutrition, etc.). The S/C focus in the SHG is the most prominent element and offers a chance to create some control over capita. The SHG system has proven to be very relevant and effective in offering women the possibility to break gradually away from exploitation and isolation. Almost all major donor agencies support SHGs in India in one way or another and many success stories are available, describing how membership in a SHG changed the life of a particular individual or group for the better. Many NGOs are promoting the SHG mechanism and linking it to various other development interventions.

The approach towards poverty alleviation is based on the formation of self-help groups at the grass root level. This brings about the necessity for organizing them in a group by which they set the benefit of collective perception, collective decision-making and collective implementation of programme for common benefits. This organization holds the power and provides strength and acts as an anti dote to the helplessness of the poor. The group saving of self helps groups serves a wide range of objectives other than immediate investment. The approach has evolved over the years in India. Before understanding the strength of SHGs as a tool in Poverty Alleviation, it is imperative to understand the evolution of various Poverty Alleviation programs in India.

4. Perspectives of Poverty Alleviation in India

Empowerment of the poor encompasses three basic dimensions—reduction of poverty, creation of employment, and erasing inequality. Since the magnitude of poverty challenges the very basis of State as an independent economic and political unit, it has been realized by the policy planners that development, needs to be people centered and participation oriented across various interfaces. Poverty Alleviation has thus assumed a new thinking and new practices have emerged through integrated community participation of the poor. The basis of the concept of micro finance is self-organization of the poor at the community level driven by a desire and an inherent capacity to improve their living conditions by themselves. Inspired by the success of the Bangladesh Grameen experiment, the self-help group approach in India has taken strong roots as an effective and viable channel to take the poor to a new domain of economic empowerment and social upliftment. Micro finance, which synergies the thrift and credit habits of the poor in a participatory and informal settings, is now widely acknowledged as a strategic tool to dent poverty in all poverty alleviation programmes. With the fast expanding Self Help Groups movement covering nearly 8 lakhs SHGs across the country, India is poised to provide pragmatic solutions by demonstrating the success of micro finance for eliminating total poverty in the coming decade.

Poverty as a global phenomenon has varied genesis, dimensions, and definitions. The definition of poverty is to be derived from a holistic approach to the multidimensional problem. While human poverty is generally interpreted based on motivation levels, income poverty is defined on the basis of minimum income levels required to meet basic consumption needs and amenities. The definition of poverty needs to go beyond these conventional interpretations and cover the deprivation of human dignity caused by vulnerability to social and cultural shocks

resulting in a low quality of life. The eradication of poverty has been an integral component of the strategy for economic development in India. 'Poverty line', the basic indicator of poverty according to the Planning Commission, is defined as "total consumption expenditure at which one can expect a person to be adequately nourished in the specific society under consideration". The underlying assumption is that people at the poverty line have just enough money to provide themselves with food that translates into 2200 calories per person. Large sample surveys are conducted by the National Sample Survey Organization (NSSO) to obtain the consumption expenditure of various groups of the population at an interval of approximately five years. Based on this, the incidence of poverty is estimated at national and state levels. It has indeed declined from 54.9% in 1973-74 to an all-time low of 26.1% in 1999-2000.

In view of the larger distribution of poor geographically as well as the magnitude of the population below poverty line, the central government has taken a pro-active stand in dealing with the problem. Policy planners have explored the following approaches in designing different poverty alleviation programmes.

- Area development to decrease regional disparities and to take care of vulnerable regions affected by natural calamities.
- Sectoral approach to assist the poor in their livelihood activities with major emphasis on farming.
- Targeted approach for a section of people by creating employment generation through development programmes.
- Empowering approach through financial incentives and credit support for self-employment enterprises in farm and non-farm sector.
- Multipronged approach with integrated spatial and social development.

Table – 3.5 : Overview of Poverty Alleviation Programs in India

Sl No	Programme	Target	Objectives	Approaches
POVERTY ALLEVIATION PROGRAMS INITIATED WITH AREA/SECTORAL/SECTIONAL APPROACH IN SEVENTIES & EIGHTIES				
1	Command Area Development Programme (CADP)	.....	Equitable development of backward areas	Area Development Approach
2	Drought Prone area Programme (DPAP)	.....	Relief/rehabilitation/promotion of suitable livelihoods in the affected areas.	Area Development Approach
3	Hill Area Development Programme (HADP)	.....	Development of hard terrain and disadvantaged areas.	Area Development Approach
4	Modified Area Development Programme (MADP)	.....	Development of hard terrain and disadvantaged areas.	Area Development Approach
5	Small Farmers Development Agency (SFDA) & Marginal Farmers and Agriculture Labourers Development Agency (MFAL)	Small and Marginal Farmers	Provision of inputs for poor farmers to pursue livelihoods in agriculture and allied activities.	Sectional Development Approach
6	Fish Farmers Development Agency (FFDA)	Fish Farmers		Sectional Development Approach
7	Large Agricultural Multipurpose Society (LAMPS)	Rural Poor	Direct assistance for livelihood promotion.	Sectional Development Approach
8	Economic Rehabilitation of Rural Poor (ERRP)	Vulnerable People		Sectional Development Approach
9	Massive Assistance Programme (MAP)	Vulnerable People	Special Assistance to Vulnerable section livelihoods/health/Literacy. Empowerment of	Sectional Development Approach

10	Special Assistance Programme (SAP)	Women & Children	Women & Children	Sectional Development Approach
11	Development of Women and Children in Rural Areas (DWCRA)	SCs	Empowerment of SCs	Sectional Development Approach
12	Scheduled Caste Action Plan (SCAP)			Sectional Development Approach
POVERTY ALLEVIATION PROGRAMS INITIATED WITH INTEGRATED APPROACH IN NINETIES				
13	Integral Rural Development Programme (IRDP)	Rural Poor	Functional, temporal & sectoral integration development of national resources human resources and provision of initiatives for holistic approach.	Integrated Approach
14	Integrated Tribal Development Agency (ITDA)	Tribal poor	As above, targeting tribal poor who constitute major disadvantaged section of poor.	Integrated Approach
15	Twenty Point Economic Programme (TPEP)	Rural & urban poor	Removing social and economic disparities raising productivity. Rural Poor	Integrated Approach
POVERTY ALLEVIATION PROGRAMS INITIATED RECENTLY WITH BENEFICIARY TARGETED & CREDIT SUPPORT FOR SHGs				
16	Swarnajayanthi Gram Swarozgar Yojana (SGSY)	Rural poor	Integrated initiatives for providing infrastructure, credit, marketing, utilities & services, training, etc., for promoting self employment, gender equality, community development projects, and overall empowerment of poor aimed at poverty alleviation.	Individual and self help group approaches cluster promotion, Direct grants/ subsidy-cum credit support.
17	Swarna Jayanthi Shahari Rozgar Yojana (SJSRY)	Urban Poor	Self employment for urban poor.	Individual & SHG subsidy credit support/training.

18	Jawahar Gram Samridhi Yojana (JGSY)	Rural poor	Employment assurance through wage employment. Provision of shelter with subsidized cost.	Beneficiary targeted.
19	Credit linked margin money Scheme of KVIC	Rural Por & semi-urban poor	Self-employment through village enterprises with raining & market.	Beneficiary targeted with credit subsidy support.
20	Prime Minister's Rozgar Yojana (PMRY)	Educated unemployed youth.	Self employment through micro enterprises with training.	Beneficiary targeted with credit and subsidy support/training.

5. Indian Experience of Poverty Initiatives:

The first anti-poverty program "Anthyodaya" aimed at the poorest of the poor, was kicked off in Orissa, the most backward state of India. Encouraged by the success of the scheme, a national programme was launched on a large scale under the name Integrated Rural Development Programme (IRDP) targeting below poverty line families in rural areas. This programme modified with the inclusion of Self Help Group pattern for beneficiaries under the name Swarn Jayanthi Gram Swa Rozgar Yojana, which continues to be the biggest employment generation programme for poverty alleviation in rural areas. The vulnerability of poor to passive risks of drought are tackled under Drought Prone Area Program (DPAP) where long term and sustainable asset creation is adapted as strategy for specific disadvantaged regions. IRDP, with massive dose of subsidy coupled with liberal bank finance and without collateral, was a large-scale financially structured initiative with project management units headed by senior bureaucrats in the country. Both programs were multi-sectoral in nature, as the programmes typically contained components from various sector such as roads, drinking water supply, and education. The administration of these centrally sponsored schemes could be traced to the system of centralized economic planning in 1952 which invariably resulted in the

centre taking a proactive role in formulation of development programmes falling in state list of subjects such as rural development, social, welfare, health, family welfare, area development, etc. The reasons for such an approach were generally scarcity of resources as well as technical expertise with states – and also the need for leadership initiative, which could be provided more effectively by the central government.

6. Strategic Shortcomings in Poverty Alleviation Programs

Three decades of experiments with poverty under the schemes have attained varying degrees of success due to some shortcomings in design and delivery.

- Improper delivery system affecting outputs in an adverse manner
- Insufficient funds for projects.
- Project Management Units were not sustainable management entities with dependence on several institutions both promotional and financial.
- Public sector banks expected to play a constructive role, and only could address the development issues partially.
- Lack of proper supervision and monitoring of schemes.
- Lack of sharp focus on objectives with “plan driven approach” rather than demand driven approach.
- “Top down strategies” bypassing the total participation of beneficiaries and grass root level local governing institutions, who are the stakeholders of the schemes.

- Emphasis on asset creation instead of gainful employment.
- Operation of overlapping schemes with similar objectives resulting in funds leakage for unintended beneficiaries.

7. Conceptual Evolution of Micro Finance in India

The irrepressible desire and inherent capacity of poor to improve their living for themselves is considered as the foundation for concept of Micro Credit. Propelled by the demonstrative success of Bangladesh Grameen Experiment Micro Credit is acknowledged as an effective channel to take the poor into a new domain of economic empowerment. Micro credit movement assumed global advocacy through Micro Credit Summit held in February 1997 at Washington. The summit representing 1500 institutions and 137 countries is a landmark in the collective crusade against poverty undertaken by the developed and developing countries together. The Micro Credit Summit launched a nine-year campaign to reach 10 million of the world's poorest families by the year 2005.

Most of the countries have long-established cooperative movements, including credit cooperatives. In most countries South Asia and also in Indonesia, credit cooperatives have been largely unsuccessful in extending financial services to poor households. Generally, the cooperative movement includes people of all income levels within a particular village or community, and does not target the poor. Moreover, management of the cooperative movement has been inadequate in most countries.

In some countries such as India and Pakistan, a large proportion of cooperatives are reported to be non-functional, due to financial mismanagement and inability to recover dues. Even where they are functional, management is often dominated by rural elites, with funds allocated on the basis of patronage rather than needs.

Micro – credit is distinctly different from other poverty alleviation schemes. Loans under micro-credit programs are very small, on an average less than \$100 by world standards and in hundreds of rupees by Indian standards. Micro-credit continues to target the rural and urban households, with emphasis on women borrowers, provision of finance for creation of assets and their maintenance and bringing in greater quality of services. The beneficiaries are identified by micro-credit provides themselves independently or through NGOs/Self Help Groups/the repayment period is generally very short. The amount is increased based on the borrower's repayment history.

Micro-credit is a novel approach of banking with poor with the distinct advantages of high repayments of loans and low transaction cost. Various micro-finance initiatives have gathered pace in the recent years. In Micro-Credit NABARD's role has been two fold, viz., promotional and financial. Promotional efforts assume the form of the SHG – Bank Linkage programme and facilitating training. Financial involvement is in terms of providing refinance, revolving fund assistance and grants.

Over the last decade micro finance has become an accepted institutional framework for taking financial services to the poor. Micro finance has now evolved into a type of independent financial system of its own and there are a number of various in micro finance institutions and systems. But broadly they can be classified into two – the individual approach and the group approach. An example of the group approach, where the group itself, not the individual member, is the client, is the self-help group program in India.

In all countries there are wide variety of small, informal savings and loans groups, such as rotating savings and credit associations (ROSCAs), which operate informally and are not registered. In at least three countries, these or similar groups have been institutionalized to

some extent by involving them in formal micro finance programs. In India self-help groups (SHGs) are an integral part of the National Bank for Agriculture and Rural Development (NABARD) program for linking banks and SHGs. Nevertheless, they are generally not registered. Under Indian law, SHGs are only required to be registered (as a society, trust or cooperative) if they have more than 20 members. For this reason, many SHGs restrict their membership to 20 persons or less. It is also observed in Gujrat and some other parts of the country that some larger SHGs operate informally and are not registered.

The purpose around which an SHG is initially formed varies depending on the kind of program being implemented and the need for collective working. It varies from managing a collective resource to promoting a social cause.

Moreover, in most countries the cost of subjecting MFIs to full prudential regulation and supervision would be prohibitive. In Bangladesh, for instance, there are around 1,000 NGOs involved in microfinance. And while MFIs in other countries do not have nearly the same outreach as in Bangladesh, the number of MFIs is not necessarily less. In India there are perhaps as many NGOs engaged in microfinance as in Bangladesh, plus some 90,000 primary agricultural credit societies and thousands of self-help groups. In the Philippines, there are some 500 MFIs reaching a combined total of only 30,000 borrowers. In Thailand, there are more than 1,500 community organizations engaged in microfinance.

In India, there are at least three official second tier institutions, which on-lend to specialist MFIs. However, none of them imposes rigorous performance and reporting standards. The second tier institution with the largest lending program is Rashtriya Mahila Kosh (RMK). For a partner organization to borrow from RMK, it should have at least three years experience in thrift and credit administration, a 90

per cent recovery performance during the last three years (in practice, RMK generally accepts a recovery rate in the range of 80 to 90 per cent), satisfactory funds management and financial performance, and a good track record of work in the socioeconomic field. These requirements are all quite general in nature. There are also a number of requirements relating to loans by the partner organizations to individual borrowers.

The performance and reporting standards imposed by two other significant second tier institutions, the Small Industries Development Bank of India (SIDBI) and the National Bank for Agriculture and Rural Development (NABARD) are even less specific than those imposed by RMK and do not provide a basis for monitoring the financial performance of the NGO.

As a part of its mandate, NABARD initiated certain research projects on SHGs as a channel for delivery of micro-finance in the late eighties. Amongst these, the project sponsored by the Mysore Resettlement and Development Agency (MYRADA) on "Savings and Credit Management of SHGs" was partially funded by NABARD in 1986-87. In 1988-89, in collaboration with some of the member institutions of the Asia Pacific Rural and Agricultural Credit Association (APRACA), NABARD undertook a survey of 43 non-governmental organizations (NGOs) in 11 states in India, to study the functioning of microfinance SHGs and their collaboration possibilities with the formal banking system (NABARD, 1991). Both these research projects produced encouraging possibilities, and NABARD initiated the pilot project called the SHG linkage project in 1992. NABARD also held extensive consultations with the Reserve Bank of India. The project was extended to the regional rural banks and co-operative banks, in addition to the commercial banks in 1993.

8. Origin of SHGs in India

In 1976, Prof. Mohammed Yunus of Bangladesh started women's groups in Bangladesh and developed thrift and savings among the poorest. Prof. Mohammed Yunus quoted, "No, these women needed opportunity, not charity – They want chance, not bleeding hearts." Now it has developed into a bank named Bangladesh Grameen Bank. Its report in February 1998 states that the bank has 1138 branches and covers 39572 villages. It has 2367503 members of which only 124571 are men. The bank has disbursed a cumulative amount of US \$ 2714.61 million whereas the savings of the members has reached US \$ 202.73.

With the success of BGB and similar organizations elsewhere, the concept of Micro Credit has gained momentum in India. Based on this success many Non-Governmental Organizations (NGOs) in our country are involved in organizing SHGs and they serve as an agent between the bank and the poor.

In our country the pioneer in this field is Self-Employed Women's Association (SEWA). Without the Grameen model SEWA was started in 1972. The SEWA Bank has 87263 depositors, and 41757 borrowers whose loan outstanding is Rs. 887 lakhs as on March 1998. SEWA has also networked many co-operatives and emerged as the largest federation of co-operatives in the country.

In Southern India organizations like PRADAN, MYRADA, ASSEefa, MALAR etc. have entered into this rural credit system. PRADAN has a membership of 7000 women who have availed 40000 loans worth \$600000 as on March 1997. MYRADA has 62769 members who have saved Rs. 48 lakhs and availed loan to the tune of Rs. 2.90 crores. MALAR has a membership of 15000 women who have saved Rs. 86 lakhs and availed loan to the tune of Rs. 2023 crores.

NABARD refinances the banks, which lend to SHGs. As per NABARD's Annual Report 1998-99, banks have financed 30447 SHGs with a finance of Rs. 53 crores as on 31st March 1999. The repayment is excellent. The Finance Minister in his budget speech has asked NABARD and SIDBI to increase the number of SHGs to 100000. Even this number will be minuscule as it will cover only 2000000 people in our country which has nearly 38 cores of people below poverty line.

MALAR has emerged as a new self-reliant model for our nation. An offshoot of the Total Literacy Campaign in Kanyakumari District, MALAR has emerged as an organization of poor women who share the interest income to sustain a full time structure, office and training schedule.

Revamping of the rural credit system has already started. The banks Regional Rural Banks, Co-operatives and SHGs linked with Non-Governmental Organisations (NGOs) have a role to play. There is need for closer study to support the system so that the country can eradicate poverty at least in the beginning of the next millennium. NABARD introduced a Pilot Programme for starting and lending to SHGs in 1992 based on the experience of BGB and MYRADA.

NABARD also provides training support, Grant cum Aid support for micro credit under it's different schemes. SIDBI has entered this field late but now SIDBI has formed a Micro-credit foundation, which gives loans to NGOs after rating them by an external agency. The minimum loan is Rs. 50 lakhs and it is to be used only for micro enterprises.

Rashtriya Mahila Kosh – an organization promoted by Govt. of India also gives direct loans to NGO's for on lending with incentives for proper repayment. All Banks including co-operative Banks and Private

Banks lend to SHGs based on their savings at the ratio of 1:1 initially and this can go upto 1:4.

The Government of India, which is under IMF and WB guidance, has launched schemes scrapping Integrated Rural Development Programme, Scheme for Urban Micro enterprises, Prime Ministers, Urban Poverty alleviation programme and TRYSEM. The Schemes are known as (1). Swarnajeanthi Gram Swarozhar Yojana – SGSY. (2) Swarnajeanthi Sahahari Swa Rozhar Yojana – SJSRY. The former is for Gram Panchayats and the latter for Town Panchayats, Municipalities and corporations. According to this scheme, the Panchayats will select the good group with assistance from BDO, Bank and NGOs and provide Rs. 10000/- as revolving fund – free of Interest and then banks will provide loan to the group – seeing the performance. There is an individual subsidy of 30% for those who do individual enterprises and 50% subsidy for Group enterprises. After the introduction of this scheme NGOs and Panchayat are forming groups of trying to get control of the Groups and funds. The scheme has a trap. If the repayment under this scheme is less than 70% in a Panchayat, nobody will get loan in this panchayat.

After the Micro Credit summit held at Washington WB, IMF and many foreign funding agencies have directed their projects towards micro-credit. Now Govt. of India has also directed CAPART and other funding agencies to focus on micro credit because of which all NGOs are running after people to for SHGs so that they can get funds.

Thus a slow and steady SHG movement started during 1990s in India truly representing the concerns of the poorest of the poor.

Regional Spread of SHGs in INDIA

- Southern Region : 64%
- Eastern Region : 13%
- Central Region: 11%
- Western Region : 6%
- Northern Region: 5%

If we see the presence of SHGs in India, 64% of total SHGs are in Southern India that to particularly in A.P. and Tamilnadu, whereas SHG movement is very weak in Northern and Western states (Pl. see table for details)

**Table – 3.6 : SHGs In Various States of India
(As on March, 2003)**

STATES	No of SHGs
A.P.	2,81,338
T.M	98,410
Karnataka	62,178
Uttar Pradesh	53,696
Orissa	42,272
WB	32,647
Maharashtra	28,065
Rajasthan	22,742
Kerala	21,012
MP	15,271

In developing micro finance in India, especially through the SHGs a major role is that of the promotional institutions. Several institutional variants of the self-help Promotion Institutions (SHPIs) have come to the fore since the beginning of the last decade. In India, the promotional institutions are basically of three types: (1) Government (2) Banks and (3) NGOs. These institutions have over a period of time developed systems and practices, some of which can be emulated as best practices and some others which should be learning points for cautions.

Table – 3.7: SHG-BANK Linkage-Physical and Financial Progress as on 31st March, 03

No. of new SHGs	255882
UNION BUDGET	1,50,000
TOTAL NO OF SHGs	7,17,360
% OF WOMEN	90%
COMMERCIAL BANKS	48
RRBs	192
COOPERATIVE BANK	264
NO of STATES/UTs	27
NO of DISTs. COVERED	412
NO of NGOs & SHPIs	2,800

Progress at a Glance (31.3.2003)

- No of poor families having access to Bank Credit: 11.6 million.
- Estimated No. of poor people assisted : 58 million.

Table – 3.8: SHG-Bank Linkage-Physical and Financial Progress as on 31 Mar, 03

Ground Level Credit during 2002-03 (Rs.)	Rs. 1,022.30
Cumulative micro-credit from banks (Rs. Cr)	2,048.70
Average bank loan per SH G (Rs.)	28,559.00
Average bank loan per family (Rs.)	1,766.00
Prompt repayment of loans by groups	95%
Refinance support from NABARD during 2002-03 (Rs. Cr)	622.30
Cumulative refinance as on 31st March 2001	1,418.80
RFA to NGOs (Rs. Cr)	18.33

Table – 3.9: Participation of RFIs in Linkage programme

Commercial banks	27 PSBs and 21 Pvt. Banks participated
Andhra Bank	61417 SHGs
SBI (largest)	83265 SHGs
Indian Bank	32892 SHGs
Other Important Banks	SBH, IOB, BOI, BOB Syndicate Bank, UBI
Private Banks	Visya Bank, ICICI Bank, GTB

Figure : 3.3
SHG BANK LINKAGE MODEL – I

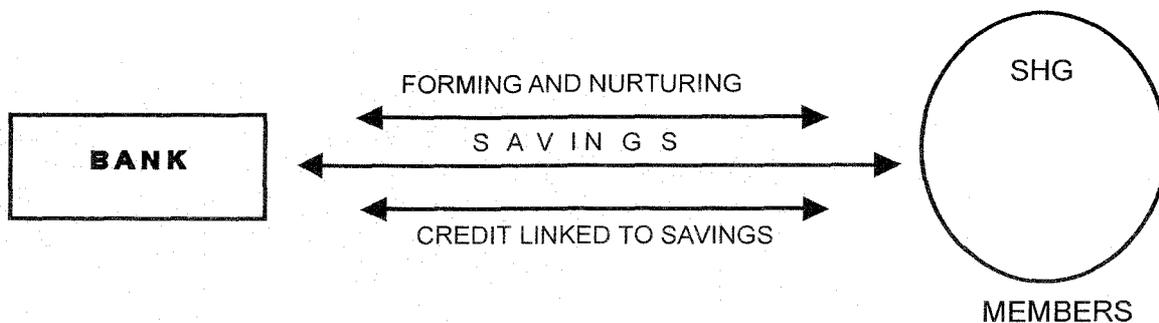


Figure : 3.4
SHG BANK LINKAGE MODEL – II

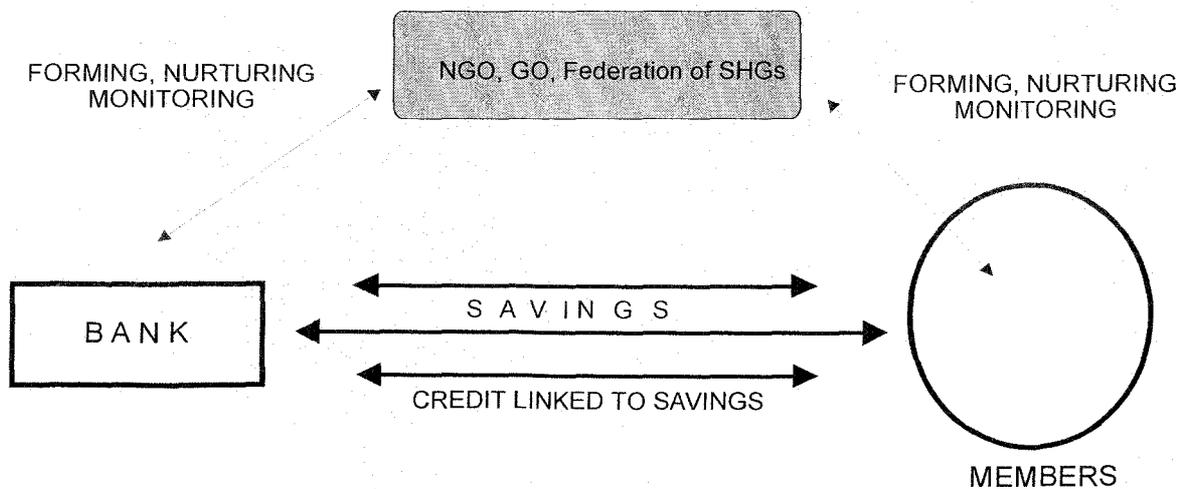
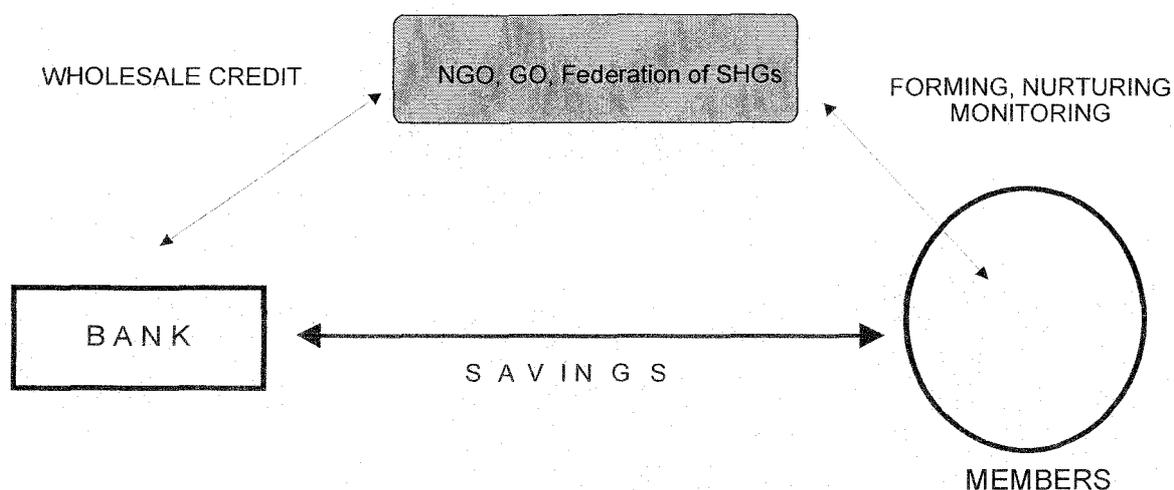


Figure : 3.5

SHG BANK LINKAGE MODEL – III**9. Progress of SHG Bank Linkage in India**

- The progress of banks in linking SHG groups to the banking system was quite phenomenal in the last few years. The banks financed 361,731 new SHGs in 2003-04, almost 30 percent of the cumulative 10,709 financed since 1992.
- Bank loans disbursed to SHGs during the year 2003-04 aggregated Rs. 1,855 crore, an increase of 82 percent, as compared to Rs. 1,022 crore during 2002-03.
- By March 2004, of the total SHGs credit linked, Andhra Pradesh accounted for 36 percent, Tamil Nadu 14 percent, Karnataka 10 percent and Uttar Pradesh 7 percent, together accounting for 67 percent of the total SHG credit-linked and 80 percent of the bank loans disbursed. In order to balance

the uneven growth of the micro finance programme, NABARD has identified 13 states a priority states.

- Of the total number of SHGs linked to banks, 20 percent have been formed and financed by banks, 72 percent formed by government agencies other than banks and NGOs, but financed by banks and 8 percent financed by banks through NGO and other agencies as financial intermediaries.
- The number of banks which participated in partnering NABARD in the SHG bank-linked effort in 2003-04 was 560 of which 48 were commercial banks, 196 were regional rural banks, and 316 were cooperative banks. The number of NGO and other agencies which partnered NABARD was 3024

**Table – 3.10: Growth Rates of SHGs & SHGs per 1000 Females
across the States (1998 – 2001)**

States	Growth of SHGs over the Years			Growth Rate	Growth of SHG/1000 Female over the Years			Growth Rate
	1998-99	1999-00	2000-01		1998-99	1999-00	2000-01	
Andaman & Nic.	3	9	10	82.57	0.018	0.051	0.061	86.84
Andhra Pradesh	6579	29242	84939	259.31	0.179	0.786	2.258	255.39
Assam	10	46	156	294.97	0.001	0.004	0.012	288.79
Bihar	121	857	1846	290.59	0.003	0.018	0.046	324.17
Goa	4	14	27	159.81	0.005	0.018	0.041	180.97
Gujrat	879	1345	1375	25.07	0.038	0.057	0.059	24.70
Haryana	4	107	334	813.78	0.000	0.012	0.034	783.19
Himachal Pradesh	133	48	1166	196.09	0.041	0.014	0.390	210.24
Jammy & Kashmir	2	53	137	727.65	0.000	0.011	0.029	725.62
Karnataka	2002	3167	5627	67.65	0.079	0.124	0.217	65.51
Kerala	1291	1709	1826	18.93	0.079	0.104	0.112	18.59
Madhya Pradesh	461	1533	3174	162.39	0.018	0.040	0.110	200.29
Maharashtra	1058	3029	5509	128.19	0.024	0.069	0.119	121.14
Orissa	975	2021	3850	98.71	0.056	0.114	0.213	95.49
Pondicherry	15	144	150	216.23	0.028	0.257	0.308	233.26
Punjab	1	18	71	742.61	0.000	0.002	0.006	728.69
Rajasthan	465	526	2513	132.47	0.019	0.021	0.093	123.84
Tamil Nadu	2618	7671	16676	152.38	0.087	0.251	0.541	149.99
Uttar Pradesh	1464	7744	5457	93.07	0.019	0.097	0.069	92.59
West Bengal	554	2317	5351	210.79	0.015	0.061	0.138	205.40
All India	18639	61600	140194	173.97	0.039	0.128	0.283	167.91

(Source : NABARD & Micro-finance, 2000-01)

Entrepreneurship through Self-Help Groups:

Self-help Group (SHG) enables the rural poor to earn their own livelihood besides participating in the process of development. The SHG scheme has been extensively used by voluntary agencies for a long time but has been incorporated in the conventional development programmes only recently. A typical rural women's self-help group is a good example of capacity building for prospective entrepreneurs. Its aims include enabling members with no educational or industrial or entrepreneurial background to become self-dependent and self-reliant by developing and enhancing the decision-making capacity of members and instilling in them the strength and confidence for solving their problems. They provide poor people a forum where they can learn about collectively mobilizing and managing money and matters. Few other Central and State Government schemes aimed at capacity building of women and others for entrepreneurship include the 'State Shakti' programme in the daily cooperative sector in M.P. training-cum-employment programme for women called Swa-Shakti and Rashtriya Mahila Kosh Project – supported by the World Bank and International Fund for Agricultural Development (IFAD).

10. Impact of SHG Movement in India

Various organizations evaluated SHGs including NABARD, NGOs and ORG-Marg. Some of the salient features are:

- 98% of the members make savings regularly as the norms prescribed by the groups.
- All the groups meet at least once in a month to discuss various social issues related to their day to day life.
- 98% of eligible members adopt small family norms.

- 100% children of SHG members are able to access immunization services against the 6 diseases.
- 30% of the members have access to safe cooking fuels (LPG) under the Government promoted scheme popularly known as 'DEEPAM'.
- 80% of the total SHGs have accessed financial assistance from banks and repayment is 98%.
- 10,000 SHG members were elected to the local bodies (3 term Panchayat Raj Institutions) in 1997 November elections.
- Members are engaged in 450 varieties of income generating activities.
- Additional family incomes to member range from Rs. 1000-3000 per annum depending on the income generating activities.
- Increase in self confidence and self esteem.

11. SHG and Rural Development

The intensive field study of (61) sixty one groups of SHGs constituted by poor rural women falling in the below poverty line (BPL) category, was conducted in two blocks of Dinhata Sub Division under Cooch Behar District of West Bengal. These respective blocks are Dinhata-I and Dinhata-II blocks. The objectives of the study based on the evaluation of the performance of the selected SHGs were first to explore, amidst these increasingly significance the location of these groups within the prevailing social economic and political miles of development. Secondly to identify simultaneously their constraints and limitations and thirdly, to realize their potential for improvement and progress by identifying the solutions. The objectives as the title itself

reveals, one conjoined to assess the position of SHGs vis-à-vis part of empowerment. Empowerment is a highly elusive concept and thus keeping this point in mind we broadly described as the individual or intrapersonal agility to mould the environment and find through collective or intrapersonal efforts. As a result meaningful changes come through common solutions to common problems. It also should be reiterated here that the study not only problematic the existence and functional of the SHGs from the vantage point of members and the community. It also recommends the remedial steps that one to be taken as part of the policy initiative and to enhance their proactive role performance. The SHGs as a 'new tool' of poverty reduction is concerned in the global discourse of development and in the herd Indian reality.

SHGs constitute one of the most important building blocks of what is generally known as the micro finance and micro credit paradigm. The paradigm has gained considerable currency in the developing countries in the recent years on a broader scale in the context of the neo-liberal argument for a 'lean' state. It is specifically in the context of the new mode of poverty eradication vis-à-vis the highly controversial Structural Adjustment Programme (SAP) of the World Bank. In time context one of the high pints was the Micro-credit Global summit which was held in Washington on February in 1997. World Bank argued in the summit that the micro credit programmes have brought vibrancy of the market economy to the poorest villages. Thus the 'business approach' to poverty allows millions of individual to work their way out of poverty with dignity. The best known instance of the implementation of the micro finance for the poor in the field, though not without its critique and quota of controversies is found in Bangladesh. It was done at the initiative and under the leadership of Mohammad Yunus, the noble peace prize winner in 2006 who established the widely known Bangladesh Grameen Bank. Another well

known NGO of Bangladesh, Bangladesh Rural Advancement Committee (BRAC) followed the suit and became yet another key-actor in the micro-credit scenario. The Grameen model of micro credit programme is being followed in different developing countries today. In this context it is worth mentioning that in India the micro credit scenario is somewhat different from that of Bangladesh. It is because the greater role of public lending institutions which prevents the NGOs, notwithstanding their important role, from becoming the prime actor.

Micro finance to reiterate is a new paradigm which operates on the principle of decentralized, participative financial management. At the same time it is a much published paradigm often promoted as a sort of 'magic bullet' for poverty eradication which has led to critics to suggest that it is better to stress on its protectional aspects than the promotional aspects (Kalpana, 2005). The micro finance paradigm rests on the 'borrower knows the best' premise. It aims at building people's assets through participation, sharing and collective action with the goal of empowering them to fight poverty and become 'empowered'. At the core of the collective action self-help is the basic element of which that the poor people need to operate as a collectivity. It is because as isolated and dispersed they have no power or ability to influence the issues which affect their lives. The Group Approach to be discussed subsequently, is at the centre-state of the idea and practice of microfinance. The Group Approach has social psychological effects on the SHG members. Thus in an interesting paper based on initiative analysis of the SHG induced participation and empowerment in Hongkong, Bonj-Ho-Mok (N.D.) comes to the conclusion that the SHGs have "invariable impact" on the intra personal and inter personal community level and political empowerment. The eighty (80s) of the last century played a significant role in the growing awareness and defence of micro finance. The Third international symposium on mobilization of personal savings in the Developing countries organized by the United

Nations in 1984. It had also stressed the need for more decentralized financial services and strong linkages between the formal and informal credit institutions for development. In 1984 the Federal Ministry of Economic Co-operation and the agency for Technical co-operation and the agency for Technical co-operational of the Federal Republic of Germany had organized workshops on rural finance in the developing countries. It was agreed that the SHGs need to be developed as a financial intermediation between rural poor and financial institutions on the one hand and micro-enterprises on the other hand. In 1986, Asia and Pacific Regional Agriculturist Credit summits decided on a coordinated programme for the promotion of the linkage between banks and SHGs for rural savings mobilization and credit delivery to the rural poor. It also may be mentioned that the concept of micro enterprises gained momentum in the mid nineties (90s) immediately after the world summit for social development held in Copenhagen in 1995. The summit emphasized on easy access to credit for small producers landless and other low income individuals particularly women.

To refer specifically to the modus operandi of the SHGs they are supposed to begin with small savings which are kept in a local bank. Regular meetings are held. When the savings build up after a year members are able to access credit through their ported resources. Members are allocated loans based on group solidarity instead of formal co-lateral. The SHGs take decision relating to allocation of resources and benefits to their members. The profit howsoever small is redistributed or jointly deposited. The SHGs can also take up income-generating activities for their members through bank loans after the gradation is done. The entire strategy is expiated to promote self sufficiency and independence among poor women.

The Croup Approach mentioned earlier is rooted in the premise that the poor when organized will be able to protect their own interests

and enhance their opportunity. It is assumed that the poor will help themselves their own organization and mobilization will help them in terms of accessing credit, technology and market. Emphasis on small savings, thrift and inter-loaning is expected to give a sense of ownership and help develop financial management skill. While inter-loaning meets the emergent personal or family contingency, the bank support at a later stage enables the group to take up agricultural or commercial activity. The group-orientation is thus expected to lend to a higher level awareness which will in turn demand delivery of services being undertaken by the government including better supervision and determination to safeguard own resources. The focus on easy and multiple credit is expected to transcend to "credit for empowerment".

A study by (Deshmukh Rasadege 2004) based on the SHG scenario in Andhrapradesh identifies some vital points which cover both limitations and potential of the SHGs in order to harness the power the Group Approach. That points enumerated below, though derived from a specific context have general validity.

- The limitations of micro credit to alleviate poverty or to empower people can be overcome by integrating micro credit with a powerful plus component of social and economic infrastructure.
- The SHGs have good political potential and they form the training ground to make leaders and potential political aspirants. This critical mass has remarkable potential to work for the betterment of the regions they represent.
- The political of women only SHGs in terms of women empowerment depends upon several other supportive measures like education, health, housing and infrastructure.

- Partnerships are fundamental for development. This kind of inclusiveness where institutions and actors both public and private work in synergy has considerable potential for poverty, alleviation, market dynamics are not adequate to allocate costs and benefits. In a larger design of partnerships, it may not be advisable to create rifts between actors working towards similar goals.
- The linkage between the national, regional and local environment can be made with adequate political will.
- Unless a sense of ownership is infused into any programme participants will not demand accountability or full accountable. Involving people at every level of decision making within the programme transforms the beneficiaries into participants and ultimately everyone benefits.
- A computer mix of methods is needed to solve complicated problems such as poverty. Use of existing structures and the creation of need edifices are to be synchronized. The bottom line is that economic and social issues are equally important if poverty is to be understood.

The realization that the poor are credit worthy irrespective of the gender and the experience that women are more dependable in respect of repayment make women the borrowed forget of micro credit programmes. It was argued in the micro credit summit that the benefits of the increased income would accrue the general welfare of the family and particularly children. At the same time, women themselves benefit from the higher status achieved by them as a result of being able to provide additional income.

Yet, the SHGs are not simply channels to deliver financial services. Nor should the economic incentive to women be seen as the

'sole goal' because as has been seen in the context of a successful case like Bangladesh economic incentive is a necessary but not a sufficient factor in empowering women (Sibharwal. N.D.). The SHGs have broadly speaking, as Narendra (2001) suggests three significant roles, which are often played simultaneously. Firstly, they provide mutual help and internal financial mediation which are of special significance to the poor, particularly women. Secondly, they facilitate external financial mediation. Thirdly, they empower women to make demands on the external world and thus act as instruments of empowerment.

A number of studies (Sinha, 2004, Rao 2005, Ghosh 2006, Lahiri, N.D.) have indicated that the SHGs can play important roles in bringing about development and empowerment in the following ways:

- Creating conditions for economic self reliance of the rural poor by meeting consumption and production credit needs.
- Developing group feelings and building leadership quality to enable the poor to utilize their potentiality and to develop self-confidence.
- Promoting a culture of respect, support and team spirit.
- Assisting the members to complete formalities and documentation required to obtain institutional credit.
- Helping the Banks in recovering of credit by motivating the members to repay.
- Procuring inputs of high costs which would not have been possible individually.
- Training members in skill development and creating space for collective learning.

- Building common infrastructure for the benefits of the members.
- Providing a base for dialogue and co-operation in programmes with other institutions like government departments, co-operatives, and local government institutions.
- Strengthening democratic governance through collective participation.
- Enhancing notion of civility and practice of citizenship.

The Government of India, since the financial sector reforms in 1991 has helped a policy of developing and strengthening the SHGs with links to the formal banking system. When it comes to the function of banks financing the SHGs four district linkage models become visible.

Model-I:

Banks provide microfinance to the non-governmental organizations (NGO) for lending to SHGs and ultimately to the micro entrepreneur.

Model-II:

Banks provide finance directly to SHGs for on lending to micro entrepreneur.

Model-III:

Banks provide finance directly to SHGs for on lending to micro entrepreneur with the intervention of the NGO as social nobilities and facilities.

Model-IV:

Banks provide loans directly to individual members of the SHGs upon recommendations of the SHGs and the concerned NGOs. IN this case the NGO is assist the bank in monitoring recovery of loans.

Two major SHGs:

Networks in India have access to institutional credit. One is the National Agricultural Bank for Rural Development (NABARD) sponsored SHG Bank linkage programme that was mainstreamed into the Banking system in 1996 through which the eligible SHGs are able to access group loans from the banks. The unique features of the programme as identified by NABARD are:

Decision Making:

Members make decisions collectively SHG concept offers opportunity for participative decision making on conduct of meetings, twist and credit decisions. The participative process makes the group a responsible borrower.

Financial Services:

SHGs provide the needed financial services to the members at their doorstep. The rural poor needs different types of financial services, viz savings, consumption credit, production credit, insurance remittance facilities etc. The platform of SHG provides the possibility to converge these services.

Supplementary to Formal Banking:

SHG linkage does not supplant the existing banking system, but it supplements it thus taking full advantage of the resources and other advantages of the banking system.

Cutting Costs:

SHG linkage cuts costs for both banks and borrowers. In a study sponsored by FDC, Australia it was observed that the reduction in costs for the bankers is around 40% as compared to IRDB loans. The poor have a set advantage of 85% as compared to individual borrowing. Similar finding was also observed in a NABARD study.

NAP SAVVY:

The linkage mechanism has proved that the repayments are as high as 95% - 100%

Peer Pressure as collateral:

The SHG linkage emphasizes peer pressure witness the group as collateral substitute.

Quality Clients:

The SHGs are running out to be quality clients in view of better credit management mobilization of thrift, low transaction costs and near full repayments.

Social Agenda:

Available statistic indicates dependency of 35% - 40% of rural households on men institutional sources for credit needs. SHG linkage offers a better way of dealing with the magnitude of social agenda. Many NGOs/Governments have mobilized the SHG as a vehicle for carrying and deepening of their developmental agenda/delivery of services.

Exclusive Poor focus:

SHGs have exclusive focus on asolute has sorts who have been by passed by the banking system. Social banking does not have any meaning if the lowest strata and the unreached are not focused.

No subsidy dependence syndrome:

The programme does not envisage any subsidy support from the government in the matter of credit.

The other is the Swarnajayanti Gram Swarozgar Yojana (SGSY):

The later focuses on group approach by organizing the poor into SHGs through social mobilization. Para 1.1 of the SGSY provides.

“The objective of the Swarnajyanti Gram Swarozgar Yojana (SGSY) is to bring the assisted poor families (Swarojgaris) above the poverty line by ensuring appreciable sustained level of income over a period of time. This objective is to be achieved by inter alia organizing the rural poor into SHGs through the process of social mobilization their training and capacity building and provision of income generating assists. The SHG approach helps the poor to build their self confidence through community action. Interactions in group routings and collective decision making enables them in identification and prioritization of their needs and resources. This process would ultimately lead to the strengthening and socio-economic empowerment of the rural poor as well as improve them collective bargaining power.” This schemes aims at establishing a large number of micro enterprises in the rural areas, building upon the potential of the rural poor. It covers all aspects of self-employment, such as organizing rural poor for SHGs (at least half of them would be exclusively women groups), their capacity building, planning of activity cluster, infrastructure build-up technology, credit and marketing. The District Rural Development

Agency (DRDA), which is a registered society, implements it with the active involvement of Panchayat Raj institutions the banks and the NGOs. It is expected that the members of the SHGs would be able to come out of the ring of poverty through the incremental income of around Rs 2000, that too within two or three years of the formation of the group. But in a developing country like India it is not easy to walk the talk.

Thus, the first report (2004-05) of the committee on Empowerment of women on the Functioning of the SHGs highlights a number of weaknesses in both the programmes. For instance the average loan size under the bank linkage scheme still remains extremely low at Rs 1,766 per family, and Rs 28,559 per SHG.

It also continues to have a strong regional bias with Andhra Pradesh alone accounting for 36 percent of the total SHGs and the Southern states, Andhra Pradesh, Tamil Nadu, Pondicherry and Karnataka, accounting for 76 percent of the total credit disbursed. One of the constraints in providing "Lassie free adequate credit" to the SHGs is that the banks do not follow constituent norms in grading SHGs and procedure requirements are cumbersome, and they vary to a large extent.

Table – 3.11: SHG credit in the different states in India.

Name of the States	SHG credit per poor/Rs	Percent of SGSY credit to SHG credit
Goa & Tamilnadu	687.4	7.9
A.P.; Karnataka; Kerala	811.9	13.9
Himachal Pradesh	698.7	58.8
Rajasthan & Orissa	75.5	124.3
Haryana & Punjab	70.5	338.8
JK; Bihar & Maharashtra	25.5	295.8
Assam, W.B; MP; UP; Gujrat	32.4	225.2

Source: Cited by Rajaram Dasgupta in Micro-finance in India, Economic & Political Weekly March 19, 2006.

The national Institute of Rural Development (NIRD) conducted a survey of the SHGs in Andhra Pradesh, Karnataka, Tamilnadu and Maharashtra formed under SGSY in 1998-1999. The study shows that the members are strongly bound by affinity and action. In many states caste affliction binds them.

Table – 3.12: Distribution of membership of SHGs by caste and landlessness (%)

Sl No	States	S.C.	Landless
1	Andhrapradesh Region-I	11.1	25.6
2	Andhrapradesh Region-II	31.1	61.1
3	Karnataka	50.0	42.2
4	Tamil Nadu	52.2	58.9
5	Maharashtra	14.4	30.0
6	Overall	31.8	43.6
7	West Bengal	31.9	40.0

As regards average membership there is no significant variation as is evident from the following table:

Table – 3.13: Distribution of membership by purpose wise utilization of credit (%)

Sl No	State	Domestic Consumption	Medical	Education	Housing	Loan	Trade Business	Others
01.	Andhra Pradesh, Region-I	-	-	-	-	-	86.9	13.1
02.	Andhra Pradesh, Region-II	23.0	11.3	6.7	7.4	10.6	19.7	21.3
03.	Karnataka	13.3	3.7	3.7	9.6	13.8	55.8	0.1
04.	Tamil Nadu	42.8	9.4	8.2	14.6	1.5	22.9	0.6
05.	Maharashtra	27.8	13.4	4.2	4.2	26.2	12.6	11.6
06.	Overall	24.2	7.2	5.1	8.3	6.8	40.0	8.4
07.	West Bengal	1.77	6.59	2.89	2.4	0.16	66.19	20.0

The bringing of the study contest the generally accepted view that the poor need credit mostly for consumption. The purpose wise distribution of the credit clearly shows that loans are used for a variety of purpose such as medical, education, housing, loan redemption, trade and business.

The study brings out the points that there has been a distinct increase in self-confidence among the members of the SHGs in all the states. This is a positive feature and speaks of empowerment. But the point should not be overemphasized beyond a limit.

Table – 3.14: Membership distribution by benefit derived after joining SHG (%)

Sl No	State	Average number of members
1	Andhra Pradesh, Region-I	92.2
2	Andhra Pradesh, Region-II	100.0
3	Karnataka	98.9
4	Tamil Nadu	98.9
5	Maharashtra	100.0
6	Overall	98.0
7	West Bengal	99.73

The distribution of membership by caste and landlessness indicates that the weaker sections of the population are organizing themselves.

Table – 3.15: State wise distribution of membership of SHGs.

Sl No	State	Average number of members
1	Andhra Pradesh, Region-I	11
2	Andhra Pradesh, Region-II	15
3	Karnataka	18
4	Tamil Nadu	13
5	Maharashtra	16
6	Overall	15
7	West Bengal	12

To reiterate the SHGs formed to encourage savings and credit activities are being increasingly recognized as one of the most effective methods of socio-economic development of women. Empowerment of

women through capacity building and translation of skills into practice has increased their economic options and promoted their sense of worth. At the same time the SHGs as tools of empowerment of women in the society have to move beyond the frame of economic self-reliance to participate in the overall affairs of the society to be more practice, in the public space. In India 'the Panchayat Raj institutions are today not only instruments of planning for economic development and social justice but also institutions of self-government'. In India democratic decentralization received a new lease of life following two major amendments – 73rd and 74th – of the constitution of India in 1993 and 1994, the former relating to the rural India and the latter, urban India, given its constitutional definition as "institutions of self government,' decentralization essentially means empowering the people through the strengthening of the local governments. As it is supposed to bring the government closer to the people decentralization enhances the scope of political participation of the down and out who get otherwise excluded from the process of governance in a decentralized form of government. There is a special provision for empowerment of women because the constitution makes it mandatory to reserve seats for women in all the institutions of local self government in both the rural and urban areas. In this context the role of the SHGs assumes special significance.

A study (2004) undertaken by the Participatory Research in Asia (PRIA) in the backward states like Uttar Pradesh, Uttaranchal and Madhya Pradesh raises a number of issues. The average age of the members ranged from 20 to 50 years. Minimum savings Rs. 10/- per month. The members of the groups are engaged in various activities such as making of files and folders, soft toys, sewing and embroidery, animal husbandry, fishery, horticulture and small shops such as general stores, vegetables and furniture. The members of the SHGs mostly belonged to scheduled castes (SCs) and other backward casts (OBCS). Poor women in the villages in these states have a very low

social status. They do not have independent income not to speak of assets. They rely on their labour power to meet their subsistence needs. Their main source is wage labour in agriculture. Absence of basic education has left them unaware of their minimum legal rights. They are almost invisible in the public domain. The study shows that the participation of the SHGs in these states has taken the following forms:

- Providing information giving to the community to raise awareness about the issues.
- Deliberation or dialogue in public forum such as Gram Sabha where the issues are discussed.
- Activism as pressure group.
- Leveraging access to resources, agenda setting and rules and norms in deliberation through service influencing.

The PRIA study has also revealed a number of changes in the lives of the members of the SHGs, which can be a empowering. These changes are as follows:

- Women have raised control produce and income. Self-concerned income has instilled in mean a sense of pride and confidence of meaning on their own.
- Membership of the SHGs and easy accessibility of loan and engagement in micro enterprises facilitate the inclusion of women in the decision making processes in the household. They are now able to negotiate with their husbands on crucial issues pertaining to their household.
- The training programmes reinforce a collective identify among its members. This is important for them to assent their rights in the family and in the society.

- The learning and exchange between groups help enhance their confidence and sense of solidarity. Meetings and sharing of experiences make them sensitive to each other and to the needs of the community.
- They are emerging as strong force to mobilize women in the villages by disseminating information on a variety of issues such as Gram Sabha, health nutrition, sanitation education and various schemes of the governments such as installation of hand pumps, mid-day meal programme to secure benefit for themselves and the community. They mobilize women to attend Gram Sabha meetings.
- They act as pressure groups in the villages.
- They take up issues which benefits the community such as repair of hand-pumps, construction of roads, access to drinking water. They are intervening in Gram Panchayats to safeguard the rights of the citizens. They build up consensus to become members in the standing committees of the Gram Panchayats.
- They are in some cases emerging as power groups. They negotiate confidently with bureaucracy, money lenders and outsiders.
- The groups provide space for the poor and women belonging lower castes to interact and organize themselves, build their capacities to manage money address local issues and highlight concerns of the poor in planning and development process.

- The opinion of the SHGs in the village meetings are given importance. This has led to the building up of what is called social capital.
- The SHGs make significant impact on the wider financial and lagoon market. The experience of managing the micro enterprises such as the weekly market and training federation brings clown to each other and infuse in them a sense of confidence to take up the challenges of development in future.
- The SHGs are breaking the tradition of social and political exclusion of women. The formation of the SHGs has made it easier for them to attend Gram Sabha meetings in groups. This is giving them the benefit of recipient of development information like the below the poverty line survey and an increased access to leverage Panchayat funds for human and infrastructural development.
- Experience in Kerala has shown that SHGs are filling the vacuum of the Gram Sabhas which meet tri-monthly because for them it is a forum in which they come prepared to argue for what they want and get.

12. SHG Federation Models in India

Swarnjayanti Gramin Swarozgar Yojana

The Swarnjayanti Gram Swarozgar Yojana (SGSY) is a major self employment scheme launched in April, 1999 after restructuring and combining the IRDP with allied programmes i.e. TRYSEM, DWCRA, SITRA, GKY, MWS. It has been designed as a holistic self employment scheme aimed at providing sustainable income to rural BPL families through income generating assets & economic activities so as to bring them out of the poverty line. It is a process oriented scheme involving

processes like organization of the rural poor (BPL) into Self-Help Groups (SHGs) through social mobilization, capacity building & training, provision of revolving fund, making available credit and subsidy, technology, infrastructure & marketing. Each preceding process has a bearing on the successive process.

The fund for SGSY is shared between the Centre and the State on 75:25 basis. SGSY is a credit cum subsidy programme, wherein, credit is the key component and subsidy is only a minor and enabling element. Subsidy under the SGSY will be uniform at 30% of the project cost, subject to a maximum of Rs. 7500. In respect of SC/STs and disabled however, these will be 50% and Rs 10,000/- respectively. For Groups of Swarozgaris (SHGs), the subsidy would be at 50% of the cost of the scheme or per capita subsidy of Rs. 10,000/- or Rs. 1.25 lakh, whichever is less. There will be no monetary limit on subsidy for irrigation projects. Subsidy is back ended. The SGSY seeks to promote multiple credits rather than a one-time credit injection.

The SGSY has a special focus on the vulnerable groups among the rural poor. SC/STs shall account for at least 50 percent and women 40 per cent of the total swarozgaris. Minorities and the persons with physical disability shall constitute 15 per cent and 3 per cent of the swarozgaris respectively.

Under the scheme focus is on the group approach. The SHGs may consist of 10-20 members and in case of minor irrigation, and in case of disabled persons and difficult areas i.e., hills, deserts and sparsely populated areas, this number may be from 5-20. Self-Help Group (SHG) should also be drawn from the BPL list approved by the Gram Sabha. The SHGs broadly go through three stages of evolution such as group formation, capital formation through the revolving fund and skill development and taking of economic activity for income generation.

Making institutional arrangements for marketing of rural products is a thrust area under the SGSY. In order to assist the poor rural BPL swarozgaris to showcase and market their products, the Ministry of Rural Development organizes SARAS fairs across the country.

15% outlay under SGSY is set apart for Special Projects to field test and validate alternative strategies for self employment opportunities and enhancement of livelihood support for rural poor. A new project i.e., Skill Development & Placement under SGSY Special Project has been initiated since 2006 for providing short term training & subsequent placements to rural BPL youths after taking into consideration the surging market demand in the rapidly growing economy and commensurate availability of livelihood opportunities.

SGSY – Achievements at a glance since inception:

Under Swarnjayanti Gram Swarozgar Yojana (SGSY), since inception 9(i.e. 1.4.1999) upto March, 2008, 28,35,772 Self-Help Groups (SHGs) have been formed, out of which 23,29, 528 were women SHGs which is 82% of the total Groups formed. The total Swarozgaris assisted during the period was 1,02,53,593, out of which 47,83,110 Swarozgaris were SC/STs and 56,66,463 Swarozgaris were women which is 46% and 53% respectively. So far the total investment incurred since inception is Rs. 22,099.30 crore, out of which Rs. 14857.41 crore is credit and Rs. 7241.90 crore is subsidy. The average per capita investment during the period stands at Rs. 22031.

13. Need for Federations and its Evolution

Impact of SHGs

Numerous studies on the impact of SHGs pointed out several positive benefits to SHG members and their families and the community as whole. However, predominant benefits are economic benefits beside other benefits as follows:

1. Members and their families dependence on money lenders has declined significantly.
2. Members have developed a habit of saving.
3. Members are able to even out the fluctuations in their consumption and are able meet to emergencies without jeopardizing their future economic security.
4. SHG members are able to invest more on income generating activities (IGA) and asset creation compared to non-members.
5. SHG members have increased the expenditure on food, children education and health needs.
6. Members' risk bearing capacity has increased.
7. Members and their families' income levels have increased significantly after joining in SHGs.
8. More SHGs members are taking part in decision making at the family level compared to non-members.
9. Through SHG banking program, the poor and marginal sections are able to access banking and other financial services.

10. SHG program is showing positive discrimination towards women and weaker sections and backward and remote areas. SHG program is one of very few, if not the only, programs in which the rural areas are far head of urban areas.

Other positive benefits of SHGs are (a) articulation of aspirations and needs of at – the-risk members, families, communities and regions; (b) reduction in loopholes and wastages in implementation of development/government programs; effective disaster preparedness and relief and recovery actions; etc.

14. Types of SHG Federations & Functions

SHG Federations in India have evolved quite differently and are known by various names throughout the country, making it difficult to generalize when discuss them. Federations can be classified according to (1) geographical coverage, their functions, (3) legal status, (4) structure and mode of functioning, (5) source of funds, (6) size, and (7) promoter.

Geographical unit based federations:

Federations are more commonly known by geographical unit. A general four tier linear federation structure explains almost all geographical federations in the country. The four tier linear structure is illustrated with the help of Zilla Samakhya (district federation) of the society for Elimination of Rural Poverty (SERP), Andhra Pradesh. In this general structure, the basic units i.e. SHGs, get federated as primary level federations (PLF), which in turn get federated as secondary level federations (SLF) and finally the SLF get federal as Apex Level Federations (ALF). In SERP, a four tier structure, the basic unit is known as SHG, the PLF is known as Village Organisation. SLF is known as Mandal Sama and ALF is known as Zilla Samakhya.

Basic Units (SHGs, NHGs, SAGs) :

The basic units in federations are 'groups of women/people', which are commonly known as SHGs. These groups are also known as neighbourhood groups (NHG) in Kudumbashree operational area of Kerala, Boond Bachat Sangh in the operational areas of Shramika Bharti, Kanpur (UP), Self-help Affinity Groups (SAG) in MYRADA operational areas, Kalanjams at DHAN operated areas etc.

Promoter-wise classification:

Broadly there are two types of federation promoters – Government agencies and NGOs. Initially the Rural Development Ministry through DWCRA and SGSY scheme pioneered the promotion of SHGs and federations in different states, recent years specialized agencies are being established in many states to promote the SHGs program. Federations could be effective instruments in sustaining SHG program. As a result federation became an integral part of externally funded all community based poverty eradication projects in different states. Because availability of enormous resources, the official agencies are able to promote majority of federations in different states. E.g. SERP in AP has promoted 30,000 federations accounting for over 90% of total federations in the state. On the other hand NGOs, though promoted a limited number of federations compare official machinery, provided excellent models.

15. Some Prominent Federations Models

The structures of different federations, the relationship between different tiers of a federations and functions of different tiers of a federation are illustrated with prominent models of federations. These are –

- a) MYRADA model of CMRCs
- b) Andhra Pradesh's SERP model of Indira Kranthi Patham
- c) Tamil Nadu Women's Development Corporation model.
- d) DHAN foundation's Nested model.
- e) Orissa Government model adopted in Dhenkanal District.
- f) Kerala's Kudumbashree model.

All these models together account for over four-fifths of the total federations in the country. Most of the other federations are broadly following these models informally and a few federations are following them formally, e.g. the federation promoted by MOVIB are adopting MYRADA's CMRC model.

MYRADA's CMRC MODEL

MYRADA, as a withdrawal strategy, has promoted community Managed Resource Centres (CMRCs) for every 100-120 SHGs. These CMRCs are managed by the Managing Committee comprising of elected representatives from the SHG and other CBOs are supported by one experienced MYRADA staff and several community resources persons selected by the SHGs. The SHG members pay for all the services that the CMRC extends to them. The CMRC are set up at Hobli (Taluk) level depending on the number of SHGs in the area with the following objectives.

- To keep information relevant to SHGs, poverty, youth, Govt. NGOs,
- To create linkage between SHGs and other institutions like government and private institutions.

- To provide service to the members of SHGs through linkages, capacity building, audit, conflict resolving etc.
- To disseminate information on agriculture, health markets, employment opportunities etc.
- To organize health camps, animal health camps, awareness create, skill training in association with government and other institutions.

Two members from each SHG/CBO are being represented in CMRC. The CMRC has a committee of 6 – 8 Directors from representatives of SHG and CBOs. This committee meets once a month. The committee changes once a year. The CMRC has one manager who is from MYRADA. He will be attending the meetings of the committee's federations and the CMRC. Each SHGs coming under the CMRC will contribute Rs. 50 per month to the CMRC corpus. The potential members of the SHGs are identified by MYRADA and are given training as trainer, auditors. These members are the resource persons at CMRC. The training components of assistance received by MYRADA at present are implemented through the CMRC. Each SHG is required to pay Rs 25 for training. This is required to have the stake of SHGs in the training. This results in augmentation of the corpus of the CMRC. The auditors identified and trained, undertake the audit of SHGs regularly. A fee of Rs. 100 is charged to the SHG by the CMRC. The auditors will be given a fee of Rs. 80 plus actual traveling charges.

CMRCs do not undertake any financial intermediation. It only provides means for stabilization and sustainability of SHGs. Over a period of time the CMRCs will become self-sustaining. Thus CMRC will become an NGO by itself under the guidance of MYRADA.

STRUCTURE OF MYRADA's**CMRC****Tamil Nadu Women's Development Corporation model of Mahalir Thittam.**

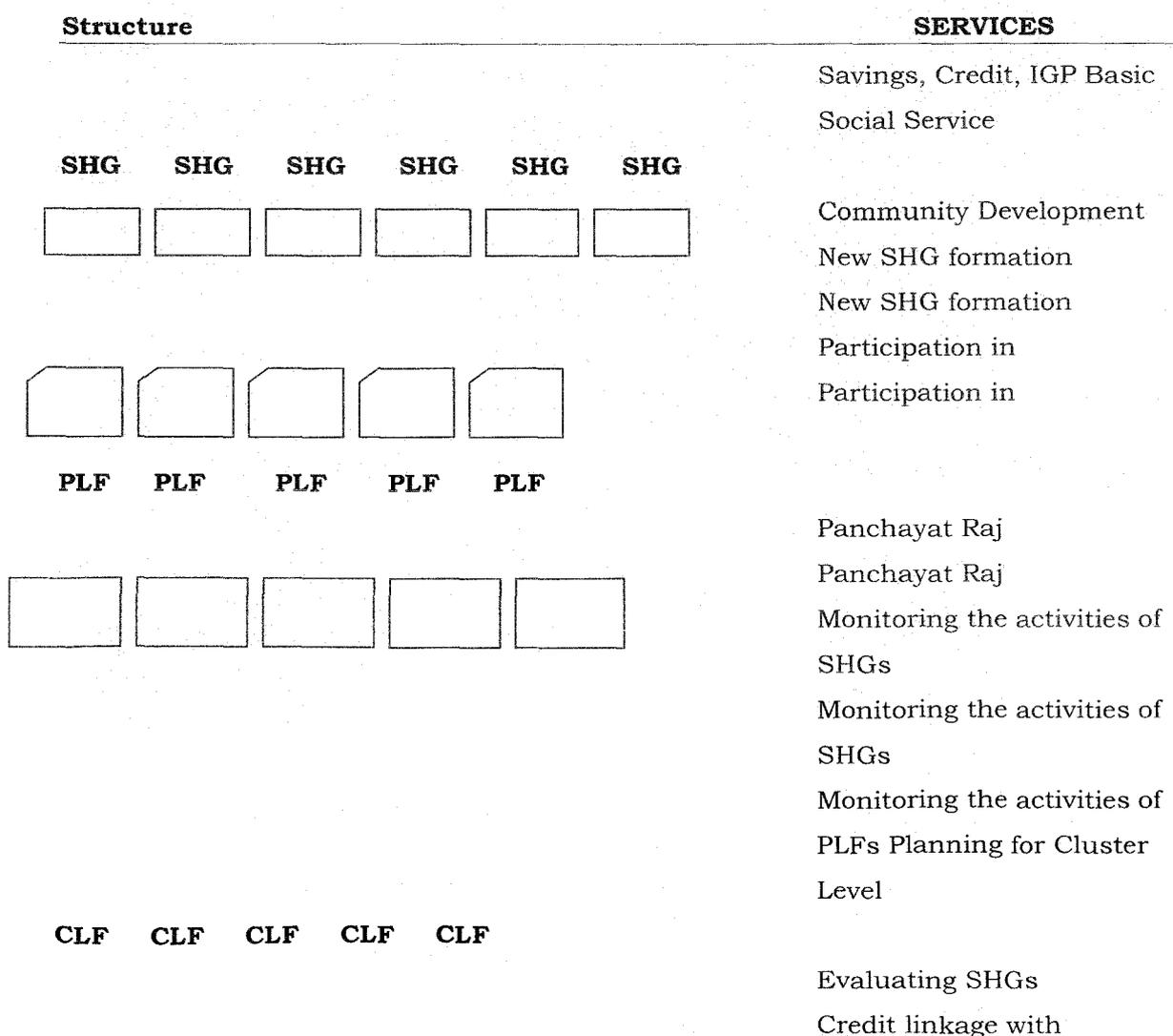
The Tamil Nadu Women's Development Project under the name of "Mahalir Thittam", promoted SHG and federation program covering about 10 lakh poor women of the State over the project period of 5 years. This scheme is intended to promote economic development and social empowerment of the poorest women through a network of Self Help Groups formed with active support of NGOs. The scheme based on the TNWDP (IFAD) experiment, adopts positive learning, while casting away many of the shortcomings seen in TNWDP (IFAD).

The project area encompasses rural areas of all 28 districts of Tamil Nadu except Chennai District. The scheme has been extended to all districts in a phased manner, with the vision of forming and nurturing around 60,000 sustainable. SHGs covering about 10 lacks women over the project period in Tamil Nadu. Cluster level federations are formed with the following guidelines.

- 15-25 groups to a cluster.
- Two representatives from each group
- Two years tenure for representative
- Rotation in alternate years.
- Role of Cluster Federations.
- Facilitate formation of new groups by other poor women.
- Organise annual auditing for the groups through a qualified auditor.

- Organize cluster level events.
- Assist and may be takeover responsibility for SHG grading in the cluster.
- Provide special support for weak groups after grading.
- Financial role not advisable in early period, unless the groups want to have this role for the cluster level in organization.

Figure - 3.6: CLF and PLF services with SHGs (Tamil Nadu Women's Development Corporation Model of Mahalir Thittan)



SERP's INDIRA KRANTHI PATHAM MODEL

The Society of Elimination of Rural Poverty (SERP) is an independent autonomous society registered under the Societies Act to implement the World Bank supported project with the Chief Minister as the Chairperson. The SERP is implementing Indira Kranthi Patham Project in Andhra Pradesh. This is a state-wise, community demand driven rural poverty alleviation project covering all rural poor households in the State.

The strategy involves organizing poor women into SHGs and then creating higher structures of SHGs, under this project, the federation model comprises of four tiers:- (i) Zilla Samakhya (ZS), (ii) Mandal Samakhyas (MS); (iii) Village Organizations (VO) and (iv) Individual SHGs. As on June 2007, 6.96 lack SHGs were organized into 33,430 VO and 1,059 MS and 22 ZS. Most of the federations are being registered as Mutually Aided Cooperative Societies under APMACS Act 1995. One or two representative from SHGs becomes members of VO. Similarly, the membership in MS is through the VO. The project supports the communities in prioritizing the livelihoods by investments in sub projects proposed and implemented by SHGs VOs. MS, etc. There are three types of sub projects, viz. (a) income generation; (b) productive physical infrastructure; and (c) social development. The major emphasis is on income generation. The MS also access funds from the external sources and lend it to VO. Similarly, VO on-lend to individual SHGs who then on-lend to SHG members. Each tier earns income through interest spread. The MS and VO also collect charges for various services offered by them to their members and others. SERP provided all project MSs, corpus funds @ Rs. 74 lakh each of original project MS and less amount non-project MSs.

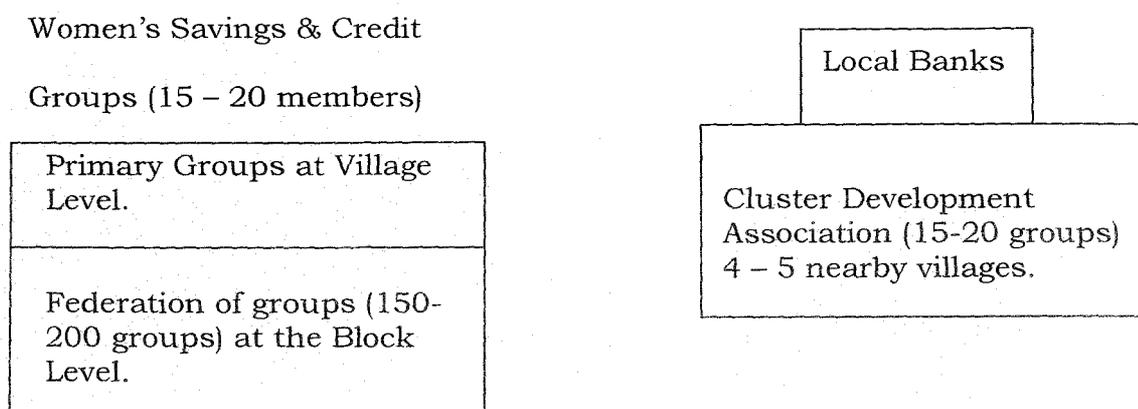
DHAN Foundation model of Nested Institutions

The DHAN (Development of Human Action) Foundation is working with poor women in Andhra Pradesh, Tamil Nadu, Karnataka and Pondicherry. The DHAN Foundation, as part of its Kalanjiam Community Banking Program (KCBP) is promoting a network of institutions. The network consists of three levels which are the primary groups, Cluster Development Associations (CDAs) and the federations.

Primary group has 15 to 20 members from the same village. All 20 members constitute general body of the group. The functions of general body include framing by-laws, electing office bearers, appointing auditors, etc. The primary group carries out the financial transactions involving thrift and credit. A Cluster Development Association (CDA) is formed by 15 to 20 SHGs in 2 to 3 contiguous villages. Each CDA has 300 to 400 families as members. CDA governance system has three district bodies to govern the organizations. There are Mahasabha, general body and executive committee. The cluster is an informal body and is meant to nurture and strengthen the primary groups so as to ensure the quality of the groups. A federation has 200 to 300 SHGs as its members. Ideally, a federation is promoted in an administrative block of the State and it covers around 3,000 to 4,000 families. The federations are registered as public charitable trust. The major roles of the federations are:

- Ensuring systems, meetings, performance standards at SHG and CDA level.
- Managing linkages of federation with banks, apex financial institution, government agencies and Panchayati Raj Institutions.
- Executive auditing for SHGs, CDAs and federations.
- Building the capacity of SHGs and CDAs.

Figure – 3.7: Women’s Savings & Credit (Orissa Government model adopted in Dhenkanal District)



Dhenkanal District has 10,500 SHGs and of this, 8,500 are credit linked to the banks. The state Government has played a proactive role in the district through ICDs in promoting and nurturing the groups. As a strategy, the SHGs are organized into federal structure and there are three levels of federations. The main objective of the federal structure is to promote quantitative and qualitative growth of SHGs in the district. Three levels in the federal structure are:

- i) **Cluster Federation:** A Cluster is formed at the village/Panchayat level taking 10 to 20 SHGs in its hold. The president and secretary of the representative SHGs are the members of the cluster. The cluster meeting are held once in a month to discuss various issues.
- ii) **Block Federation:** The President and secretary of each cluster are represented in block level federation. The block federation meets once in a month. The president and secretary are also special invitees in the concerned BLBC meeting so that there is better interface with the bank branches.

- iii) **District Federation:** The president and Secretaries of the block level federations are representing in the district level federation. It is an apex body of the SHGs in the district.

The clusters are informal bodies but the block and district level federations are registered under the Societies Act.

Kerala's Kudumbashree model

a) Neighbourhood Group (NHG)

For effective convergence of the program, a three tier community based organization (CBO) is in action. The lower most tier constitutes the Neighbourhood Group (NHG) consisting of 20-40 women members selected from the poor families. Meetings are convened on a weekly basis in the houses of NHG members. In the meeting the various problems faced by the Group Members are discussed along with suggestions for improving the situation. Government officials were also invited to the meeting for explaining the schemes implemented by them. In the weekly meeting all members bring their thrift, which will be collected and recycled, to the system by way of sanctioning loans. Micro plans are also prepared after taking stock of the situation. In each neighbourhood Group from among the poor women five volunteers are selected for undertaking various functional activities.

1. **Community Health Volunteer** – She will look after the various, health related aspects of the group members including children, women and the aged. Convergence of various programs undertaken by Health and social welfare Departments are also carried out under the leadership of the Community Health volunteer.
2. **Income generation activities volunteer** - The collection, consolidation and maintenance of books of accounts and

registers in connection with thrift mobilization is looked after by this volunteer. Necessary training is imparted by NABARD for increasing their capability.

3. **Infrastructure Volunteer** – Infrastructural backwardness of the group is tackled with the help of various ongoing governmental programs under the leadership of this volunteer. It is proposed to take micro contracting as an income generating activity by this group after sharpening their functional skills through a series of training programs. She will liaison with the local bodies and acts as a catalyst for local development.
4. **Secretary** – The Secretary records the proceedings of the meeting and necessary follow up including motivation and team building is the responsibilities of the secretary.
5. **President** – She will preside over the weekly meetings and will impart necessary leadership and guidelines to the group members.

b) Area Development Society (ADS) :

The second tier is Area Development Society, which is formed at ward level by federating 10-15 NHGs. The activities and the decision in the ADS is decided by the representatives of the poor elected from various NHGs. Area Development Society functions through three distinct bodies viz. –

1. **General Body** – consists of all President/Chairperson, Secretary & 3 special volunteers such as Health, Income Generation and Infrastructure volunteers of federated NHGs.

2. **Governing Body** – constituted by electing a President, Secretary and five members committee from among the General Body.

Linkage with LSGI

Rural – In Gram Panchayats the ward member is the Patron of the ADS.

Urban – In urban Local Bodies a separate Monitoring & Advisory Committee is constituted with ward Councilor as chairperson. The salient features of this arrangement is the fixation of priorities by the poor; in tune with the policy framework of local self Governments.

c) Community Development Society (CDS)

At the Panchayat/Municipal level a Community Development Society (CDS), a registered body under the Charitable Societies Act is formed by federating various ADS. The CDS has three distinct bodies viz. –

- 1) **General Body** – It consist of all ADS Chairpersons and ADS Governing Body members along with representatives of Resource Persons, Officers of the Local Body who are involved in implementing various poverty Alleviation and Women Empowerment Programs.
2. **Governing Body** – The Governing Body consists of President, Member Secretary and five selected committee members. The president will be elected whereas the member secretary is the project Officer of UPA Programs. Other Government Officials and representatives of Resources Persons will be m\nominated to the Government Body.

Linkage with LSGI

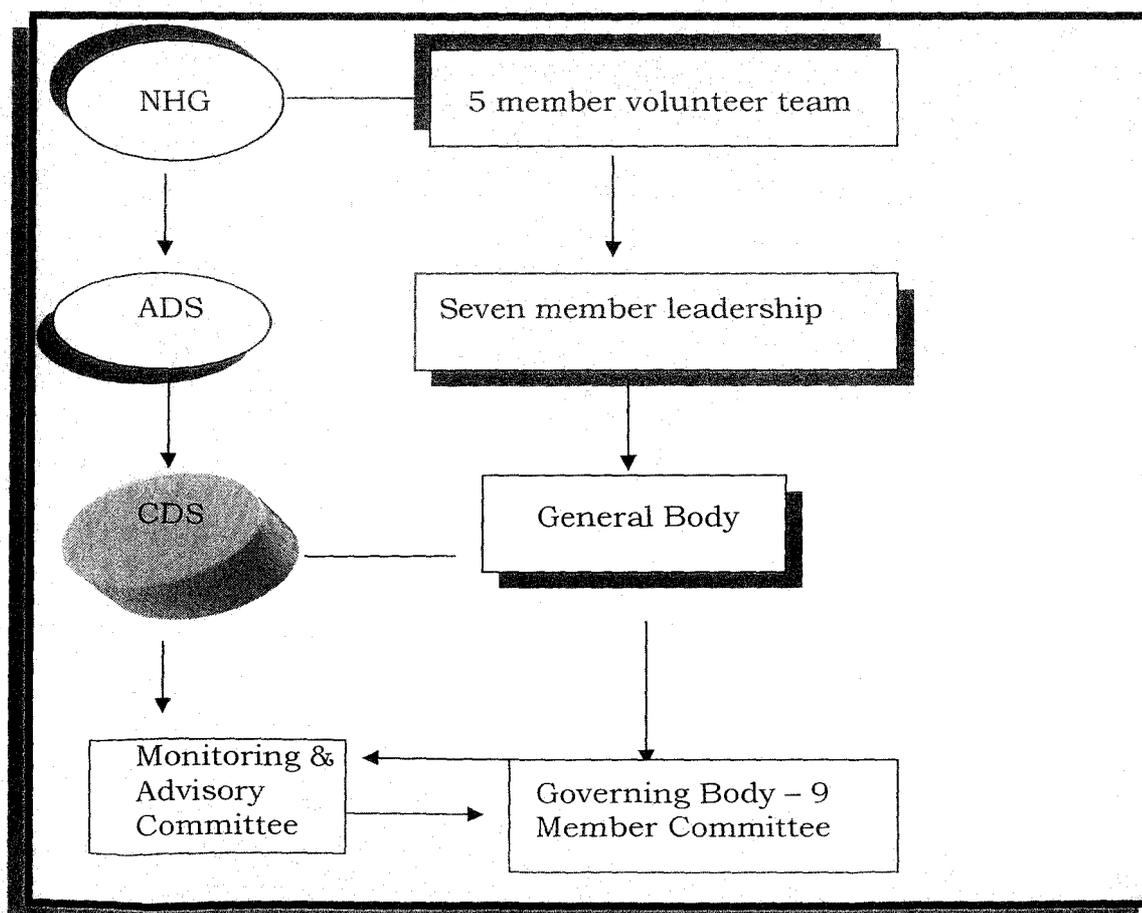
- a) **Rural** – The President of the Gram Panchayat is the patron of the CDS. The standing committee chairperson (welfare), all women members of the panchayats and the secretary of the Gram Panchayat are ex-officio members of the CDS. The Block Panchayat member/members of the respective Block division/divisions are also ex-officio members of the CDS.
- b) **Urban** – A monitoring & advisory committee at ULB level will be constituted with Mayor/Municipal Chairperson as Chairperson. The Municipal Secretary will be the convener of the committee. In every ULB there is an Urban Poverty Alleviation (UPA) wing & the Project Officer of the UPA will be the Joint Convener.

The advantages of this system is that it is managed wholly by the representatives of the poor and has the leverage of a non-governmental organization, which helps in channeling additional resources from various sources both internal and external. The CDS at local body level facilitate both autonomy and effective linkage with Local Self Governments.

The aspirations of the poor along with their genuine demands voiced out in the NHG meetings from the “micro-plans”, and will be scrutinized and prioritized to form a mini-plan at the level of ADS. After consolidating the mini-plans by judicious prioritization process at the level of CDS, the ‘CDS Plan’ is formed which is also the “anti-poverty sub-plan” of the Local Self Government Preparation of micro, mini and CDS plans facilitate the poor to participate in planning process as a major stakeholder. The local body monitors the implementation of the plan and thereby proper linkage, coupled with autonomy is ensured in the CDS system.

Other than participating in the planning process, the work done for eradication of poverty is worth mentioning. Poverty is caused mainly due to the result unequal access of distribution of wealth and resources. The resources meant for the poor through various antipoverty programs have not been reaching the deserving families due to weaknesses in the transfer process. The poor were destined to receive the benefit only as doles of charity. The poor are incapacitated and are vulnerable to all calamities including environmental degradation. They were even denied of their basic human rights. This denial or rather deprivation is checked in a big way through the implementation of Kudumbashree. In a nutshell, in Kerala Kudumbashree is perceived and accepted by all Local Self Governments as a further step to decentralization process.

Figure - 3.8: Structure and Functionaries of NHG, ADS & CDS (Kerala's Kudumbashree Model)



NABARD :

The NABARD, the apex financial institution which has facilitated and promoted SHG bank linkage programs in India, has recognized the importance of federations in sector development and general development including promotion of livelihoods. Recently, NABARD issued circular facilitating financial support under the Micro Finance Development Equity Fund (MFDEF) to the SHG federations. However, to start, the support is limited to non-financial federation only.

As far as SHGs are concerned Both NABARD and SGSY represent two important routes for SHG formation, in addition to those formed by respective line agencies and NGOs . In the present study, however we will be concerned with the SGSY groups in relation to convergence scheme in West Bengal.