



Multilateral Cooperation Global Scenario Self Help Group: An analysis

Dr. B. Raveendra Naik, Post-Doctoral Fellow (PDF), UGC, Dept. of Population Studies and Social Work, Sri Venkateswara University, Tirupati- 517 502, Andhra Pradesh, India

Abstract: The SHG movement was spearheaded by a few pioneering NGOs and supported by the banking system. The scale of SHG promotion, however, was very small and confined to a few select regions, mainly in the southern parts of India. Subsequently, these SHGs served as a platform for these NGOs to implement various women-centric development programmes for social and economic empowerment and over a period of time, the groups started managing their own savings and credit. The financial products and terms of apex microfinance agencies and wholesalers also provided a picture of the delivery system for loans accessed by SHGs. The both formal and non-formal institutions are involved in channeling funds for loans to poor families through SHGs are a feature of a system where a suitable regulatory environment of microfinance has not developed and NGOs and MFIs struggle to find appropriate “models” and paths given the many constraints.

Keywords: multilateral diplomacy, Self Help Groups, financial products

Introduction

Multi polarization and international relations are becoming normalized and institutionalized due to economic globalization and regional integration. The concept of multilateralism has gained momentum in the international community and become a cornerstone of international relations. In this context, India highlights multilateral diplomacy in its foreign strategy and engages enthusiastically in the construction of multilateral systems.

The Government of India and state authorities alike increasingly realized the importance of devoting attention to the economic betterment and development of rural women in India. The Indian Constitution guarantees that there shall be no discrimination on the grounds of gender. In reality, however, rural women have harder lives and are often discriminated with regard to land

and property rights and access to medical facilities and rural finance. Women undertake the more onerous tasks involved in the day to day running of households, including the collection of fuel wood for cooking and the fetching of drinking water, and their nutritional status and literacy rates are lower than men. They also receive lower wages as labour as rural non-agricultural labourers, women earn Rs.44 per day compared to Rs.67 for men. Women's voice in key institutions concerned with decision making is also limited.

Women's empowerment has long been a central feature of the partnership between IFAD. The Government of India and IFAD are concentrating copiously on women's empowerment. Self Help Groups are 10-20 rural women from the same village, mostly poor women, and come together to contribute to weekly or monthly dues as savings and provide



group loans to their members. The Self Help Group approach was not created by IFAD supported operations, but IFAD has contributed to the mainstreaming of this approach in India and to financing programmes for promoting Self Help Groups in states such as Tamil Nadu and Maharashtra supported by the Women's Development Corporation, an arm of the State Government involved in supporting women's development.

Development of Self-Help Groups in India

A variety of group based approaches that rely on social collateral and its many enabling and cost reducing effects are a feature of modern Microfinance. It is possible to distinguish between:

(a) Groups primarily geared to deliver financial services provided by microfinance institutions (MFIs) to individual borrowers and (b) groups manage and lend their accumulated savings and externally leveraged funds to their members. The term 'Self Help Group' or SHG can be used to describe a wide range of financial and non-financial associations and in India it has come to refer to a form of Accumulating Saving and Credit Association (ASCA) promoted by government agencies, NGOs or banks. Thus, SHGs fall within the latter category of groups described above.

Several SHGs have been carved out of larger groups, formed under pre existing NGO programmes for thrift and credit or more broad based activities. Some have been promoted by NGOs within the parameters of the bank linkage scheme while others have been promoted by banks and the District Rural Development Agencies (DRDAs). Some have been formed as a component of

various physical and social infrastructure projects. Some of the characteristic features of SHGs currently engaged in MF are given below.

- SHG is generally an economically homogeneous group formed through a process of self-selection based upon the affinity of its members.
- Most SHGs are women's groups with membership ranging between 10 and 20.
- SHGs have well defined rules and by laws, hold regular meetings and maintain records and savings and credit discipline.
- SHGs are self-managed institutions characterized by participatory and collective decision making.

NGO promoted SHGs are often nested in groups or village development groups undertaking integrated development activities. SHGs or groups have been grouped into larger clusters and multi village federations for financial and non-financial activities.

Bank Linkage Scheme

The SHG bank Linkage Programme has its origin in a GTZ-sponsored project in Indonesia. Launched in 1992 in India, early results achieved by SHGs promoted by NGOs such as MYRADA, prompted NABARD to offer refinance to banks for collateral-free loans to groups, progressively up to four times the level of the group's savings deposits. SHGs thus "linked" became micro banks able to access funds from the formal banking system. The linkage permitted the reduction of transaction costs of banks through the externalization of costs of servicing individual loans and also ensuring their



repayment through the peer pressure mechanism.

Government

SGSY Programme is the major government programme promoting SHGs and channelling large funds for poverty reduction is the SGSY programme. Other state and central government programmes too have promoted SHGs in large numbers of SHGs have been promoted by other state and central government programmes especially in Andhra Pradesh.

NGOs

All over the country NGOs have been promoting SHGs for savings and credit and other social and economic programmes for at least the past 20-25 years. Over 2000 NGOs are currently involved in the bank-linkage programme. The leading SHG promoting NGOs are a mixed group that includes pure SHG promoters, NGOs functioning as MF intermediaries, and NGOs that have promoted non-profit and for-profit non-banking companies for on lending grant and borrowed funds to SHGs and SHG-based federations. However, the majority of them act as promoters and facilitators of SHGs.

Indian SHG System

The members form a group of around 10 to 20 members that is promoted by an NGO, Government, Bank or by an MFI. The process of formal 'linkage' to an MFI or bank usually goes through the following stages:

- The SHG members decide to make regular savings contributions. These may be kept by their elected head in cash or in kind or they may be banked.

- The members start to borrow individually from their Groups, on terms and at interest rates decided by the Groups themselves.
- The SHG opens a savings account, in the Group's name, with the bank or MFI, for such funds as may not be needed by members, or in order to qualify for a loan from the bank.
- The bank or MFI makes a loan to the SHG, in the name of the Group, which is then used by the Group to supplement its own funds for on-lending to it members.

Links to formal rural finance

Another important feature of self-help groups has been the establishment of links between self-help groups and the formal microfinance institutions and commercial banks. The bank has set up its own in-house NGO to support these efforts. Loans are provided only to the groups, not individuals. Recovery rates on the loans stand at 99 per cent. In addition to lending to self-help group, which is profitable for the bank, ancillary business has been brought in through self-help group members opening deposit accounts and taking loans as individuals. The impact of the commercial banks' links to self-help groups is attested to by members.

Challenges

Apart from weak market linkages in the context of income generating activities, there are also a few other concerns in relation to women's empowerment. First is the capacity building of Self Help Groups, which in need of support in accounting, financial management, and organisational development. The second concern is about the gender focus in rural financial



services. Despite the focus in project design, there were gaps during implementation. Therefore gender focus in designing and implementing rural microfinance services should be enhanced. The third challenge is about how to link self-help groups to agricultural activities, which are of key importance for the livelihoods of small farm holders in India, but at the moment self-help groups have not taken much agricultural activities, as the decisions on agriculture are mainly taken by men.

Government SHG Programmes

India launched economic reforms oriented toward liberalization, a market-based economy and privatization. India's rapid economic growth has facilitated its efforts to integrate into the global community. Foreign trade accounts for more than 40% of India's GDP. India needs to import a huge amount of energy and mineral resources every year in order to sustain its high-speed economic growth. India has come to shape the new international concept of actively participating in global multilateral governance, and preparing to actively undertake international responsibilities. This is "not because of ideological reasons, but for practical interests." India's engagement with global economic organizations, emerging economies, and developed and developing countries proves to be conducive to achieving optimum resource allocation, broad market space, and adequate funding and technology from its foreign economic cooperation. India needs to strengthen exchanges and interaction within multilateral mechanisms with other countries in order to adequately respond to the varied challenges resulting from globalization.

The SHG movement was spearheaded by a few pioneering NGOs and supported by the banking system. The scale of SHG promotion, however, was very small and confined to a few select regions, mainly in the southern parts of India. Subsequently, these SHGs served as a platform for these NGOs to implement various women-centric development programmes for social and economic empowerment and over a period of time, the groups started managing their own savings and credit. The Government of India (GOI) too realized the potential of the SHG model for income and livelihoods generation in alleviating poverty as also to contribute to women's empowerment. The SGSY allowed considerable scope to state governments to scale up NGO innovations in promoting SHGs and linking them to banks under the SBLP. Some of the externally-aided programmes (funded by IFAD, World Bank and DFID) implemented by the state governments also gave impetus to the scaling up of the SHG model in Tamil Nadu, Andhra Pradesh and Karnataka. Andhra Pradesh was the first state to promote federations of SHGs on a large scale to sustain the SHGs and to provide the much-needed institutional architecture for the poor to access loans as also various entitlements from the state government. In 1996, the RBI had included financing of SHGs as a mainstream activity of banks under the priority sector lending programmes. They took a keen interest in facilitating SBLP for the poor to access loans to address their consumption and production needs. Gradually, this took the form of a target-oriented approach of promoting SHGs and pressuring the banking system to lend to these SHGs. Since SHG promotion originated under the Development of Women and Children in



Rural Areas (DWCRA) programme, in many states the Women and Child Development departments were in the forefront of SHG promotion. However, as the SGSY was being implemented through the rural development departments, the DRDAs gradually emerged as the major SHPIs.

Indira Kranthi Patham (IKP)

Indira Kranthi Patham (IKP) is perhaps the largest donor-assisted poverty alleviation programme in the country. A statewide initiative, it is aimed at Andhra Pradesh District Poverty Initiatives Project (APDPIP), implemented from June 2000 to December 2006 was built on the UNDP-supported SAPAP which was implemented in 700 villages in three districts of Andhra Pradesh and focused on formation and capacity building of women SHGs along with promotion of VOs and federations. Related government development programmes such as education, health and elimination of child labour were implemented through the promoted institutions. APDPIP was implemented in 316 mandals in the six poorest districts of Andhra Pradesh namely Chittoor, Anantpur, Mahabubnagar, Adilabad, Srikakulam and Vijayanagaram. The Andhra Pradesh Rural Poverty Reduction Project (APRPRP) commenced from June 2002 covering 548 backward mandals in 16 districts of Andhra Pradesh. It has been implemented by Society for the Elimination of Rural Poverty (SERP), set up by the Andhra Pradesh government. SERP works through a multidimensional poverty alleviation strategy that focuses on building institutions of the poor, leveraging resources through commercial banks, building livelihoods and human development value chains and reducing

the risks faced by poor women through social safety nets and entitlements. These activities are undertaken through CBOs such as SHGs, village organizations and Mandal level federations. Under the programme, SHGs, comprising 10 to 15 members, were formed at the village hamlet level. All the SHGs in a revenue village were brought under the umbrella of a village organization (VO). If the number of SHGs in a village were large (more than 30), two or more VOs were formed at the rate of 20 to 30 SHGs per VO. Two leaders from each SHG formed the executive committee of the VO, of whom five were elected as office bearers. All the VOs in a mandal formed a Mandal Samakhya (MS). Two representatives from each VO formed the executive committee of MS, five of whom were elected as office bearers. All the MS in a district formed a Zilla Samakhya (ZS). One member from each MS had representation in the ZS; among them five were elected as office bearers. By March 2011, 11.1 million poor and the poorest of the poor were organized to form 994,595 SHGs.

Stree Nidhi, the State Level Cooperative Microfinance Society

The formation of a microfinance bank, Stree Nidhi, has been a milestone in the history of microfinance. Stree Nidhi was launched in Andhra Pradesh on 15 September 2011 as the first cooperative bank in the Indian state to offer women access to microcredit within 48 hours of request. Formed as a joint venture between the government of Andhra Pradesh and the Mandal Mahila Samakhya (MMS) of SHGs, the 'bank' is actually an apex cooperative credit society. The bank, which has as its members MM S comprising women's SHGs, has begun operations with 1



billion equity capital infused by the Andhra Pradesh government. Further, the member Mahila Samakhyas will provide 1 million each, totaling over 1 billion equity contribution by Mahila Samakhyas. With over 2 billion equity capital, Sthree Nidhi will mobilize the rest of the required funds in debt from banks and through deposit mobilization. The initial authorized capital of the Bank has been kept at 5 billion planned to mobilize 10 billion of funds in the current financial year (2011–12). Sthree Nidhi acts as an alternative source of micro-loans for SHGs. It plans to lend its funds to around 10 million female members of SHGs women, who faced difficulties in getting successive loans from banks.

The operations of Sthree Nidhi are handled with the aid of technology. The bank started out with four types of loans including funds to meet business requirements, education and health. In order to make the loans cheaper, the administrative costs are planned to be limited to 10% of the net return. The average size of loan is 15,000 with duration of one year at 13% in monthly repayment mode. The members of MMS do the due diligence and assess the need and repaying capacity before sanctioning the loans and get a service charge of 1% commission. Further, on successful repayment of the first loan, the borrowers will be eligible for a nominal 3% interest on subsequent loans. By offering affordable rates, Sthree Nidhi hopes to counteract the rampant commercialization of micro-lending that has plagued the state. The MF is in the state will compete with this bank in terms of lowering the rates of interest.

The competition will stand as the SHGs under direct bank linkage pay the lowest interest in comparison to other

sources. The most important aspect of IKP is that it has adopted the strategy of convergence of all the government programmes. Each and every government department converges with IKP in executing various development activities for the livelihoods enhancement of the poor.

SGSY, government of India

With the failure of a number of anti-poverty programmes and success of SHGs and its linkage programme, the government of India launched SGSY in 1999 as a key poverty alleviation programme which provided credit and capital subsidy through SHGs as a priority to help BPL populations improve their economic condition. The scheme aimed at encouraging group-based activities by providing skill-building support, credit linkages, subsidies and market linkages. Programmes such as IRDP, Training for Rural Youth under Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), Supply of Improved Tool Kits to Rural Artisans (SITRA), Million Well Scheme (MWS) etc. Were integrated into one single programme of SGSY, Seventy five per cent of funds allocated under the scheme are provided by the central government and the remaining by the state governments. SGSY has been implemented by DRDAs in collaboration with PRIs, banks, line departments and NGOs. For the effective implementation of the programme a Central Level Coordination Committee (CLCC) has been set up. NGOs, CBOs and SHP are provided up to 10,000 per SHG for SHG formation and development. At least 20% of total funds are allocated for development of infrastructure. In order to develop the capacities of SHGs in



taking up income-generation activities, SGSY allocated 10% of its financial allocation for training and skill-building activities. Further, 15% of project funds are allocated to special projects. Under SGSY, a Revolving Fund within the range of 5,000 to 10,000 is provided to SHGs who have successfully passed the first grading.

Women's empowerment

Empowerment has another major domain of impact for women members and which has been largely positive. Apart from economic benefits through participation in SHG programmes. The constituency of women was compulsively involved in the consensus built around microfinance as a tool for poverty reduction in the 1990s since it held the promise of economic and social empowerment as well as contributing to eroding in egalitarian structures of patriarchy. Focus specifically on women's empowerment and gender relations has been for decades. A few major studies provide valuable insights into the functioning of SHGs and outcomes in relation to the gender and power relations being experienced by women SHG members. These studies add a further dimension to the understanding of SHG processes and impact. Burra et al. (2005) conceptualized empowerment of women in terms of their physical, economic, socio-cultural and political space, and asserted that expanding control and access and control over each element is central to their empowerment. They concluded that that there was no linear link between microcredit, poverty and empowerment. Thus, the four promoters above through a combination microcredit, grain banks, watershed programmes and women's own banks had

a greater impact than those organizations that had focused only on microfinance.

Strategy for the Future

Over the last and two decades SBLP/NABARD are revisiting their approach in order to prepare a strategy for the future. In view of the many issues which had been raised in respect of the role of NABARD, it is imperative that it take up a set of fresh policy initiatives to re-energize the SBLP. Moreover, NABARD continues to support SHG promotion from the MDEF, along with a host of other capacity-building measures for the SBLP. The NABARD has already started another channel for the disbursements of loans to SHGs and their federations, through BCs in the form of NABFINS. The NABFINS is confined to a few southern states but with the idea of such a subsidiary taking root it could expand to other regions as well. In the design and content of SBLP Malcolm Harper outlined the steps required to launch a Version 2 of SBLP. Harper notes that basic principles of SHGs need not change but those changes that are necessary should be 'hard-wired' into the new design. Harper mainly emphasized SHGs as a way of savings, individual 'no frills' accounts for SHG members and the need for members to be able to access the full range of financial products. Highlighted the need for banks to see SHG banking as a business proposition and the need to provide indefinite support to SHGs. He outlined certain general principles which include

1. Developing strong new groups and improving existing ones, federations or other institutional structures.
2. Redesign of existing training modules in the current context.



3. The need to select and roll out simple systems of records for SHGs from the best existing systems and
4. To create appropriate agencies in a given area where there may be no effective NGO-SHPs or other existing agencies.

Conclusion

The rationale for the models adopted by the leading NGOs is an attempt to develop sustainable structures for the delivery of financial and non-financial services through SHGs. But, several of these innovations are one of initiatives incapable of easy replication or as in the case of the mutually aided cooperatives, specific to the context of state in which they have been introduced. The financial products and terms of apex microfinance agencies and wholesalers also provided a picture of the delivery system for loans accessed by SHGs. The both formal and non-formal institutions are involved in channeling funds for loans to poor families through SHGs are a feature of a system where a suitable regulatory environment of microfinance has not developed and NGOs and MFIs struggle to find appropriate "models" and paths given the many constraints.

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