

# **Study on SHG Federations – Challenges and Opportunities**

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## FOREWORD

Over the last two decades, cumulatively more than 4.22 million Self- Help Groups (SHGs) have accessed bank credit and the total outstanding loan to them stood at Rs. 22, 680 crore as on 31 March 2009. Almost 90% of these groups are women groups. The programme has covered more than 8.06 crore poor households, making it the largest community microfinance programme in the world. However, despite its considerable outreach, successful savings mobilization, and high loan-repayment rates, the sustainability of SHG banking has not been clear. The small size of the SHGs and thereby, the limited resources – both financial and human – they have access to, make most SHGs dependent on the promoter agencies for several essential services. SHG federations have been primarily a response to this issue; they were promoted to take over most, or all, of the services for which the SHGs were dependent on the promoter agencies.

Networking of SHGs into Federation has been inspired by the felt need of the SHGs that are not able to deal with issues that are beyond their reach. SHGs having a membership of 10-20 women are too small and informal to deal with larger issues to realize the needs and aspirations of women members. Inter-group lending, ability to negotiate with higher level structures and to gain greater bargaining power, were the reasons as to why informal SHG networking was initiated by NGOs. SHG Federations have been promoted by the NGOs and the Government from mid 1990s to address the issues of ensuring quality while up-scaling, ensure that costs of promotion are low, and create sustainable institutions to facilitate withdrawal of the promoting organization, from some of its functions and roles.

Emergence of SHG Federations has attracted lot of attention from policy makers as well as practitioners of microfinance. The concept of SHG Federations is still evolving and there is a shortage of research work done in this field.

The present study undertaken by Centre for microFinance Research, BIRD Lucknow is intended to contribute to developing a comprehensive understanding of the role of SHG federations in imparting sustainability to SHG Bank Linkage

Programme. The purpose of undertaking this exercise is to bring to the public domain the available experience and information on SHG federations, their problems and challenges faced by them. We sincerely hope that readers will find the study useful. We will appreciate critical feedback and suggestions to improve our other studies in microfinance sector.

S.K. Chatterjee

Director, BIRD, Lucknow

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## **GLOSSARY**

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BC-	Business Correspondents
BDO -	Block Development Officer
BLF-	Block Level Federation
BMCU-	Bulk Milk Cooling Units
BoD -	Board of Directors
CBOs -	Community Based Organisations
CDR-	Credit-Deposit Ratio
CEO -	Chief Executive Officer
CLA-	Cluster-level Association
CLF -	Cluster Level Federation
CRI-	Critical Rating Index
CRP-	Community Resource Persons
DCCB -	District Central Co-operative Banks
DDM-	District Development Manager (NABARD)
DHAN-	Development of Humane Action
DPIP-	District Poverty Initiatives Project
DRDA -	District Rural Development Agency
EC -	Executive Committee
EMI -	Equated Monthly Installment
FD -	Fixed Deposit
GB -	General Body
GMSS -	Grameen Mahila Swayamsidha Sangh
IGP -	Incomes Generating Programme
IKP-	Indira Kranthi Patham (earlier it was called Velugu Project)
MACS -	Mutually Aided Co-operative Societies
MAVIM-	Mahila Arthik Vikas Mahamandal
MFDEF-	Microfinance Development & Equity Fund
MFIs -	Micro Finance Institutions
MS -	Mandal Samakhyas

MYRADA -	Mysore Resettlement and Development Agency
NABARD -	National Bank for Agriculture and Rural Development
NDDB-	National Dairy Development Board
NGO -	Non-Governmental Organisation
NPA -	Non-Performing Assets
NREGS -	National Rural Employment Guarantee Scheme
NRM -	Natural Resource Management
OBCs -	Other Backward Classes
PDS-	Public Distribution Service
PRI -	Panchayati Raj Institutions
PACS -	Primary Agricultural Co-operatives Societies
PLF -	Project Level Federation
PRA -	Participatory Rural Appraisal
PRADAN -	Professional Assistance for Development Action
PaR -	Portfolio at Risk
RBI-	Reserve Bank of India
RGCT-	Rajiv Gandhi Charitable Trust
RGMVP-	Rajiv Gandhi Mahila Vikas Pariyojna
RRBs -	Regional Rural Banks
SERP -	Society for Elimination of Rural Poverty
SBLP-	SHG Bank Linkage Program
SHPIs –	Self Help Promoting Institutions
SIDBI -	Small Industries Development Bank of India
SNAKS-	Samsthan Narayanpur Kalanjia Sangamitra
STs -	Scheduled Tribes
SHGs -	Self-Help Groups
VOs -	Village Level Organizations

## ***Executive Summary***

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During last two decades, there has been phenomenal growth in number of Self Help Groups. There are more than 6.12 million SHGs having savings account with Banks and more than 4.22 million SHGs which have been financed by banks. Rapid expansion of SHG Bank Linkage Programme has thrown up a number of challenges. These include maintaining quality of SHGs, progression from credit to livelihood, making them self sustainable, reducing dependence on SHPIs, etc. A number of SHPIs have formed SHG federations to meet these challenges. The present study looks at the opportunities and challenges faced by SHG Federations in India.

### **1. Objectives of the Study**

The overall objective of the study is to explore the potential of SHG federations in making SHGs financially and organizationally sustainable, and to recommend strategies to strengthen them. The specific objectives are:

- a) To assess whether the federations have evolved based on needs of SHGs or due to some extraneous factors.
- b) To identify the services provided by the federation and analyze their benefits to SHGs.
- c) To assess the level of autonomy available to SHGs in lower tier of Federations and their participation in the decision making.
- d) To study financial parameters of federations to evolve benchmarks for their sustainability.
- e) To identify the constraints / challenges faced by SHG Federations and recommend measures to address these.
- f) To assess from the stakeholders the mode of NABARD support to SHG federations.

In addition to the above, the study also attempts to compare the differences in quality of SHGs on several parameters between SHGs under the umbrella of Federations and other SHGs which are not part of federation.

### **2. Methodology**

A total of 10 sample Federations from 5 States were selected for detailed study. The study is based on information obtained from a primary sample survey conducted at two different levels: at the SHG Federation level and at the SHGs (as a group) level. The data collection was done during February 2010 to April 2010. For each sample federation, 10 SHGs under the Federation and 10 SHGs outside the Federation (control group) have been studied to identify their differences in terms of the quality of SHGs based on critical rating index (CRI) developed by NABARD. Thus, the total no. of sample SHGs which have been covered in the primary study in 5 states is 200.

### **3. Findings of the Study**

Findings are summarized below in terms of TOR;

### **3.1. TOR I**

**To assess whether the federations have evolved based on needs of SHGs or due to some extraneous factors.**

The study revealed that the motivations behind bringing SHGs under the umbrella of *Federation* were promoter driven rather than primary SHG members driven. The idea of federating SHGs was found to have been mooted by NGO / SHPI although, subsequently, member SHGs appreciated the useful role by Federations. NGOs / SHPIs promoted SHG Federations for strengthening existing SHGs, promoting new SHGs of the poor and for enabling member SHGs to access various services. Further, promoters of SHG Federations perceived that Federations provide a sense of solidarity among members of different SHGs in an area. It gave them an identity and it also created a sense of ownership among SHGs.

### **3.2. TOR II**

**To identify the services provided by the federation and analyze their benefits to SHGs.**

Following are found to be the major services provided by SHG Federations;

- Nurturing of existing SHGs (facilitating regular meetings, savings and credit activities)
- Formation of new SHGs
- Facilitating credit linkages
- Improving the quality of maintenance of books of account
- Regular audit / review of SHG functioning
- Providing training to new SHGs
- Arranging for training of new leaders at (i) group level and (ii) cluster level
- Ensuring proper recovery of loans. Cluster creates peer pressure on SHG for timely repayment of loan.

The above services help strengthening the member SHGs in several ways. It helps them to have the benefit of scale, better capacity development and better access to various services from government and banking sector and adopt better financial management practices.

### **3.3. TOR III**

**To assess the level of autonomy available to SHGs in lower tier of Federations and their participation in the decision making.**

It is observed from the field study that the Federations usually take macro level decision like following;

- Rate of interest to be charged by group from its members.
- Service Charges to be paid to *Munshi* (community resource person) for writing account and meeting proceedings.
- Penalty to be charged by group in case of default of loans.
- User charges to be collected in case of provision of specialized services like animal husbandry (AI, vaccination, deworming, etc.), insurance of cattle, life insurance of SHG members, etc.

For remaining decisions, SHGs are free and they do not have to seek guidance from the upper tier. The lower tier SHGs, therefore, are free to take operational decisions like;

- Fixing the date and place of meeting.
- Amount of monthly saving by each member.
- Selection of members to be provided loans from internal saving.
- Selection of members for providing loan from funds received from Banks.
- Amount of credit to be accessed from Bank.

It was observed that member SHGs enjoyed reasonable amount of autonomy in terms of functional freedom and they were not overly controlled by higher tiers of Federation.

#### **3.4. TOR IV**

##### **To study financial parameters of federations to evolve benchmarks for their sustainability.**

Following are observed to be the main sources of revenue for Federations;

- Membership fee and service fee: Federation collects a service fee on each service it provides to its subsidiaries and members.
- Interest income on its corpus, which include savings from their constituents, grants they received and bulk loans they borrow from FIs and others for on lending.
- Personal support and recurring grants from promoters.

Following are observed to be the main items of expenditures for Federations;

- Rent – Office
- Telephone, Electricity, Stationary, etc.
- Salary – Chief Coordinator
- Salary – Accountant
- Salary – Field coordinators
- Conveyance expenditures
- Other misc. expenditures

It is observed that 50% of the sample federations was having very poor level of financial sustainability, 20% of the sample federations had moderate level of financial sustainability while 30% of the sample federations had high level of financial sustainability.

#### **3.5. TOR V**

##### **To identify the constraints / challenges faced by SHG Federations and recommend measures to address these.**

Following major constraints / challenges faced by Federations have been identified;

- Lack of clarity of objectives among federation board members.
- Poor skills in respect of financial management among federation board members.
- Absence of second-line leadership.
- Poor capacities of human resource.
- Low fund availability at federation level.
- Low level of financial sustainability.

To overcome above constraints, there is a need for regular capacity development effort. To improve financial position of SHG Federation, it is important to broad base activities

of Federation and collect user charges at realistic rates for diverse services offered by federation to member SHGs.

### 3.6. TOR VI

#### To assess from the stakeholders the mode of NABARD support to SHG federations.

Discussions with heads of SHPIs /NGOs who have promoted Federations brought to fore following suggestions regarding support from NABARD;

- a) SHG Federations are a matter of reality and should be seen as a step forward in SHG bank Linkage Programme. To give an impetus to the process, NABARD may consider launching a Federation Bank Linkage Programme to provide financial assistance to Federations in the form of loan (both working capital and term loan).
- b) There are many regions in the country where Banks are still reluctant to give loans to SHGs and due to this, the SHG Bank Linkage programme is not picking up. An assessment may be done to estimate average amount of bank loan given to SHGs in each district of the country and where ever this amount is less than 25% of national average, NABARD may consider providing bulk loan to SHG Federation for onward lending to SHGs.
- c) Promotion of SHG Federations requires resources. A soft loan product with some component of grant may be developed by NABARD for Federations promoted by reputed / established NGOs / SHPIs.
- d) Special emphasis is required for building the capacity of the governing members of SHG Federations as well as staff working in these Federations for creating awareness on byelaws, roles and responsibilities and statutory compliance, etc. and in order to avoid dependency SHPIs for creating ownership on Federations. For these activities, NABARD may support federations from its promotional funds.

### 3.7 Quality of Federation SHGs

In addition to the above TORs, the study also attempted to compare the differences in quality of SHGs on several parameters between SHGs under the umbrella of Federations and other SHGs which are not part of federation. The observations are summarized below;

**Table: A Comparative Analysis of Quality of Groups**

SN	Parameter	Federation SHGs	Non Federation SHGs
1	BPL members as a % of total members of SHG		Higher
2	Frequency of meetings	No difference	
3	Attendance in meetings of SHGs	Higher	
4	Average monthly savings of SHG members	Higher	
5	Annual savings per member in terms of Age of SHGs	Higher	
6	Cumulative savings of the group	Higher	
7	Utilization of group's savings for internal lending	Higher	
8	Interest rate charged on lending by groups	No difference	
9	Percent of group members benefiting from internal lending	Higher	

10	Percent of SHGs credit linked	Higher	
11	Number of times SHGs accessed credit from banks	Higher	
12	Cumulative amount of credit sanctioned by banks	Higher	
13	Percent of group members benefiting from credit sanctioned by Banks	Higher	
14	Educational level of SHG members		Higher literacy level
15	Maintenance of Books of Accounts		Lesser dependence on outsider
16	Rotation of leadership		More frequent

The overall assessment that emerges from the above comparison is that the quality of Federation SHGs on parameters related to financial management (savings, inter lending, bank linkage, amount of credit from external sources, etc.) is better as compared to the non Federation SHGs. On parameters related to general management practices (frequency of meetings, level of attendance, level of awareness regarding objectives of SHGs, availability of written rules and regulations, etc.) both categories of SHGs were found to be more or less similarly placed. In terms of governance (rotation of leadership) and writing of books of accounts non Federation SHGs exhibited better quality as compared to Federation SHGs.

### **3.8. Other Finding of the Study**

- There is near unanimity about the relevance of SHG federations. This explains the reason why both governmental and non-governmental agencies are actively promoting federations.
- Our field studies revealed that one of the major benefits of federations is that federations could become alternative source of credit to SHGs. Such an alternative is essential because, in several regions of the country, banks' attitude towards SHGs is still not conducive for large scale delivery of credit to poor.
- Experience suggests that finance is only one of the necessary conditions for poverty reduction. For optimum and better utilization of financial services, the poor require a variety of livelihood promotion services, for which federations are best suited.
- Capacities of federations have not yet reached the extent required for the independent management of a financial intermediary role.
- Credit is the predominant product offered by the majority of federations to member SHGs. Some federations have initiated activities like agricultural input supply and output marketing. Most federations offer a limited range of services due to the inadequate capacities of board members in evolving strategy and designing of products and services.
- Federations can be self-sustaining by providing useful non-financial services to members for a fee. Many SHG federations are also recovering some of their operational costs through fees.

- The corporate sector, especially insurance companies, is actively getting into partnership with federations to market their products. Companies like Hindustan Lever (HLL), Indian Tobacco Company (ITC) are dealing with federations to market their products and source their raw material requirements. This enhances the ability of federation to generate more resources for their sustenance.

### **3.9. Recommendations of the Study**

- It is observed that Federations are engaged in undertaking socially meaningful tasks. They are essentially serving the unserved and meeting the credit needs of some of the most vulnerable sections of population. Considering this facet of their work, their operations may need to be financially supported / subsidized in the short or even the medium term.
- There are many regions in the country where Banks are still reluctant to give loans to SHGs and due to this, the SHG Bank Linkage programme is suffering. A study may be conducted to estimate average amount of bank loan given to SHGs in each district of the country and where ever this amount is less than 25% of national average, NABARD may consider providing bulk loan to SHG Federation for onward lending to SHGs. Alternatively, NABARD may encourage NABFINS (a NABARD promoted MFI) to actively provide financial assistance to SHG federations in these regions.
- To enable SHG Federations to gain financial sustainability, they need to offer different saving, loan and insurance products and non-financial products and support services aimed at strengthening the performance of its members on a fee- for- service basis in order to sustain the federation.
- SHG federations need to be encouraged to undertake the role of either a Business Facilitator or Business Correspondent of a bank to provide last mile connectively to banks in providing a full range of banking services.
- NABARD may provide following types of support to federations;
  - Capacity building support to Federations (Board members as well as professional working in Federations)
  - Support may be extended to the Federation by way of grant for training, capacity building, and exposure visits of SHG members, etc., as also under all the NABARD's existing promotional schemes.
  - Support from Microfinance Development & Equity Fund (MFDEF) may be increasingly made available to deserving SHG Federations both in the form of Revolving Fund Assistance as well as Capital / Equity Support.
  - The Capital / Equity Support may be made available to Federations in the form of soft loan (at low interest rate of around 3% and reasonably long repayment period of around 5-7 years).
  - In hilly / tribal areas, NE region and other difficult regions, NABARD may support promotional cost of SHG Federations as well as its running cost for initial few years, if establishment of federation is likely

to spur formation of more SHGs and thereby enabling poor to access credit from formal sources.

The study concludes that Federations are engaged in undertaking socially meaningful tasks. They are essentially serving the unserved and meeting the credit needs of some of the most vulnerable sections of population. Considering this facet of their work, their operations may need to be financially supported in the short or even the medium term. Hence, the low level of financial sustainability brought out by this study need not be too much cause for worry. On the contrary, it is a case for every federation to achieve operating sustainability as quickly as possible. This essentially amounts to ensuring that all the direct expenses associated with the microfinance and other operations of a federation are met out of the revenue it generates.

## *Introduction*

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### **1.1. Backdrop**

Self Help Group (SHG) has proved to be an effective tool for poverty alleviation and women empowerment in India. The SHG - bank linkage programme, the largest community based microfinance programme in the world, emerged as a powerful instrument for financial inclusion of the poor and marginalized sections and for optimum utilization of India's vast rural banking and cooperative infrastructure.

Starting with the NABARD led pilot project in 1992 that aimed at promoting and financing 500 SHGs across the country; the SHG – Bank Linkage Programme has come a long way. Nearly 4.22 million SHGs have been provided bank credit and the total outstanding loan to them stood at Rs. 22, 680 crore as on 31 March 2009. Almost 90% of these groups are women groups. The programme has covered more than 8.06 crore poor households, making it the largest microfinance programme in the world. Over 35,290 bank branches of 48 commercial banks, 96 Regional Rural Banks (RRBs) and 352 cooperatives are involved in financing these groups.

Repayments by members to SHGs have been high and on time. Repayments have generally been above 90%. The programme has impacted the lives of poor women in many ways, both on the economic and social front. Numerous studies on the impact of SHGs point out several positive benefits to SHG members and their families and the community as whole. However, predominant benefits are economic benefits besides other benefits as follows:

- Members and their families dependence on money lenders has declined significantly.
- Members have developed a habit of saving.

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

However, a few limitations / weaknesses of SHGs approach that have emerged in recent years are listed below;

- Uneven spread of the SHGs across the country.
- Inability to take up livelihood promotion.
- Difficulty in taking up larger issues of gender and social inequality, women empowerment, etc.
- Limitations of promoters to provide capacity building and other necessary inputs at a desired scale, and
- Inability of banks to understand and accommodate the needs of the SHGs in some parts of the country, especially in under serviced regions.

## **1.2. Challenges before SHG Bank Linkage Programme**

Following challenges are faced by SHG Bank Linkage Programme;

### **1.2.1. Quality of SHGs:**

The first challenge is how to sustain the quality of SHGs when there is rapid growth in numbers. Often, poor quality is reflected in the book keeping, audit of groups and in the internal dynamics of the group.

### **1.2.2. From credit to livelihood:**

There are a large number of matured groups in the country which are collecting regular savings undertaking credit operations, both using internal resources as well as loan taken from banks, successfully from last few years. The members of such groups now want to expand or diversify their livelihoods activities so that they can make a significant increase in their income levels so as to cross the poverty line. Though the original objective of the SHG Bank Linkage programme was to link the population which lacked access to formal credit sources with the banking system, the rising aspirations of the group members need to be addressed.

### **1.2.3. Overdependence on SHPIs:**

The field studies have shown that even matured SHGs continue to depend upon Self Help Group Promoting Institutions (SHPIs) in many ways particularly for resolving conflict within and outside the group. There have been several instances of deterioration in the quality of the SHGs wherever SHPIs have withdrawn.

### **1.3. SHG Federations - A way forward**

To address the above challenges, many of the SHPIs have promoted federations of SHGs so that some of their functions can be performed by them in a cost effective and sustainable manner. There is no established model which can be replicated across the country, as many SHPIs are still experimenting in this field. It is argued that federations help SHGs become institutionally and financially sustainable because they provide the economies of scale that reduce transaction costs and make the provision of these services viable. Other benefits of SHG federations are their ability to:

- take up common marketing.
- reach, interact with, and strengthen a large number of SHGs.
- promote leadership qualities in women.
- mobilize a large number of women to obtain a 'just order' in the society.
- promote new SHGs in remote and in inaccessible areas and communities.

Because of the above reasons and many more, many stakeholders in microfinance sector believe that without federations, further growth in the sector,

sustainability of SHGs and SHG-bank linkage may not be possible. Even if possible, they may not be cost effective and sustainable without an effective institutional mechanism.

#### **1.4. Role of SHG Federations - Need for a study**

A large number of organizations are in the process of replicating successful federating models in regions with diverse socio-economic and political backgrounds. This has led to multiple systemic and operational concerns regarding the formation and promotion of these federating bodies.

Given the generic nature of the issues and concerns related to SHG federations and their emerging importance in the life trajectory of the SHG model, the need to define, understand and unravel complexities with regard to SHG federations have become imperative. Therefore, a study is needed to bring to the forefront the work in progress in the area of SHG federations at different levels and identify the emerging practices in order to facilitate the further growth of such initiatives. There is also need to understand the problems and challenges faced by SHG federations and provide recommendations to address these problems and challenges.

#### **1.5. Scope and Objectives of the Study**

The present study is planned with the objective of developing a comprehensive understanding of the role of SHG federations in imparting sustainability to SHG Bank Linkage Programme. The purpose of undertaking this exercise is to bring to the public domain the available experience and information on SHG federations, their problems and challenges faced by them.

The overall objective of the study is to explore the potential of SHG federations in making SHGs financially and organizationally sustainable, and to recommend strategies to strengthen them. The specific objectives are:

- g) To assess whether the federations have evolved based on needs of SHGs or due to some extraneous factors.
- h) To identify the services provided by the federation and analyze their benefits to SHGs.

- i) To assess the level of autonomy available to SHGs in lower tier of Federations and their participation in the decision making.
- j) To study financial parameters of federations to evolve benchmarks for their sustainability.
- k) To identify the constraints / challenges faced by SHG Federations and recommend measures to address these.
- l) To assess from the stakeholders the mode of NABARD support to SHG federations.

In addition to the above, the study also attempts to compare the differences in quality of SHGs on several parameters between SHGs under the umbrella of Federations and other SHGs which are not part of federation.

### 1.6. Methodology and Sample Design

As per a study conducted by APMAS in 2007, there are around 69,000 SHG federations in the country (Annexure I). Of these 66,310 are primary federations, 2,571 are secondary federations and 22 are apex federations. Of the total federations, 88.94% are in the southern region and the rest are in the remaining five regions. In the southern region, AP is ahead with 42.48% followed by Kerala (22.39%), Tamil Nadu (21.23%). In the northern states, Orissa (5.8%) and West Bengal (2.22%) have a higher number of federations compared to other states.

Given the comprehensive nature of the study on SHG Federations, the study is based on information obtained from a primary sample survey conducted at two different levels:

- At the SHG Federation level and
- At the SHGs (as a group) level

Keeping in view the uneven regional distribution and differing maturity levels of SHG federations, the study attempts to capture pan India picture by focusing on following five sample states;

**Table 1.1: Selection of Sample States**

SN	Region	Name of the state	No. of SHG Federations*	Remark (Why the particular state was selected as a sample State?)
1	Northern India	Rajasthan	147	Other states in North (Pb, Hr, HP, J&K) do not have any SHG

				Federations.
2	Southern India	AP	29,273	AP has highest no. of SHG Federations in south.
3	Western India	Maharashtra	600	Goa does not have any SHG Federation and Gujarat has only 64 federations.
4	Eastern India	Orissa	4,000	Orissa has the highest no. of SHG Federations in the region.
5	Central India	UP	161	Being a large and backward state, SHG Bank linkage programme had a late start in the state. So to get a flavour of issues in respect of a late starting state, UP has been included in the sample.

\*Source: APMAS (2007)

In each of the States, two SHG Federations were selected for detailed study in two different districts. A multistage sample design was adopted for selecting the sample SHG Federations. The classification of the districts into 'developed' and 'less developed' was made with respect to data on development indices (such as literacy rate, poverty level and infant mortality rate), number of SHGs, extent of bank branch network in rural area in the district. **Thus total number of sample SHG federations which have been studied in five States is 10.**

For each sample federation, 10 SHGs under the Federation and 10 SHGs outside the Federation (control group) have been studied to identify their differences in terms of the quality of SHGs based on critical rating index (CRI) developed by NABARD. Non federation groups were selected on a random basis in the same / adjoining village so that the socio economic and political milieu were similar for federation and non federation groups. The critical rating index has been used as proxy to measure financial and organizational sustainability of SHGs with or without Federation. **Thus, the total no. of sample SHGs which have been studied in 5 states is  $10*10*2 = 200$ .**

The study attempted to look at the federating experience across all the five regions of the country. The following criteria were laid down for selecting federations for the purpose of the study:

- Federations of SHGs that are facilitating or engaged in microfinance activities - savings, credit or insurance, irrespective of whether they are registered or not.

- A federation with a life span of three years (this condition was relaxed in some regions where the promotion of federations was still a nascent activity).
- Federations with a minimum size of 100 SHGs.
- An attempt was made to capture the full diversity.

Using the above framework, following Federations were selected for detailed study;

**Table 1.2: Sample Federations selected for Study**

<b>SN</b>	<b>Name of Federation</b>	<b>Distt. / State</b>	<b>Promoted by</b>
1	Mahila Sangharsh Manch	Alwar / Rajasthan	Ibdata, Alwar
2	Saheli Samiti	Dausa / Rajasthan	PRADAN
3	Gramin Mahila Swayamsiddha Sangh (GMSS)	Pune / Maharashtra	Chaitanya, Pune
4	Savitribhai Phule Sawadhan Kendra Karanja	Wardha / Maharashtra	Nagesheara Charitable Trust, Nagpur
5	Mahbubnagar Zila Mahila Samakhya	Mahbubnagar / AP	World Bank's Project – SERP (Society for Elimination of Rural Poverty)
6	Samsthan Narayanpur Kalanjia Sangamitra (SNAKS)	Nalgonda / AP	Dhan Foundation
7	Maneswar Matrushakti Block level Federation	Sambalpur / Orissa	Women & Child Development Department of Govt. of Orissa
8	Janani Mahila Vikash Parisada	Bharatpur, Khurda / Orissa	Swayamshree Micro Credit Services (MFI)
9	Shakti Block Mahila Sangathan	Rae Bareli / UP	Rajiv Gandhi Mahila Vikas Pariyojna (RGMVP), Rae Bareli
10	Annapurna Sewa Sansthan	Sant Kabir Das Nagar / UP	Grameen Development Services, Lucknow

### **1.6.1 Research tools**

Two different sets of detailed interview schedule were developed and administered to collect data from 10 sample SHG Federations and 200 sample SHGs. The interview schedule used for data collection from Federation was designed to elicit qualitative responses from promoters and office bearers of SHG Federations. The interview schedule used to collect response from Federation SHGs as well as control group SHGs was based on NABARD's Critical Rating Index (CRI) and this was supplemented by member-wise loan sheets and external loan details. The CRI basically consists of two sets of variables, viz. governance and systems related variables and financial variables. Governance related parameters are periodicity of meetings, attendance in the meetings, decision making process in the meeting, observation of norms, saving and loan installment collection methods, lending procedure, rotation of leadership, book keeping, etc. Financial parameters include periodicity and regularity of saving, use of savings for internal lending, lending rates, lending norms, regularity in loan repayment, etc.

The interview schedule was prepared with a lot of discussions and review. It was tested in the field in Raebareli district and finalized. This was supplemented with using the focus group discussion method with federation leaders, federation office bearers and federation promoting organizations to assess the impact of SHG federations on working of SHGs.

### **1.6.2. Data collection**

A three member team consisting of the study coordinator two faculty members of BIRD conducted field visits in 10 districts of five identified States for collecting data from SHG Federations and SHG members. The data collection was done during the period February to April 2010.

### **1.6.3. Data Analysis**

The SHG schedules and secondary stakeholders' schedules were processed using Microsoft Excel. Grades of all sample groups were obtained through CRI score. Cross tables of different parameters were prepared to understand the correlations and association among different parameters. Field notes were referred extensively in writing the report.

### **1.7. Organization of the Report**

This report has been divided into an Executive Summary and six chapters and provides a detailed account of the outcomes of the study. Chapter 1 comprises the objective of study, methodology and sample design for the study. Chapter 2 discusses the evolution of SHG Federations in India. It summarizes various arguments that point to the need for consolidating and taking the SHGs to the next level of association and aggregation in the form of Federations. This chapter also attempts a brief review of literature / studies done on SHG Federations in India.

Chapter 3 forms the core of the study report and details the findings from each of the 10 federations studied in terms of each of the terms of reference of the study. This includes information on justification for establishment of federations, nature of services offered by Federations to its SHG members, level of autonomy enjoyed by SHGs belonging to Federation, problems / challenges faced by SHG Federations and the nature of support federations expect from NABARD.

Chapter 4 looks at the status of financial sustainability aspects of SHGs under federation. It attempts to compare the differences in quality of SHGs on several parameters between SHGs under the umbrella of Federations and other SHGs which are not part of federation.

Chapter 5 discusses findings and conclusions from the study. The study has refrained from recommending best practices based on these lessons. Federations being a recent phenomenon, they have yet to emerge as a tested and accepted model for creating sustainable community based institutions for financial intermediation. Chapter 6 contains some recommendations relating to

strengthening of SHG Federations based on the findings of the study. At the end of the report, Annexure provides a brief summary of sample SHG federations in terms of their promoters, organizational structures, primary functions, etc.

## ***Evolution of SHG Federations***

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### **2.1. Introduction**

The tremendous success of the SHG movement relied, and continues to rely, heavily on promoting institutions to mobilize, train, and support groups. As groups strengthened and the number of groups increased, there arose a need to bring together SHGs to deal with issues beyond the reach of these small groups. The networks of SHGs, referred to as Federations, have come together in various forms. Their existence resolves issues faced by promoting institutions, such as sustainability of SHGs, providing economies of scale and lowering transaction costs, however creates a new set of challenges.

Networking of SHGs was inspired by the felt need of the SHGs that are not able to deal with issues that are beyond their reach. SHGs having a membership of 10-20 women are too small and informal to deal with larger issues to realize the needs and aspirations of women members. Inter-group lending, ability to negotiate with higher level structures and to gain greater bargaining power, were the reasons for which informal SHG networking was initiated by NGOs. The unique feature of the SHG Federations is that the primaries i.e. the SHGs, are not legal entities and do not have body corporate status. However, SHGs are recognized as per the RBI/ NABARD guidelines to engage in financial transactions with banks. SHG Federations have been promoted by the NGOs and the Government to address the issues of ensuring quality while up-scaling, ensure that costs of promotion are low, and create sustainable institutions to facilitate withdrawal of the promoting organization, from some of its functions and roles.

### **2.2. Emergence of Federations**

The concept of federation emerged from the felt need of the SHGs that have been functioning well and were keen to come together for sharing and learning.

The federation was to serve the purpose of undertaking those roles that can not be performed well by individual SHGs on their own. Some of these roles include:

- **Expansion of SHGs:** As the number of groups grows with continuous addition of new groups, the promoter's degree of involvement and even direct contact with the groups starts diminishing. At this stage, the promoter begins to think of setting up an apex level body (Federation) that is able to take on many of the promoters' tasks thus enabling it to leverage its limited resources in the most judicious manner possible.
- **Imparting Sustainability:** The promoting organization cannot continue working in the same area for an indefinite period of time. To provide sustainability to SHG activity initiated and developed by the promoter, it is necessary to build people's institutions that can eventually and independently carry forward the social and economic empowerment agenda.
- **Community Actions:** In a few cases, groups may have come together informally either on a particular issue/crises or for exchanging information and experiences through joint meetings. In such cases the initiative for a collective organization comes from the SHGs themselves but the setting up of a formal structure is usually promoted and guided by the promoting agency. Usually these groups have been formed to take up community action programs and mobilize and lead collective action on wider social issues like child labor, female infanticide, illicit liquor, representation of women in panchayats, and violence against women, etc.
- **Collective Bargaining Power:** When dealing with local bodies and institutions, individual groups do not carry much weight, but as a collective representing a large number of people, they gain both visibility and impact. As a collective it is possible to establish linkages with banks and other financial institutions to access greater funds and influence rules of the game in their market segment.

Although the merits of having federations, as described above, are numerous, there also several competing arguments highlighting disadvantages or dangers

associated with promotion of federations. The following are the the major limitations of SHG Federations:

- Majority of the well-functioning SHGs have bank linkage. SHG federation is not required to play the financial intermediary role as SHG – bank linkage is a sustainable relationship.
- India has a good network of bank branches enabling rural poor an accessible place at which to make deposits or take loans. Therefore, federations may not be required to provide the same services.

### **2.3. Review of Earlier Studies on SHG Federations**

Malcolm Harper (2003) in his paper *Do we really need SHG Federations? (Ten Commandments)* has strongly argued against formation of SHG federation. According to him, it is not justified to add any new layer of middlemen to any transaction, unless it can be clearly shown that the new intermediary adds value. The burden of proof is on anyone who proposes a new intermediary; he must show that it serves a purpose whose value outweighs its cost. He has given following arguments against having SHG federations.

- a. SHG federations were a necessary but temporary measure when very few branch banks were willing to deal with SHGs and it was necessary to mobilize more pressure than a single group could muster. That is no longer necessary except in a small and rapidly decreasing number of locations.
- b. The initial savings deposit of an SHG, perhaps Rs 2,000, and the initial loan, of possibly Rs 8000-10000, are reasonable first transaction amounts for a bank branch, similar to what they can expect with their usual customers. After a year or so, SHG deposits of Rs. 10,000 and SHG loans of Rs 50,000 are not uncommon. The SHG itself achieves the necessary bulking-up function for the individual members, but these are profitable accounts, there is no need for a federation to bulk them up further.

- c. India has the largest network of bank branches in the world, and most villages are within quite easy distance of a branch of some sort; there is no need to have a federation in order to provide a more accessible place at which to make deposits or take loans.
- d. Some federations are themselves federating and aim to create quite new financial institutions. India already has commercial banks, regional rural banks, Primary Agricultural Credit Societies (PACS) and District Central Cooperative Bank branches; some are not functioning properly but the way to improve matters is to reform them, not to create yet another set of institutions.
- e. The existing financial institutions are not properly regulated or supervised and there are frequent failures and frauds. There is no way by which the authorities can take on yet another type of institution; SHG federations will need supervision but will not receive it.
- f. Loans and other benefits of SHG membership already flow away from the poorest to the most powerful and least needy of the members, as happens in all institutions. This process of marginalization will also happen within federations, so that whole groups will be marginalized, not just individual members within groups.
- g. The process of promoting an SHG is not easy but bankers and new SHG members themselves are increasingly taking over the task, thus reducing the need for dependence on NGOs and subsidies. Promoting a federation is much more difficult and a federation requires much longer 'hand-holding'. This may suit NGOs which need a reason to exist, but it perpetuates dependence on external assistance.
- h. A single SHG does not contain enough voters to be worth 'hijacking' by political interests but a federation is a very attractive target.
- i. The day-to-day operations of a federation cost money. This may come in the form of contributions or interest spreads paid by member SHGs or from individual members' voluntary work. SHG members already complain, rightly, about the amount of time that their membership

demands and about the interest rates they have to pay. Federations will make these burdens worse.

- j. One of the most 'empowering' aspects of SHG membership is the way it allows members to pick and chose between financial service providers. At last, banks, PACS and MFIs are obliged to compete for SHG members' business. Federations can demand 'loyalty', which is essentially a loss of freedom.

However, there are a number of other studies which have found lot of merits in promoting SHG federations. Nair (2005) examined the potential of SHG federations in providing sustainability to SHGs through financial and organizational support. Specifically, the study examined issues like (i) variety of services provided by the federations and their benefits to SHGs, (ii) financial variability of SHGs and SHG federations and cost of promoting them, (iii) identification of constraints of promoting SHG federations, and, (iv) policy recommendations to strengthen SHG federations. In terms of services provided by SHG federations and thrift cooperation to SHGs, the study found that the most common service is savings and loan facilities. Savings include general savings and particular savings for education, housing, marriages, and festivals. Loans include both small and large loans at costs lower than those available in the market. Besides these services, the SHG federations helped SHGs to internalize all operational costs and reduce the cost of promoting new SHGs. Further, SHG federations provide all essential services to SHGs with minimum costs. These services were often provided by the promoting agencies in the initial stage of SHG development. They include auditing, capacity building like training the SHG members, leaders and SHG accountants, and forming a common forum for reviewing the performance of SHGs. The federations also help in resolving conflicts among SHG members, between SHGs and between SHGs and banks. Another important aspect is that they assist in reducing the transaction costs of SHG-bank linkage programme by grouping 10-20 accounts into one single SHG account. The federations help in reduction of loan default-both within SHGs and from SHGs to banks. They provide micro-insurance services and social services

such as education, health and livestock support. The federations employ their own resources in promoting new SHGs while minimizing the promotional costs as compared to other agencies like the banks and NGOs. They also help in empowering the SHG members.

MYRADA (1999), Sa-dhan (2006), CS Reddy (2004) and Shashi Rajagopalan (2006) are the other prominent SHG federation related studies that have been conducted in India. These studies broadly bring out the rationale behind the promotion of federations in following terms;

- It helps in strengthening existing SHGs.
- It facilitates formation of new SHGs of the poor.
- It enables SHG members to access myriad services which individual SHGs could not have managed to access.
- It helps in developing a sense of solidarity among members of different SHGs in an area.
- It enhances sustainability of SHGs.
- It facilitates SHG Bank linkage.
- Federations play an important part in SHG capacity building and conflict resolution - both internally and externally.

As per these studies, the concept of federation emerged from the felt need of the SHGs that have been functioning well and were keen to come together for sharing and learning. Each promoter has different reason(s) for federating SHGs at different levels. The reasons include i) scaling up, ii) withdrawal strategy, iii) issue based, iv) collective bargaining power, and v) principle of subsidiary.

A few studies have been conducted eliciting opinions of Federation Promoters on the Need of Federations. MYRADA (ibid) points out that federations should not be built for external reasons (such as taking over the NGO's role after withdrawal from a project) but that they should grow in response to a push or need from the primary groups. The primary condition for sustainability of a Cluster Level Federation is that it should have evolved based on a felt need of its members. Artificially propped-up structures will not last' (TNCDW, 1999). The DHAN Foundation's annual report cites the breaking up of rigid caste barriers as an

example of social development. It mentions that Kalanjiam clusters are coming together to celebrate festivals etc. However, this appears to be more of a social outcome of the SHG process rather than a direct social intervention on part of the cluster (DHAN Foundation, 2004)

A specific study on women empowerment (Moyle, Dollard and Biswas, 2006) found that a high share of women SHG members reported significant development of their self-confidence and work efficiency. The study also reported that most of the women experience pressure, challenges and stress due to extra work and more responsibilities.

## **2.4. Role played by SHG Federations**

We can broadly categorize two types of SHG Federations, viz. (a) Financial Federations and (b) Non-financial Federations. The non-financial functions, which are also known as social functions, could be further divided into (i) sector development functions and (ii) livelihood development functions and (iii) social development function. If a federation functions in both financial and non-financial spheres, then it is called a multi purpose federation.

### **2.4.1. Financial federations**

If a federation provides only financial services to its member SHGs, then it is called a financial federation. At the moment, widely accepted financial functions include – (a) saving, (b) credit, (c) insurance and (d) money transfer. As SHG bank linkages became widespread, the groups' dependence on federation loans declined both in relative and absolute terms. But financial intermediation became 'essential' for federations to sustain themselves. In order to sustain federations, donors/ promoters provided corpus money to federations. The federations were expected to lend the money among their subsidiaries and earn enough to meet their operational cost. Normally, each level of federation is allowed to retain a portion of interest to meet their own operational costs.

### **2.4.2. Non-financial Federations**

As mentioned above non-financial functions are further divided into (a) sector development functions, (b) livelihood development functions and (c) social development function.

#### **2.4.2.1. Federations focused on Sector Development Functions**

Given members' low awareness levels; less than satisfactory quality of groups at this point, and limitations of promoters, SHG federations have a crucial role to play to strengthen the movement in the following areas:

- Sustaining SHGs even after withdrawal of promoters.
- Promotion of best practices and updating of internal systems.
- Large forum for women for cross learning and collective bargaining.
- Hiring of professional services on sharing basis, thus achieving 'scale' advantages.
- Monitoring and supervision of SHGs.

#### **2.4.2.2. Federations focused on Livelihood Development**

Federations are also playing an important role in the promotion of new livelihood options and are strengthening existing livelihoods through developing forward and backward linkages. One of the most common functions of all federations across the country is accessing the government programs and projects and involving their implementation. Dairy has been promoted extensively through SHG programs. Many new members took it as new or supplementary source of income. Many existing members' income from this occupation has gone up because development of the new bulk milk cooling units and collection centers. E.g. SERP's MSs are managing a number of Bulk Milk Cooling Units (BMCUs). The project also has linkage with NDDDB and private dairy firms. MS are also engaged in watershed management. In AP, VOs have an explicit role in the implementation of NREGA and CLDP. Marketing interventions are another important area for the benefit of its members in strengthening their existing livelihoods sources.

#### **2.4.2.3. Federations focused on Social Development**

To facilitate food security, many federations procure their requirements like rice, pulses, oil in aggregate. Federations are also being involved in effective

implementation of local development programs, like watershed, drinking water, sanitation, awareness on health issues including HIV/ AIDS, PDS, food and nutrition security, adult literacy, etc. It may be noted that about 50% of illiterate SHG members might have gained literacy skills (can sign status) after joining SHGs.

As women empowerment is a major objective of the SHG movement, social issues like anti-alcohol, discrimination against women and female children, domestic violence, atrocities against women and weaker sections, etc naturally form a part of the core business of SHG federations. Some of the federations actively address issues like school enrolment, health care and monitoring of community services like AWC, School, SHC, etc.

## **2.5. Growth of SHG Federations**

Even though the federating process is still in nascent stage, the overall number has been impressive. Rapid expansion started in the late 1990s, particularly in South India as a result of interventions by the DRDAs through some large externally funded government projects such as Swashakti and Swayamsidda.

In 2007, APMAS has made an attempt to collect information on the number of SHG federations promoted by various SHPIs from all the states in the country. APMAS study revealed that there are around 69,000 SHGs federations in the country. Of these 66,310 are primary federations (mostly at village level), 2,571 are secondary federations (mostly at block / talluka level) and 22 are apex federations (mostly at State or regional level). Of the total federations, 88.94% are in the southern region (85.87% are primary federations, 3.04% are secondary federations and 0.03% are apex federations) and the rest are in the remaining five regions. All the apex federations are only in Andhra Pradesh. In the southern region, AP is ahead with 42.48% followed by Kerala (22.39%), Tamil Nadu (21.23%). However, the number of secondary SHG federations are little higher in Kerala (1050) than Andhra Pradesh (901). In the northern states, Orissa (5.8%)

and West Bengal (2.22%) have a higher number of federations compared to other states.

## **2.6. NABARD Support to SHG Federations**

Recognizing the emerging role of the SHGs' Federations in nurturing of SHGs, enhancing the bargaining powers of group members and livelihood promotion, NABARD introduced during 2007-08, a flexible scheme to support such Federations, on a model neutral basis. The broad norms prescribed for supporting SHG Federations stipulate that the federations should be need-based, member-owned/driven, democratically managed with members at liberty to join, become self-managed over three years, etc.

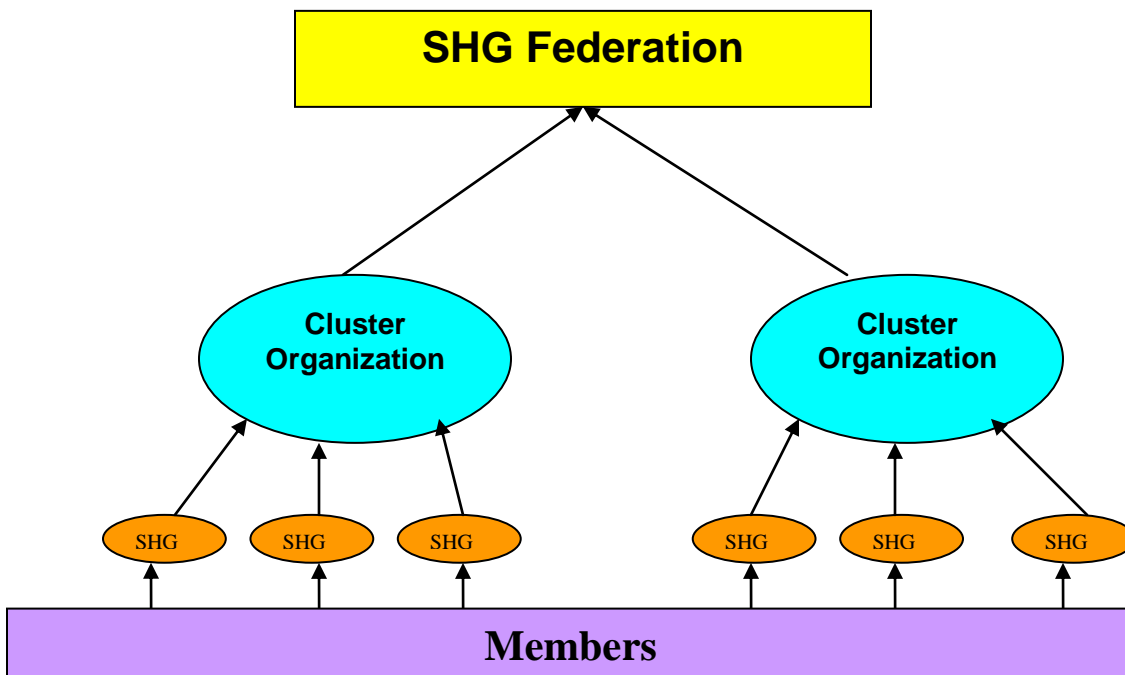
Support to the Federation is extended by way of grant for training, capacity building, and exposure visits of SHG members, etc., as also under all of NABARD's existing promotional schemes.

NABARD has associated with Rajiv Gandhi Charitable Trust (RGCT) for promotion, credit linkage and formation of SHG Federations in select districts of Uttar Pradesh. The project envisages promotion and credit linkage of 22,000 SHGs, 1,100 cluster-level associations and 44 block-level associations in collaboration with participating banks and implementing NGOs. The project would cover 15 and 29 blocks under Phase I and II respectively in 12 districts of Uttar Pradesh viz. Sultanpur, Rae Bareli, Barabanki, Pratapgarh, Lucknow, Unnao, Fatehpur, Jhansi, Lalitpur, Bahraich, Shravasti and Banda.

## Analyzing and Understanding SHG Federations

### 3.1. Structure of SHG Federations

The federations visited by the study team had following structure;



As described in the chart above, the Federations have three tier structures. There is a SHG at village/hamlet level that comprises of 10-20 members. Each SHG has 3 office bearers. Of these three, two represent the group at the cluster level. A cluster typically comprises of 8-12 SHGs. The cluster has 4 office bearers. All the clusters in one block / district form the federation. Two representatives from each cluster represent in the federation. The meetings of SHGs are organized fortnightly/monthly. The meetings of clusters and federations are held every month.

For facilitating the meetings, federation has hired its own staff. The staff comprises of Coordinator / Manager, Field Coordinators / Assistant Managers and *munshies*. The *munshies* conduct meetings of SHGs. If required, the Manager or Assistant manager would also attend the meetings. Cluster level meetings are attended by munshies and Assistant Manager. Federation level meetings are attended by all.

### **3.2. Findings of the Study**

In the following paragraphs, observations in respect of each of the TORs of the Study are briefly discussed.

#### **3.2.1. TOR I**

***To assess whether the federations have evolved based on needs of SHGs or due to some extraneous factors.***

In all the ten federations visited by the study team, it was found the SHG Federations were set as a result of decision taken by promoting NGOs for different reasons. In case of Alwar district, the federation was set up because the promoting NGO (Ibdata) wanted to have a separate organization to manage operations of SHGs, although handholding support is made available by the NGO to SHG Federation. In case of Saheli Samiti in Dausa district, the Federation was promoted by an NGO (PRADAN), when they planned to withdraw from Dausa in 2007. PRADAN formed the federation to ensure that the SHGs formed by them under a World Bank Project (DPIP) continued to operate even after withdrawal of NGO.

During the field visit, an attempt was made to elude the views/ motivations of heads of SHPI/NGO for promoting Federations. Following factors / justifications have been identified as the rationale for promoting Cluster / Federation:

- For experience sharing and cross learning of SHGs among themselves. Some SHGs may be performing well while others may be lagging behind. So, the well performing SHGs may help in improving the condition of other SHGs.
- To monitor various works taken up at SHG level.
- There were problems of record keeping at SHG. Members couldn't maintain their records; as a result there were operational problems. This gave a need

for a person for bookkeeping. System of Munshi was evolved who would be writing the records of SHGs, especially in case of Ibtada (Alwar).

The motivations to set up federations as reported by federation officials are summarized in the following table;

**Table 3.1: Motivations for Setting up Federations**

SN	Name of Federation	Distt. / State	Motivations for establishing a Federation
1	Mahila Sangharsh Manch	Alwar / Rajasthan	The federation (promoted by <b>Ibdata</b> ) was set up in 2004 and registered in 2006 as Trust. The decision to establish federation was based on elaborate consultations with SHG group leaders. The motivations behind establishment of federation were as under; <ul style="list-style-type: none"> <li>• To ensure sustainability to SHG programme</li> <li>• Members of staff were trained / prepared to have an institution which will manage the SHG programme independent of the promoting institution (Ibdata).</li> </ul>
2	Saheli Samiti	Dausa / Rajasthan	SHGs were established by <b>PRADAN</b> under DPIP Project in <b>the year 2001</b> . Federation (registered as a trust) was promoted by PRADAN when they planned to withdraw from Dausa in 2007 to ensure that the SHGs formed by them under a World Bank Project (DPIP) continued to operate even after withdrawal of NGO. The motivations behind establishment of federation were as under; <ul style="list-style-type: none"> <li>• The women leaders of SHGs were concerned that SHGs should not close down after withdrawal of PRADAN.</li> <li>• In a meeting of group leaders it was decided that they would form federation to ensure that SHGs do not wither away due to lack of support from the promoting institution (PRADAN).</li> </ul>
3	Gramin Mahila Swayamsiddha Sangh (GMSS)	Pune / Maharashtra	GMSS (promoted by <b>Chaitanya</b> ) was functioning in Khed Block of Rajgurunagar Tehsil in Pune district. GMSS was set up in 1991 and registered in 1993 under Society

			<p>Act as well as Bombay Public Trust Act. The motivations behind establishment of federation were as under;</p> <ul style="list-style-type: none"> <li>• Member wanted that there should be a forum through which groups could learn good practices from one another.</li> <li>• There was a need felt by groups to set up an organization at village level to sort out any problem faced by SHG.</li> </ul>
4	Savitribhai Phule Sawadhan Kendra Karanja	Wardha / Maharashtra	<p>The federation was set up by the promoting institution (<b>Nageshwara Charitable Trust</b>) in 2009 with following objectives;</p> <ul style="list-style-type: none"> <li>• Developing leadership qualities among SHG members.</li> <li>• Making the SHGs self-reliant after the withdrawal of the promoting institution.</li> <li>• Involvement in a variety of non financial activities depending on the needs of members.</li> </ul>
5	Mahbubnagar Zilla Mahila Samakhya	Mahbubnagar / AP	<p>The Federation was set up in 2002-03 Under World Bank's Project of SERP- implementing Indira Kranthi Patham (IKP), a statewide community driven rural poverty reduction project to enable the poor to improve their livelihoods and quality of life through their own organizations. It aims to cover all the rural poor households in the state with a special focus on the poorest of the poor households. The motivations behind establishment of the federation were as under;</p> <ul style="list-style-type: none"> <li>• To facilitate various capacity building programmes under SERP</li> <li>• To help the SHGs and their members in areas like capacity building, providing bank linkage, insurance products, assets creation, literacy (education), health, nutrition, disability, gender, Abhayastam – old age pension, etc.</li> <li>• To build confidence among SHG members through continuous handholding support.</li> </ul>

6	Samsthan Narayanpur Kalanjia Sangamitra (SNAKS)	Nalgonda / AP	<p>The Federation (promoted by <b>Dhan Foundation</b>) was set up in 2003. The motivations behind establishment of the federation were as under;</p> <ul style="list-style-type: none"> <li>• To scale up the level of activities for helping poor people through the vehicle of SHGs.</li> <li>• To strengthen demand system from community for their legitimate entitlements.</li> <li>• To help in Bank linkage program</li> <li>• To help in linkage with other agencies connected with agriculture</li> </ul>
7	Maneswar Matrushakti Block level Federation	Sambalpur / Orissa	<p>The Federation was set up in 2007 by an initiative of the Women &amp; Child Development Department of Govt. of Orissa. The motivations behind establishment of the federation were as under;</p> <ul style="list-style-type: none"> <li>• In Orissa more than 33 lakhs women, as a part of a silent revolution, have formed about 3 lakhs SHGs with the active support of Bankers, district administration, NGOs, promoting agencies, etc. The GoO's initiative is a step towards consolidation of these efforts for effective socio-economic empowerment of women.</li> <li>• Federations have been set up at different levels to play the role of coordination; monitoring, capacity building and conflict resolution.</li> <li>• Federations are also expected to take up a variety of livelihood activities and mobilization of finance for the member SHGs.</li> <li>• The Federations are also expected to promote solidarity among the members and provide a platform for cross learning and resource sharing.</li> </ul>
8	Janani Mahila Vikash	Bharatpur, Khurda /	Promoted by Swayamshree Micro Credit Services (MFI), the federation was set up in

	Parisada	Orissa	<p>1989 but registered on 24.01.2008 under the Trust Act. The motivations behind establishment of the federation were as under;</p> <ul style="list-style-type: none"> <li>• Federation was conceived to improve the socio-economic conditions of the women &amp; solve common problems like village sanitation, absence of water, power and common roads in the village.</li> <li>• The SHGs were finding it difficult to link themselves with Banks. The savings mobilized by members of SHGs was not sufficient to meet the emergent requirements of members. There was a felt need for financial intermediation through a higher structure like federation which can have access to fund from banks/MFIs.</li> </ul>
9	Shakti Block Mahila Sangathan	Rae Bareli / UP	<p>The Federation was set up in 2008 under Rajiv Gandhi Mahila Vikas Pariyojna (RGMVP) being implemented by Rajeev Gandhi Trust. The motivations behind establishment of the federation were as under;</p> <ul style="list-style-type: none"> <li>• Motivated by successful SERP Model in AP.</li> <li>• To adopt holistic approach – community development, health, education, women empowerment, food security, etc.</li> <li>• To ensure rightful entitlements to poor people</li> <li>• To take up issue based cases (like grain bank, solar lighting, etc.)</li> </ul>
10	Annapurna Sewa Sansthan	Sant Kabir Das Nagar / UP	<p>The Federation (promoted by <b>Grammen Development Services</b>) was set up in 2009 and registered under Societies Act. The motivations behind establishment of the federation were as under;</p> <ul style="list-style-type: none"> <li>• When GDS withdraws, there is need for some substitute to ensure sustainability of SHG.</li> <li>• It is easy to interact with a few</li> </ul>

			Federations rather than a large number of SHGs.
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From the above, it can be argued that to a large extent, the motivations behind bringing SHGs under the umbrella of *Federation* are promoter driven rather than Primary SHG members driven. It is, however, necessary to qualify here that though the initiative to form Federation comes from promoters (NGO), in the long run, member SHGs starts recognizing the usefulness of being a part of Federation.

NGOs / SHPIs promoted SHG Federations for strengthening existing SHGs, promoting new SHGs of the poor and for enabling member SHGs to access various services. Other motivations for promoting SHG federations were that Federations play an important part in SHG capacity building and conflict resolution – both internal and external. Further, promoters of SHG Federations perceived that Federations provide a sense of solidarity among members of different SHGs in an area. It gave them an identity and it also created a sense of ownership among SHGs.

### **3.2.2. TOR II**

***To identify the services provided by the federation and analyze their benefits to SHGs.***

Self Help Groups in India have come out of their first phase of formation. A majority of SHG promoting institutions (SHPIs) are also now in their consolidation stage, where they are exploring the idea of promoting second and third tier structures of SHGs (i.e., SHG clusters and federations) to make their SHG programme self-sustaining.

These higher level groups are being promoted by SHPIs primarily as an exit strategy, i.e. to them to gradually withdraw their support to SHGs, while also ensuring their sustainability. Further, many SHPIs have promoted SHGs with

funding support under some specific projects. After project completion, most SHPIs find it difficult to continue supporting the SHGs because of lack of funds. So, they consider it necessary to evolve and put in place a system to make SHGs self-sufficient and self-sustaining even after external funding stops. Federating SHGs is one of the popular ways to smoothen post-project withdrawal of SHPIs, but it requires preparedness and meticulous planning on behalf of the SHPIs so that the financial and operational self-sufficiency of its SHGs is ensured. NGOs are the only SHPIs that have promoted the Federations. In the following paragraph, list of activities undertaken by clusters and Federations is given.

#### **3.2.2.1. Services provided by Clusters**

- To promote new SHGs and also maintain the quality of existing SHGs.
- To ensure proper recovery of loans. Cluster creates peer pressure on SHG for timely repayment of loan.
- To facilitate conflict resolution; as the Clusters are handling the issues at village/ block level, the Federations would play a role at higher level.

#### **3.2.2.2. Services provided by Federations**

- To make SHGs self sustainable in terms of all aspects i.e. financial, operational, governance, etc.
- The Federation will act as a peer pressure for the loan repayments.
- There were some issues (such as livelihoods, availing govt. facilities in some area etc.) which are common in all the Clusters and hence have to be addressed from a single platform for better results and that's why promotion of Federations was necessary.
- To diversify the activities of groups/clusters i.e. to provide the other services like livelihoods, health, insurance, education, etc.
- For proper follow up of the processes like bank loan application, bank linkage, preparation of accounts.

- A forum which can take initiative by proper discussion for decisions relating to penalty for defaulters, identifying beneficiaries for any activities, etc.
- Federation acts as host organization for the SHG in terms of some outsourced grants/loans. Federations channelize the outsourced money as loan to the groups, which will meet the demand of larger loans. It will also maintain the quality of groups according to the governance, operation and finance.
- The federation will do the planning, budgeting and monitoring of clusters and the SHGs.
- Sometimes issues have to be taken up at District level with District Magistrate / Govt. Department heads, controlling offices of Banks, etc. Federations have a better chance of getting heard at these levels as compared to SHGs / Cluster of SHGs.

SHG Federations provide a valuable set of services to the SHGs and individual members, and support the SHPIs strategy in terms of providing economies of scale and an exit strategy. While the benefits associated with building Federations are immense, the challenges related to their inception also need to be addressed.

To understand the functions performed by Federations, activities of one of the Federations studied (Saheli Samiti in Dausa District) are described below.

### **3.2.2.3. Activities of Saheli Samiti (Dausa District)**

- **Promotion of SHGs** –by organizing women from needy family in to a group of 10-20 women around saving – internal loaning as a primary function. 36 new SHGs promoted in year 2008-09.
- **Nurturing of SHGs** – extending nurturing support to SHGs through field handholding, educating SHG around saving – internal loaning, evolving norms and systems, etc. As on date supporting 156 SHGs with membership of 1716 women.

- **Facilitating credit linkages** – mobilizing credit to strong SHGs through developing credit linkages with banks. Mobilized Rs 18.66 lakh credit to 18 SHGs in year 2008-09.
- **Organizing annual function** – to organize annual function once in a year, where all members from each SHG participate. It is a forum to bring together once in a year and share experiences across all SHGs. Guests from government departments, banks, etc also attend this event to create its goodwill among stake holders and develop linkages. Recent annual function was organized on March 07, 2009 at Dausa. Around 2000 plus women participated in this event. The event started as a rally across the city and converted into “Sammelan” at central place of Dausa. Women sung slogans loudly viz. “Boond boond se ghara bhare bachat karo tau paar pade” etc during rally. The expenses born by groups.
- **Promoting clusters** – clusters are important links between SHGs and Federation to extend structured support to SHGs around various issues viz loan linkages, group accounts position, loan repayment status, etc. It is also forum to exchange information, generate and ground ideas around various issues. These clusters meet once in a month. As of now SS is supporting 14 clusters.
- **Streamlining of group accounts** –SS supports transparent group accounts through below listed activities.
  - ❖ **Simple books of accounts** – induct simple unified books of accounts viz member passbook for members and cash book cum meeting minutes register at group level. These are only two records being managing by SHGs.
  - ❖ **Nurturing group accountant** – group accountant is instrumental in developing strong SHG. SS helps in identifying group accountant and provides them training on how to maintain group records & role of accountant and extend regular support.

- ❖ **Linking with MIS** – it is one of important service extended by SS through MIS. Raw data around financial transaction from SHG regular meeting entered in the software. Whereas, groups receives trial balance, membership balance, balance sheets etc as a output reports for purpose of matching its financial transactions at group level, developing peer pressure for repayments from group members etc, and sharing data with banks for getting external credits. Groups receive MIS services on service charge basis.
- **Extending amount on credit** – Getting bank loan to SHGs remains uncertain irrespective of SHG movements of more than a 15 years and having 100% repayments and good rapport with banks. Therefore SS also decided to extend credit to most needy groups; which are not able to access bank loan on time or banks are not ready to extend loan due to various reasons viz. distance, service bank area, not in priority, etc.
- **Veterinary support** – SS continue its veterinary support with one full time veterinary doctor cum manager and one paravet. Paravet receive service charges against his services and earn handsome amount as his livelihood. The vet services are animal health checkups at regular interval, de- worming, vaccination, animal treatment, responding to emergency calls, castrations, dehorning etc. In year 2008-09, 180 milch animals & 1300 goat were vaccinated and de-worming has done in 557 milch animals & 2170 goats. 144 milch animals and 165 goats were attended and treated on emergency calls.
- **Artificial Insemination (AI)** – Continued AI support with a view to provide services to inducted quality breed milch animals (especially cross bred cows); to have next generation with similar quality and also to improve breed of existing traditional lot. SS draw support of BAIF to purchase raw material for AI. AI has shown results in the fields and community is responding well. 484 cows and 121 buffaloes received services of AI in FY 2008-09.
- **Insurance** – SS facilitated claims of casualties of goat and milch animals inducted & insured and also facilitated reinsurance. Claim facilitation in the

previous year was a major achievement. As a result, an amount of Rs 10.80 lacs was received by SHGs against 333 insurance claims of previous year.

(2008-09)

	<b>Cow</b>	<b>Buffaloes</b>	<b>Goat</b>	<b>Total</b>
No of Claims	25	11	297	333
Amount Received (Rs lakh)	3.15	1.71	5.94	10.80

- **Repurchase of assets** – facilitated repurchasing of goats, cows and buffaloes with support of amounts received through above said insurance claims.
- **Training of Group munshis** – SS drawn support from CMF (Centre for Micro Finance), Jaipur to conduct SHG munshi training. SS conducted 2 training cum exposure visits to 50 group munshis during August 2008. These group munshis were from SHGs promoted by SST (Sir Syad Ahmad Trust), Alwar, SS, Dausa.
- **Developing agriculture district plan for 5 years** – with support of ARAVALI, Jaipur, *Agriculture Plan* of Dausa district developed for next 5 years. SS staff intensively surveyed and conducted PRAs in 5 villages in respective blocks and interacted with government officials viz. agriculture development officer, VLWs (village level workers), AD (Assistant directors) etc to developed agriculture district plan for Dausa.
- **Training under “Bhamashah Nari” empowerment scheme** – conducted training for 370 participants with support drawn from BASIX.
- **Exposure visits** – attended visitors and conducted their exposures in SS SHGs. The visitors were from World Vision (50 leaders of women SHGs & 5 wokers)/ Jaipur, CMF (20 students)/ Jaipur, Aravali/ Jaipur (10 participants from a workshop conducted by Aravali).

Similarly, the services offered by different federations which have been studied are listed in table 3.2.

**Table 3.2.: Services offered by Cluster / Federations**

SN	Name of Federation	Distt. / State	Services offered by Cluster / Federations
1	Mahila Sangharsh Manch	Alwar / Rajasthan	<ul style="list-style-type: none"> <li>• Helping groups in regular conduct of meetings.</li> <li>• Maintenance of books with the help of <i>Samooch Sakhis</i></li> <li>• Providing training to new SHGs</li> <li>• Arranging for training of new leaders at (i) group level and (ii) cluster level</li> <li>• Helping groups to get credit linked with Banks</li> <li>• Providing loan for livelihood for – Dairy / bullock cart, small retail shops, vegetable growing, Bio gas, etc (loan sourced from DEWAN Foundation by IBDATA)</li> <li>• Providing agricultural inputs i.e. seeds, manure, pesticides, etc. by buying in bulk and selling to groups at reasonable rates and ensuring adulteration free materials.</li> <li>• Arranging for vaccination/ deworming of animals through <i>Pashu Sakhis</i></li> <li>• Providing loan for goat rearing for livelihood</li> <li>• Providing housing Loan / sanitation – loan sourced from IBTDA</li> <li>• Issues – Drinking water and Wine shops closures</li> <li>• Taking up issue based cases; such as drinking water, alcohol banning in villages health, agriculture, education, NREGA, etc. related issues.</li> </ul>
2	Saheli Samiti	Dausa / Rajasthan	<ul style="list-style-type: none"> <li>• Helping groups to get credit linked with Banks</li> <li>• Formation of new SHGs</li> <li>• Maintenance of accounts – managing accounts through a software (<i>Mc Financer</i>) which helped SHGs in providing up to date information regarding their total savings, member wise saving, member wise loan outstanding, member wise loan installment to be paid, group trial and balance, etc.</li> <li>• Providing veterinary services (treatment,</li> </ul>

			<p>de-worming, immunization, artificial insemination, etc.) for animals belonging to SHG members by collecting user charges.</p> <ul style="list-style-type: none"> <li>• Providing for insurance for animals</li> <li>• Providing life insurance to SHG members by tying up with Birla Sun Life Insurance Company</li> <li>• Providing training to SHG leaders / members, <i>Samooch Munshi</i></li> <li>• Providing Emergency loans to SHG members in case of accidents, hospitalization, etc.</li> <li>• Act as pressure group - if some member does not pay back the loan, members of the cluster go to her house to buildup pressure on her.</li> <li>• Taking up issue based work – the grazing field was freed from the encroachment</li> </ul>
3	Gramin Mahila Swayamsiddha Sangh (GMSS)	Pune / Maharashtra	<ul style="list-style-type: none"> <li>• Federation provides loan to SHGs – up to Rs 3 lakh for SHGs at an interest rate of 21% p.a. reducing.</li> <li>• In all SHG meetings, federation staff is present to ensure meeting is conducted properly.</li> <li>• Training is provided to SHG – member training (Roles), leaders training, record keeping training, financial literacy training</li> <li>• Based on demand – livelihood based training (bag making &amp; stitching)</li> <li>• Jankars (Community based resource persons) ; SHG Jankar, Legal Jankar (to help women to resist violence), Government Scheme Jankars. These Jankars are SHG members</li> <li>• Insurance (Life): GMSS is the nodal agent for LIC</li> <li>• Legal counseling centre (block level) : To help resolve legal problems of women</li> <li>• Emergency loan – for women who are hospitalized Rs. 10,000 (without any loan application). No interest is charged for 3 months.</li> </ul>
4	Savitribhai	Wardha /	<ul style="list-style-type: none"> <li>• To follow up with each SHG – review of</li> </ul>

	Phule Sawadhan Kendra Karanja	Maharashtra	<p>group functioning in monthly meetings.</p> <ul style="list-style-type: none"> <li>• To solve any problem which groups are unable to solve (for example, non-repayment of loan)</li> <li>• To ensure that the benefit of government scheme reach SHG/SHG members by creating pressure.</li> <li>• To create awareness regarding new schemes, development projects among SHGs.</li> <li>• Experience sharing and cross learning by interaction between several groups</li> </ul>
5	Mahbubnagar Zila Mahila Samakhya	Mahbubnagar / AP	<ul style="list-style-type: none"> <li>• To provide hassle free credit (funds received from World Bank).</li> <li>• Formation of new SHGs (to act as SHPI)</li> <li>• Facilitating Bank Credit</li> <li>• Capacity building – training of SHG office bearers</li> <li>• To provide handholding support to SHGs</li> <li>• To arrange for insurance of animals / purchase of better breed of animals.</li> <li>• To provide backward and forward linkage incentive to SHG members for milk supplied / arranging for milk procurement / providing feed mixing facility, etc.</li> <li>• To popularize Natural Pest Management / Vermi-compost / organic farming to ensure better quality produce</li> </ul>
6	Samsthan Narayanpur Kalanja Sangamitra (SNAKS)	Nalgonda / AP	<ul style="list-style-type: none"> <li>• To provide help in conduct of meetings, record keeping</li> <li>• To provide help in enforcing discipline for attendance, saving, repayment, etc. through the mechanism of fines.</li> <li>• To help in capacity building of SHGs</li> <li>• To provide help in ensuring bank linkage</li> <li>• To help groups to take business Initiatives -procurement of agri produce, supply of inputs and thus enabling members to get remunerative prices and reduce cost of cultivation</li> <li>• Capacity Building for taking up income generating activities</li> </ul>
7	Maneswar	Sambalpur /	<ul style="list-style-type: none"> <li>• To provide help in conduct of regular</li> </ul>

	Matrushakti Block level Federation	Orissa	<p>meetings and ensure proper coordination with GP level Federations.</p> <ul style="list-style-type: none"> <li>• To provide guidance in maintenance and audit of books maintained by SHGs.</li> <li>• To undertake periodic grading and assessment of member SHGs and prepare capacity building plan and provide capacity building training.</li> <li>• To liaise and negotiate with Financial Institutions to provide Finances to support member SHGs in livelihood initiatives (bank linkage).</li> <li>• To facilitate Internal lending to SHG members</li> <li>• To create social awareness (malaria prevention and eradication, HYV seeds, breast feeding day, nutrition day, organizing rallies, meetings and quizzes on social issues, etc.)</li> <li>• To recommend SHGs and its members for various Govt. Schemes, award of contract under Supplementary Nutrition schemes, Paddy procurement, etc.</li> </ul>
8	Janani Mahila Vikash Parisada	Bharatpur, Khurda / Orissa	<ul style="list-style-type: none"> <li>• To fight atrocities against women</li> <li>• To provide help in conduct of meetings and ensure proper coordination with member SHGs.</li> <li>• To promote formation of new SHGs</li> <li>• To invest savings of member SHGs with MFIs /Banks</li> <li>• To facilitate inter SHG cross visit for mutual sharing and learning</li> <li>• To promote literacy among members of the SHGs affiliated to the Federation</li> <li>• To manage community based medicine distribution center for treatment of common ailments.</li> <li>• To promote health through preventive and curative awareness programmes.</li> <li>• To organize general health check up programme for members.</li> <li>• To provide marketing facilities to the members of the SHGs affiliated.</li> <li>• To undertake other social activities like</li> </ul>

			<p>cleaning village pond, stopping illegal sale of liquor, bringing electricity line/ connection and water supply to villages.</p> <ul style="list-style-type: none"> <li>• To arrange for skill development and training of members of SHGs (soap making, phenyl preparation, dhup and agarbati making, badi &amp; papad making, etc) leading to income generation.</li> <li>• To provide training for better book keeping &amp; creating awareness of rules and regulations with the help of experts from <i>Swayamshree Micro credit service</i>.</li> </ul>
9	Shakti Block Mahila Sangathan	Rae Bareli / UP	<ul style="list-style-type: none"> <li>• To form new SHGs to include all poor families in the village.</li> <li>• To build capacities of new SHGs by providing 3 days structured training programme.</li> <li>• To enable SHGs have Bank Linkage by regular follow up with bank branches.</li> <li>• To ensure linkage with other organization (such as panchayat, school, etc) &amp; ensure women get their entitlements.</li> <li>• To act as pressure groups to solve problems relate to child labor, child marriage, domestic violence, dowry, drinking water, electricity etc.</li> <li>• To act as a forum for collective action by poor</li> <li>• To create social capital for development of villages</li> <li>• To disseminate best practices for health/ agriculture/ livelihood/dairy, etc. through group sakhis (community resource persons)</li> </ul>
10	Annapurna Sewa Sansthan	Sant Kabir Das Nagar / UP	<ul style="list-style-type: none"> <li>• To provide microfinance services (credit for on-lending, micro-insurance)</li> <li>• To provide inputs like seeds, fertilizers, animal husbandry related services.</li> <li>• To provide sustenance support to SHGs (service of accountants).</li> <li>• To act as platform for larger collective actions by acting as a pressing group to</li> </ul>

			<p>take up with government department on social issues/economic issues.</p> <ul style="list-style-type: none"> <li>To provide help in obtaining <i>Job Cards</i> issued in the name of the women so that they can work in NREGA and earn wages.</li> </ul>
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Based on the above listing, the summary of services provided by Federation is given in Table No. 3.3.

**Table No. 3.3. Summary of Services Provided by SHG Federations**

Services provided	MSM	SS	GMSS	SPSKK	MZMS	SNAKS	MMBF	JMVP	SBMS	ASS
Group formation	√	√	√	√	√	√		√	√	
Group development	√	√	√	√	√	√	√	√	√	√
Credit linkage	√	√			√	√	√	√	√	
Financial services	√	√	√		√					√
Livelihood	√	√	√		√	√		√		√
Health								√		
Education								√		
Social security (insurance)		√	√							
Social education/mobilisation	√	√	√	√			√	√	√	√
Linking with govt. programmes						√	√		√	√

From the above, it is evident that most Federations are offering services like Group formation and its development, facilitating credit linkage, providing livelihood support to group members and providing various types of non financial services.

#### **3.2.2.4. Comparison between SHPI NGOs and Federations**

When SHG members belonging to Federations were asked to compare the Federation *vis a vis* SHPI NGO, their responses were as under;

- In a federation, role played by a SHG leaders gain more prominence and their sense of ownership is increased.

- NGOs may have the commitment but is not able to work in the same area for a long time
- Cluster/federation gives SHGs a perception of moving ahead. It gives them more confidence to be a part of an organization which is more permanent.
- Compared to NGOs, federation takes up more non-financial issues which are very important in day to day

### **3.2.3. TOR III**

#### ***To assess the level of autonomy available to SHGs in lower tier and their participation in the decision making.***

A Federation / Cluster is a network of several SHGs and a structure or body evolved by SHGs themselves consisting of representatives from all member SHGs, with a motive of supporting member-SHG's attain the goals of economic and social empowerment of women members and their capacity building. It is a democratic body formed with certain number of SHGs functioning in a specific geographical area with the objective of uniting such SHGs for common cause and for achieving these causes which an individual SHG would not be able to do.

The structure of clusters and federations visited during the field visit indicates a high level of democratization. Each SHG at grass roots level sends one or two representatives as office bearer of cluster organization and each cluster is represented in the decision making / executive body of Federations.

It is observed from the field study that the Federations usually take macro level decision like following;

- Rate of interest to be charged by group from its members.
- Service Charges to be paid to Munshi for writing accounts and meeting proceedings.
- Penalty to be charged by group in case of default of loans.

- User charges to be collected in case of provision of services like animal husbandry (AI, vaccination, de-worming, etc.), insurance of cattle, life insurance of SHG members, etc.

For remaining decisions, SHGs are free and they do not have to seek guidance from the upper tier. The lower tier SHGs, therefore, are free to take operational decisions like;

- Election of group leader
- Fixing the date and place of meeting
- Amount of monthly saving by each member
- Members to be provided loans from internal saving
- Loan to be given to different members from funds received from Banks
- Income Generating Activities for the group members

Based on the above discussion, it can be concluded that member SHGs enjoyed reasonable amount of autonomy in terms of functional freedom and they were not overly controlled by higher tiers of Federation.

#### **3.2.4. TOR IV**

***To study financial parameters of federations to evolve benchmarks for their sustainability.***

##### **3.2.4.1. Sources of Income to Federation**

Following are the main sources of revenue for Federations visited during the study;

- **Membership fee and service fee:** Federation collects a service fee on each service it provides to its subsidiaries and members. These services include training, book keeping, marketing, bank linkage, etc. Higher share of this source of funds in total funds indicates that federation is more accountable to its' constituents and members. On the other hand the federations can also get service fee from government and others for implementation of their programs

or handling their service delivery. In that case the accountability to its members would be relatively less.

- **Interest income on its corpus**, which include savings from their constituents, grants they received and bulk loans they borrow from FIs and others for on lending.
- **Personal support and recurring grants** from promoters. Normally each federation gets funds/ resources from all three sources in different proportion. Dominance of each source in total resources of a federation determines its evolution.

In case of Saheli Samiti in Dausa, following services were offered by the Federations and service charges were collected for the same;

- **Providing MIS Services**: it is one of important service extended by SS through MIS. Raw data around financial transaction from SHG regular meeting entered in the software. Groups receive trial balance, membership balance, balance sheets, etc as output reports for the purpose of matching its financial transactions at group level, developing peer pressure for repayments from group members, etc. and sharing data with banks for getting external credits. Groups receive MIS services on service charge basis.
- **Loans** - life cycle needs and livelihood activities: 1.5% service charge is deducted from any loan given to group from external sources (including Banks)
- **Emergency Loans** for specific purposes like health, education, marriage, etc. is provided by Federations at an interest rate of 18% pa
- **Insurance** – life insurance, cattle insurance, goat insurance.
- **Veterinary Services** – by Veterinary Doctor and a para-vet employed by Federation; Service charges are collected from SHG members for providing services like animal health checkups at regular interval, de- worming, vaccination, animal treatment, responding to emergency calls, castrations, dehorning, etc.

- **Artificial Insemination (AI)** – with a view to provide services to induct quality breed milch animals (especially cross bred cows) to SHG members. Service charge is collected for providing AI and repeat AI services.

### 3.2.4.2. Expenditures of SHG Federation

The managerial staff at the Federation office comprises of a Coordinator, Accountant and Munshis or Field Representatives. The experience of staff in NGOs ranges from 1-25 years. Many of the staff working in Federation has the 3-4 years of Federation experience.

The role of the Coordinator is to ensure the smooth execution of the operations and implementation of the decisions made by the EC, maintenance of MIS, conducting committee meetings and helping members in agenda preparations, etc. The salaries of Coordinators & Accountants are paid by Federations. Munshis look after Cluster/SHG and are paid by the contributions of SHGs.

The field representatives / Munshis are responsible for:

- ❖ Formation of new SHGs
- ❖ Opening of SHG bank account
- ❖ Attend SHG and Cluster meetings
- ❖ Maintaining records at SHG and Cluster level.
- ❖ Documentation for bank loan application and
- ❖ Support projects implemented by the Federations.
- ❖ The Accountant

The major items of expenditure (overheads) of Saheli Samiti in Dausa are given in Table 3.4.

**Table 3.4: Items of Expenditure of Saheli Samiti**

SN	Particulars	Rate	Annual Expenditure (Rs)
1	Rent - Office	Rs. 2,000 p.m.	24,000
2	Telephone, Electricity, Stationary, etc.	Rs. 2,000 p.m. (average)	24,000
3	Salary - Coordinator	Rs. 15,000 p.m.	1,80,000
4	Salary - Accountant	Rs. 5,000 p.m.	60,000
5	Salary – Field coordinators (4 in no.)	Rs. 4,000 p.m. * 4	1,92,000

6	Conveyance Exp	Rs. 3,000 p.m. (average)	36,000
7	Misc. / Others		5,000
	TOTAL		5,21,000

To understand the financial sustainability of federation, we can look at the details of income and expenditure of Saheli samiti during 2008-09, given in the table 3.5.

**Table 3.5: Income of Saheli Samiti during 2008-09 from Different Activities**

Sl. No.	Particulars	charge	unit	Income	Expenditure	Surplus
1	Insurance and Vaccination (Large Animal)	650	43	27950	19350	8,600
2	Insurance and Vaccination (Small Animal)	150	297	44550	31185	13,365
3	Emergency health service(Large Animal)	100	144	14400	12960	1,440
4	Emergency health service(Small Animal)	50	165	8250	8250	0
5	Artificial Insemination	150	605	90750	87725	3025
6	Account service charge from SHG	100	864	86400	70000	16400
7	Loan Service Charge for Bank credit linkage	1%	2674000	26740		26740
8	Interest income			80,000		80,000
	<b>Total</b>			<b>379040</b>	<b>229470</b>	<b>1,49,570</b>

Surplus income is after payment of Paravet and Computer Munshi which was used in payment of other staff.

Source: Annual Report of Saheli Samiti (2008-09)

The other receipts of Saheli samiti during 2008-09 are given in Table 3.6.

**Table 3.6: Other Receipts of Saheli Samiti**

SN	Particulars	Amount (Rs)
1	Membership Fees	15,500
2	MIS fees (from SHG members)	86,460
3	Insurance Service Fees	65,109
4	Regular Health Check up & AI	78,320
5	Dewormers	10,800
6	Bank Loan Processing Fees	25,280
7	Studies / Visits / Training	99,928
8	Misc Income	23,950
9	Consultancy (Aravali)	38,390
10	Donations	1,87,100

11	Surplus operations	1,49,570
12	Others	77,263
	Total	5,21,000

Source: Annual Report of Saheli Samiti (2008-09)

From the above it is evident that the present scale of operations of the Federation is not financially sustainable. At present the Federation is supporting 156 SHGs with membership of 1,716 women. However, from discussion with the officials of Federation it emerged that if the number of SHGs could increase to 300, the Federation would be financially viable (details given in Table no. 3.7).

**Table 3.7: Projected Income of Saheli Samiti with 300 SHGs**

Sl. No.	particular	charge	unit	income	expenditure	Surplus
1	Insurance and Vaccination (Large Animal)	650	1000	650000	450000	200000
2	Insurance and Vaccination (Small Animal)	150	500	75000	52500	22500
3	Emergency health service (Large Animal)	100	300	30000	27000	3000
4	Emergency health service (Small Animal)	50	150	7500	5000	2500
5	Artificial Insemination (AI)	150	1500	225000	217500	7500
6	Account service charge from SHG	100	3500	350000	250000	100000
7	Loan Service Charge for Bank credit linkage	1%	10,000,000	100,000		100,000
8	Interest income			150,000		150,000
9	Commission from Trading activity New activity)	4%	10000000	400,000	150,000	2,50,000
	<b>Total</b>			<b>3337500</b>	<b>1152000</b>	<b>835500</b>
	Salaries and local convenience required for staff					<b>546,000</b>
	Office maintenance and other miscellaneous expenses					<b>70,000</b>

Source: Compiled by author based on discussions with officials of Saheli Samiti

The sources of revenue and items of expenditure of Federations visited during the study are summarized in Table no. 3.8;

**Table 3.8: Sources of Revenue and Items of Expenditure of Federations**

SN	Name of Federation	Distt. / State	
1	Mahila Sangharsh Manch	Alwar / Rajasthan	<p><b>Sources of revenue</b></p> <ul style="list-style-type: none"> <li>• 1.5% service charges on loan given by any agency to groups.</li> <li>• <i>Munshi</i> allowance – Rs 50/- p.m. from new group and every year it will be increased by</li> </ul>

			<p>Rs 20/-. Some groups pay Rs 200/- p.m. (1 <i>Munshi</i> takes care of 30 to 40 SHGs)</p> <ul style="list-style-type: none"> <li>• Visitor fees – Rs 2,000/- to federation</li> <li>• Training by group leader to other groups Rs 1,000/- per day (trainers are paid Rs 150/- and the balance amount gets deposited in federation fund).</li> </ul> <p><b>Items of expenditure</b> Salary(Monthly)</p> <table> <tr> <td>Leader</td> <td>Rs 2000/-</td> </tr> <tr> <td>Manager</td> <td>Rs 4500/-</td> </tr> <tr> <td>Field Co-ordinator</td> <td>Rs 4000/-</td> </tr> <tr> <td>Accountant</td> <td>Rs 4500/-</td> </tr> <tr> <td>Munshi</td> <td>3,000 to 3,500</td> </tr> </table> <p><i>To what extent the federation is financially self reliant?</i> Federation is able to meet about 50% of its operational costs from the revenues generated by it.</p>	Leader	Rs 2000/-	Manager	Rs 4500/-	Field Co-ordinator	Rs 4000/-	Accountant	Rs 4500/-	Munshi	3,000 to 3,500
Leader	Rs 2000/-												
Manager	Rs 4500/-												
Field Co-ordinator	Rs 4000/-												
Accountant	Rs 4500/-												
Munshi	3,000 to 3,500												
2	Saheli Samiti	Dausa / Rajasthan	<p><b>Sources of revenue</b></p> <ul style="list-style-type: none"> <li>• Membership fees</li> <li>• MIS fees</li> <li>• Loan service charges 1% (on bank loan and emergency loan)</li> <li>• User charges - A. I.</li> <li>• User Charges - Emergency fees (Veterinary Service)</li> <li>• Health Certificate (Animal) by Dr (The Coordinator) 100/-</li> <li>• Death certificate for issue of insurance (Animal) Buffalo Rs 300/- Goat Rs 40/-</li> <li>• Consultancy fees</li> <li>• Visitor charges</li> <li>• Field visit (outside Institutions) Rs 1000/- for one group meeting</li> <li>• Membership fees Rs 500/- per SHG (for new SHG)</li> <li>• RMTS (Regular SHG ST service) Rs 100/- per member / year</li> </ul> <p><b>Items of expenditure</b></p> <ul style="list-style-type: none"> <li>• Rent – Office: Rs. 2,000 p.m.</li> <li>• Telephone, Electricity, Stationery, etc. : Rs. 2,000 p.m. (average)</li> </ul>										

			<ul style="list-style-type: none"> <li>• Salary – Coordinator : Rs. 15,000 p.m.</li> <li>• Salary – Accountant : Rs. 5,000 p.m.</li> <li>• Salary – Field coordinators (4 in no.): Rs. 4,000 p.m. * 4</li> <li>• Conveyance Exp : Rs. 3,000 p.m. (average)</li> </ul> <p><i>To what extent the federation is financially self reliant?</i></p> <p>Federation is able to meet about 80% of its operational costs from the revenues generated by it.</p>
3	Gramin Mahila Swayamsiddha Sangh (GMSS)	Pune / Maharashtra	<p><b>Sources of revenue</b></p> <ul style="list-style-type: none"> <li>• Member fee (Rs 10/- per member)</li> <li>• Interest on loan (21% p.a.)</li> <li>• Processing fee (2%) – Service charge</li> <li>• Audit fee (Rs 100/- per group)</li> <li>• LIC Commission (Rs 3 – 4 thousand p. m.)</li> <li>• Fine (Groups not repaying timely)</li> <li>• Security deposit – when loan is sanctioned 10% is required to be kept as security deposit with federation.</li> </ul> <p><b>Items of expenditure</b></p> <ul style="list-style-type: none"> <li>• Staff salary : Rs 88,000 p.m.</li> <li>• Travel/conveyance : Rs 9,000 p.m.</li> <li>• Office rent : Rs 2,500/- p. m.</li> <li>• Electricity charges : Rs 250/- p. m.</li> <li>• Phone : Rs 500/- p. m.</li> <li>• Phone (Mobile) to staff: Rs 3,800/- p. m. (Rs 500/- to in-charge and Rs 300/- to staff)</li> <li>• Mess: Rs 3000/- p. m.</li> </ul> <p><i>To what extent the federation is financially self reliant?</i></p> <p>The federation is fully self reliant and it generates surplus every year.</p>
4	Savitribhai Phule Sawadhan Kendra Karanja	Wardha / Maharashtra	<p><b>Sources of revenue</b></p> <p>Data not available.</p> <p><b>Items of expenditure</b></p> <p>Data not available.</p>

5	Mahbubnagar Zilla Mahila Samakhya	Mahbubnagar / AP	<p><b>Sources of revenue</b></p> <ul style="list-style-type: none"> <li>• SERP Funds – CIF – Revolving and earning interest federations getting interest income.</li> <li>• As agency providing manpower to departments and earning commission from various departments like Housing, Insurance-LIC, DRDA etc. The federation is running canteen and earn revenue.</li> <li>• Budget allocated under the Indira Kranti Patham (IKP) Project – under various components like capacity building on various activities, conduct of meetings at various levels in the federation, salary of staff supporting the project and a sum of Rs. 10 lakh allocated in 2009-10</li> <li>• SHG- each women member to pay Rs 11/- to village organization one time and every year share capital of Rs 100/- which is shared by different tiers of the federation like Rs 50/- by VO, Rs.30/- by MMS &amp; Rs. 20/- by ZMS for the support they get from the structure.</li> <li>• Federations collect Rs. 325 from each SHG, pass on to VO level who will retain Rs.100/- and pass on Rs.225/- to MMS who in turn pass on Rs.12,000/- to ZMS and retain the balance. They have resolved to collect Rs.2000/- from each SHG of which Rs.1000/- membership, Rs.1000/- entry fee and Rs 1000/- will be retained by ZMS to give credit to MMS to give credit to SHGs through VOs.</li> </ul> <p><b>Items of expenditure</b></p> <ul style="list-style-type: none"> <li>• Staff salary – Rs. 18,000 per month provided by SERP-IKP</li> <li>• Book Keeping – VOs, MMs, ZMS</li> <li>• Attendants – MMS, ZMS</li> <li>• Stationery</li> <li>• TA by ZMS – members for visit of MMS – to VOs</li> <li>• TA by committee – SERP has given funds for the purpose</li> </ul> <p><i>To what extent the federation is financially self reliant?</i></p> <p>Members of the ZMS Executive were not fully aware about this aspect. It was gathered that they are getting huge amount from government to</p>
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			sustain the activities of ZMS.
6	Samsthan Narayanpur Kalanja Sangamitra (SNAKS)	Nalgonda / AP	<p><b>Sources of revenue</b></p> <ul style="list-style-type: none"> <li>• Service charge @ Rs 150/- p.m.</li> <li>• Interest spread on lending from (IKP funds- received earlier) Rs 20 lakh</li> <li>• Deposits – Rs 100/- per member one time (Rs.2 lakh +)</li> <li>• Grant funds for drought mitigation (Rs.2.15 lakh)</li> </ul> <p><b>Items of expenditure</b></p> <ul style="list-style-type: none"> <li>• Honorarium to staff</li> <li>• Rent, stationery, computerization</li> <li>• Training to Board members and the staff members</li> <li>• Meeting expenses</li> </ul> <p><i>To what extent the federation is financially self reliant?</i></p> <p>The federation is financially self reliant and the Dhan Foundation provides hand holding support and so far no withdrawal strategy.</p>
7	Maneswar Matrushakti Block level Federation	Sambalpur / Orissa	<p><b>Sources of revenue</b></p> <ul style="list-style-type: none"> <li>• Subscription of Members: 16 Gram Panchayat level Federations are contributing @ Rs100/ month.</li> <li>• Grant in aid from Govt. of Orissa: capital support @ Rs5,000/ per GP level federation.</li> <li>• SGSY Fund for skill up-gradation</li> <li>• Contingency assistance from Director Mission Shakti Rs3000/</li> <li>• Donation from well wisher</li> <li>• Any other source approved by the General Body</li> </ul> <p><b>Items of expenditure</b></p> <ul style="list-style-type: none"> <li>• Salary of subject matter specialist (Rs 5,000/ month)</li> <li>• Salary of livelihood subject matter specialist (Rs 5,000/ month)</li> <li>• Salary of Multi Purpose worker (Rs 2,500/ month)</li> <li>• Record and register (Rs3,000)</li> </ul>

			<ul style="list-style-type: none"> <li>• Expenditure on banners, Charts, Photography, etc on various functions like Women's Day, SHG Foundation Day, etc.(Rs 2,000 per function)</li> <li>• Expenditure on monthly meeting(tea and snacks)</li> </ul> <p><i>To what extent the federation is financially self reliant?</i></p> <p>Presently it is heavily dependent on Grant-in-assistance from the Govt. Internal lending is yet to be started by the Federation.</p>
8	Janani Mahila Vikash Parisada	Bharatpur, Khurda / Orissa	<p><b>Sources of revenue</b></p> <ul style="list-style-type: none"> <li>• Membership registration fee of Rs 60 per SHG</li> <li>• Specific purpose contribution (for example for free medical dispensary)</li> <li>• Loan assistance from Swayamshree Micro credit services</li> <li>• Grant from donors</li> </ul> <p><b>Items of expenditure</b></p> <ul style="list-style-type: none"> <li>• Stationery</li> <li>• Electricity Bill/Medical expenses</li> <li>• TA to members of Governing Body</li> </ul> <p><i>To what extent the federation is financially self reliant?</i></p> <p>It is heavily dependent on Grant-and donations. We do not see financial self reliance in near future.</p>
9	Shakti Block Mahila Sangathan	Rae Bareli / UP	<p><b>Sources of revenue</b></p> <ul style="list-style-type: none"> <li>• Interest on savings mobilization and inter lending among SHG members</li> <li>• Honorarium earned by community Resource Person</li> </ul> <p><b>Items of expenditure</b></p> <ul style="list-style-type: none"> <li>• Salary of field officer</li> <li>• Honorarium to community volunteer</li> <li>• Office rent</li> <li>• Telephone</li> <li>• Stationery</li> </ul>

			<p><i>To what extent the federation is financially self reliant?</i></p> <p>Cost of running federation is being met by the project at present and we are still planning how to make federations financially self sustainable.</p>
10	Annapurna Sewa Sansthan	Sant Kabir Das Nagar / UP	<p><b>Sources of revenue</b></p> <ul style="list-style-type: none"> <li>• Monthly savings from SHG (Rs 100/- p.m.) Maximum Rs 6,000/-</li> <li>• Service charge (Record keeping) Rs 50/- p.m.</li> <li>• Interest on loan given to SHGs</li> <li>• Service charges <ul style="list-style-type: none"> <li>○ Vermi compost</li> <li>○ Goat rearing</li> <li>○ Irrigation pipes</li> <li>○ Land on lease for agriculture</li> </ul> </li> <li>• Devotion (<i>Aarti</i>)</li> <li>• Penalty</li> </ul> <p><b>Items of expenditure</b></p> <ul style="list-style-type: none"> <li>• Office Rent Rs 300/- p. m.</li> <li>• Cadre Honorarium Rs 1500/- p. m.</li> <li>• Leader conveyance Rs 300/- p.m.</li> <li>• Refreshments Rs 300/- p. m.</li> <li>• Annual events (26<sup>th</sup> January &amp; 15<sup>th</sup> August)</li> <li>• Interest payment to groups @ 6%</li> <li>• Stationery</li> </ul> <p><i>To what extent the federation is financially self reliant?</i></p> <p>The federations are almost fully self sustainable to meet its operational costs.</p>

Fund raising can include the following:

- Membership fees as a one-time payment from member SHGs.
- Monthly contributions from member SHGs.
- Fines from member SHGs for violations of rules, etc.
- Bank interest earned on the account of the federation.
- Donations from any source.

- Contributions from other institutions for programmes within the scope of the federation’s objectives.
- Service charges (when the federation’s services are used for any work).
- Income earned from any income-generating programme taken up by the federation.

### 3.2.4.2. Financial Sustainability of SHG Federations

It was observed that the level of financial sustainability of Federations varied between zero to 100%. Table 3.9 summarizes the level of financial sustainability of Federations.

**Table 3.9: Level of financial sustainability of Federations**

SN	Level of financial sustainability	Names of Federations
1	<b>Low</b> (revenues meeting 0 – 50% of expenditure)	<ul style="list-style-type: none"> <li>▪ Savitribhai Phule Sawadhan Kendra Karanja, Wardha</li> <li>▪ Mahbubnagar Zilla Mahila Samakhya</li> <li>▪ Maneswar Matrushakti Block level Federation, Sambalpur</li> <li>▪ Janani Mahila Vikash Parisada, Khurda, Orissa</li> <li>▪ Shakti Block Mahila Sangathan, Raebareli</li> </ul>
2	<b>Moderate</b> (revenues meeting 50 – 75% of expenditure)	<ul style="list-style-type: none"> <li>▪ Mahila Sangharsh Manch, Alwar</li> <li>▪ Annapurna Sewa Sansthan, Sant Kabir Das Nagar UP</li> </ul>
3	<b>High</b> (revenues meeting 75 – 100% of expenditure)	<ul style="list-style-type: none"> <li>▪ Saheli Samiti, Dauasa,</li> <li>▪ Gramin Mahila Swayamsiddha Sangh (GMSS), Pune,</li> <li>▪ Samsthan Narayanpur Kalanjia Sangamitra, Nalgonda</li> </ul>

It is observed that 50% of the sample federations was having very poor level of financial sustainability, 20% of the sample federations had moderate level of financial sustainability while 30% of the sample federations had high level of financial sustainability.

### **3.2.5. TOR V**

#### **To identify the constraints / challenges faced by SHG Federations and recommend measures to address these.**

Based on the field study and detailed interaction with board members / office bearers of Federations, following major constraints / challenges faced by Federations are identified;

- **Lack of clarity of objectives:** Most of the Board members of the federations and the office bearers were not much aware of the objectives of federation, even though they exhibited good commitment and interest to build the institution.
- **Poor skills in respect of financial management:** The federation Board largely depended on the promoting agency for fund management besides the operating systems, procedures and practices, and the availability of support. Since even the promoting agencies had a social service background, most federations had low levels of managerial and technical understanding of banking and finance, leading to adoption of inappropriate accounting practices, insufficient information system, inadequate internal control, and ineffective risk management.
- **Second-line leadership** development is not getting due emphasis, particularly at the Federation level, and promoters seem more comfortable to work through the staff, who are articulate and are more comfortable in “understanding” issues. This hampers knowledge development of the Board members, and also leads to staff domination at a later stage. It has been noticed that the Federation staff, while competent and efficient, see themselves as being accountable to the promoting organisation, rather than

to the Board. Well developed plans are not in place to develop capacities to take on governance.

- **Poor capacities of human resource:** Federations do not have skilled human resource available for local level accounting and other management functions. Drop out rate of trained staff is also found to be very high.
- **Allegiance of human resources:** In most of the federations, staff are recruited, trained and paid by promoting agency in initial period and later the persons to become employees of the federations. So the staff are accountable (or committed) towards promoting institution rather than federation.
- **Low fund availability at federation level:** At present the federations do not have adequate funds available to cover their day to day expenditure. The funds are also not sufficient to meet the members' needs.
- **Lending methodology:** As the federations start seeing themselves more as Financial Institutions, direct lending to members and bypassing the SHG starts becoming the norm. Lending through SHGs ensures that SHG continues to be the building block of the Federation, and not loose relevance.
- **Systems and operating processes:** Good systems and sound processes are the backbone to an efficient and well-performing Federation. Quality and regularity of book keeping and MIS are the two major areas which need to be improved. With Federations handling multiple activities, and geared to play a major role in the social and economic empowerment of women, having strong systems would help in building institutions with long term sustainability. SHGs being the building block of the structure, a simple and user friendly MIS would help in the Federations to understand the status of SHGs better and work towards strengthening the SHGs, by providing appropriate capacity building inputs and interventions.
- **Low level of financial sustainability:** The current state of Federations demonstrates low level of financial sustainability. The issue of SHG federation sustainability is by far the most significant challenge faced by them. Federations have limited financial and non-financial products. Federations

need to offer different saving, loan and insurance products and non-financial products and support services aimed at strengthening the performance of its members on a fee-for-service basis in order to sustain the federation.

- **SHG member awareness:** At every level, the furtherance of the interests of the primary member is central to the setting up of a tier, and the vibrancy of its member-organizations is vital to its own vibrancy. However, the more tiers there are within the Federation, the more removed the individual members become from the core decision making process. Also, each tier would add costs and should not be added if they do not add value. Therefore, one major challenge associated with the creation of SHG Federations is to retain member awareness even as the structure of the institution grows from individual SHGs to Federations. This challenge is especially difficult when the Federation is located in far from villages, which is not often visited by members.
- **Target-oriented approach followed by government:** Though the federation concept is quite nascent, there are already a large number of federations in India. In most of the poverty reduction projects, SHG federations are being promoted. Building a sustainable federation through a participatory approach is a time consuming and expensive process. Building the institutions of the poor also requires specialized skills. However, most of the federation promoters are not able to follow the process and have the staff with necessary skills and the mind set. As a result, the federations are promoted in a target-oriented manner. Such an approach undermines the sustainability of the federation. Furthermore, the federations are promoted without strengthening the member SHGs. This results in weak federation.
- **Information system** is a major concern in SHG federations. There is abundant information and data, all of which is scattered. It is a big challenge to process that data and get it into a form which can help the management in decision making. Two way flow of information in federations was the exception and not the rule. Inflows of information from constituents into federations were high, but outflow from federations to constituents was rare.

Table 3.10 summarizes the responses of office bearers of federations studied by us regarding problems / constraints / challenges faced by them.

**Table 3.10: Constraints / Problems faced by Federations**

SN	Name of Federation	Distt. / State	Constraints / problems faced by Federations
1	Mahila Sangharsh Manch	Alwar / Rajasthan	<ul style="list-style-type: none"> <li>• Many SHG leaders are not able to devote adequate time for work relating to Federation (such as attending meetings / training programmes / strategy meetings, etc.)</li> <li>• Same leaders continue to represent their groups / cluster due to lack of good new leaders.</li> <li>• There is shortage of community resource persons (<i>Sakhi</i>).</li> <li>• There is shortage of good quality manpower to work in Federations, mainly due to low remuneration offered to them.</li> <li>• The turnover rate of professionals who are employed in federation's office is high.</li> <li>• Cost recovery is a major challenge as the wages of Munshi have increased substantially during recent years.</li> <li>• Many SHG members do not still perceive federation to be their own organization as they are not yet convinced about the value added by the federation.</li> </ul>
2	Saheli Samiti	Dausa / Rajasthan	<ul style="list-style-type: none"> <li>• It is very difficult to get enlightened group leaders to represent them in federation.</li> <li>• To attain financial sustainability is a major challenge.</li> <li>• Need to diversify into new activities so as to meet the cost of running federation.</li> <li>• Difficult to get quality professionals to work in federation office.</li> </ul>
3	Gramin Mahila Swayamsiddha Sangh (GMSS)	Pune / Maharashtra	<ul style="list-style-type: none"> <li>• State Government is planning to set up federation and give loan at 4% p.a. This will affect our federation.</li> <li>• We have to borrow funds from Banks and their interest rate is very high. They charge processing fee and insist on fixed deposit from us. This increase the rate at which we can lend to SHGs.</li> <li>• The staff turn over is high in federation.</li> </ul>

			<ul style="list-style-type: none"> <li>• Ability to mobilize financial resource is highly limited.</li> <li>• To mobilize funds at cheaper rate is the biggest challenge faced by us.</li> </ul>
4	Savitribhai Phule Sawadhan Kendra Karanja	Wardha / Maharashtra	<ul style="list-style-type: none"> <li>• To convince SHG members to make financial contribution for federation is very difficult, especially in the initial years of establishment of federation.</li> <li>• SHGs still face lot of problems in getting bank linkage a repeat linkage is even more difficult.</li> <li>• From where to meet the cost of manpower for running federation is a major challenge.</li> </ul>
5	Mahbubnagar Zilla Mahila Samakhya	Mahbubnagar / AP	<ul style="list-style-type: none"> <li>• Remuneration to field staff (TA/DA) is not adequate and it needs to be enhanced.</li> <li>• There is a need for capacity building of federation officials (both at MMS and VOs level). No capacity building exercise has been done after mid 2006. Training needs to be arranged at various levels of the federation to equip them to perform better.</li> <li>• There is lack of ownership /belongingness among staff regarding the federation. There is a need for sensitization of staff in this regard.</li> <li>• There is a need for revamping the organization and reduce the number of committees. There are about half a dozen committees but need capacity building &amp; vehicle support to perform effectively.</li> <li>• There is lack of leadership rotation. This needs to be ensured.</li> <li>• Federation is undertaking multifarious activities such as purchase of animals, agri produce marketing, milk collection / marketing, vermi composting, etc. There is a need to rationalize the activities and restrict to a few important areas only.</li> </ul>
6	Samsthan Narayanpur Kalanjia Sangamitra (SNAKS)	Nalgonda / AP	<ul style="list-style-type: none"> <li>• Federations promoted by NGOs are not recognized by State government departments for any type of assistance.</li> <li>• The non-IKP federations are not provided support like interest subvention-<i>Pavala vaddi</i>, grant for various activities, support</li> </ul>

			<p>for staff, CIF funds for the benefit of SHG members.</p> <ul style="list-style-type: none"> <li>• Skill base of people is very poor and there is need for their capacity building.</li> <li>• Many MFIs have entered the area and are trying to poach in our SHGs. They charge very high interest rates. This is leading to double financing and adding to indebtedness of poor people in the area.</li> </ul>
7	Maneswar Matrushakti Block level Federation	Sambalpur / Orissa	<ul style="list-style-type: none"> <li>• At present no honorarium and TA / DA are paid to the office bearers of federation. There should be grant support from govt. for this purpose.</li> <li>• There is no contingency fund available at present with the federation. It should be provided through grant support from Govt.</li> <li>• The running expenses for the resource team at block level should be met by GoO/NABARD.</li> <li>• There is a need to have a vehicle for better mobility and access to field.</li> <li>• We face marketing bottlenecks and there is a need to have IT based system to access information about markets and market intelligence.</li> </ul>
8	Janani Mahila Vikash Parisada	Bharatpur, Khurda / Orissa	<ul style="list-style-type: none"> <li>• Due to resource limitation, we do not have federation office. There should be grant support from govt. / NABARD for this purpose.</li> <li>• We do not have cheap source of funds for on- lending to SHGs. This must be provided by NABARD.</li> <li>• There is a need for Training/ capacity building support to staff/ governing body members.</li> </ul>
9	Shakti Block Mahila Sangathan	Rae Bareli / UP	<ul style="list-style-type: none"> <li>• To provide easy access to credit for SHG members, there is a need to have a <i>Mahila Bank</i> in the area.</li> <li>• In spite of persistent efforts, we still face problems in getting bank linkage for our groups.</li> <li>• Sustainability of federation is a big challenge. We need to evolve mechanisms to provide for management cost of federation.</li> </ul>

			<ul style="list-style-type: none"> <li>• Financial returns on marketing of seeds/ grain trading are reasonable and that could be a source of revenue for the federation.</li> <li>• BF model has not been implemented by the bank. If it is implemented, it will be easy for SHGs to access bank loans.</li> <li>• Cost of management of federation can be brought down by having para-development professional (like community volunteer) instead of a full fledged professional. But it is difficult to get trained para-development professionals.</li> </ul>
10	Annapurna Sewa Sansthan	Sant Kabir Das Nagar / UP	<ul style="list-style-type: none"> <li>• Leadership role (envisioning) at federation level is crucial, but it is very difficult to get such leadership.</li> <li>• Banks do not give credit to federation. There is a need to have bank-federation linkage and for this there is a need for guidelines to be issued by RBI / NABARD in this regard</li> <li>• Federation can easily play the role of banking facilitator and banks should be sensitized regarding this.</li> <li>• Highly skilled staff can not be employed by federations due to limited income of federation.</li> <li>• Quality of SHG has to be maintained for sustainability of federation.</li> <li>• There is a risk of political hijacking of our SHGs during election time and federation finds it tough to check this.</li> </ul>

### **3.2.6. TOR VI**

#### **To assess from the stakeholders the mode of NABARD support to SHG federations.**

Discussions with heads of SHPI/NGO for promoting Federations brought to fore following suggestions regarding support from NABARD;

a)SHG Federations are a matter of reality and should be considered as a step forward in SHG bank Linkage Programme. To give an impetus to the process,

NABARD may consider launching a Federation Bank Linkage Programme to provide financial assistance to Federations in the form of loan.

- b) There are many regions in the country where Banks are still reluctant to give loans to SHGs and due to this, the SHG Bank Linkage programme is suffering. A study may be conducted to estimate average amount of bank loan given to SHGs in each district of the country and where ever this amount is less than 25% of national average, NABARD may consider providing bulk loan to SHG Federation for onward lending to SHGs.
- c) Promotion of SHG Federations requires resources. A soft loan product with some component of grant may be developed by NABARD for Federations promoted by reputed / established NGOs / SHPIs.
- d) Special emphasis is required to be put on building the capacity of the Committee members in creating awareness to the board on byelaws, roles and responsibilities and statutory compliance in order to avoid dependency on staff and SHPIs for creating ownership on Federations. For these activities, NABARD may support federations from its promotional funds.

Specific suggestions given by different federations regarding the nature of support expected from NABARD are listed in Table 3.11.

**Table 3.11: Support expected from NABARD by SHG Federations**

SN	Name of Federation	Distt. / State	Support expected from NABARD
1	Mahila Sangharsh Manch	Alwar / Rajasthan	<ul style="list-style-type: none"> <li>▪ Promotional support for initial 3-5 years by defraying a part of operational cost.</li> <li>▪ Capacity building support - Training/ exposure of leaders of federation</li> <li>▪ Providing training to federation officials to act as Banking Correspondent (BC)/ Banking Facilitator (BF)</li> <li>▪ Support to Federations from various promotional funds of NABARD (like FTTF, FIPF, etc.)</li> </ul>
2	Saheli Samiti	Dausa / Rajasthan	<ul style="list-style-type: none"> <li>▪ Capacity building support</li> <li>▪ Financial support initially for 3-5 years for meeting expenditures on salary and rent.</li> </ul>

			<ul style="list-style-type: none"> <li>▪ NAABRD should undertake assessment of functioning of the federations.</li> </ul>
3	Gramin Mahila Swayamsiddha Sangh (GMSS)	Pune / Maharashtra	<ul style="list-style-type: none"> <li>▪ To provide equity support – To enhance capital base of federation so that they may mobilize more resources from other institutions.</li> <li>▪ To provide RFA support – to reduce cost of funds (funds available at low interest rate)</li> <li>▪ Support for training of office bearers of federation and for staff of federation</li> <li>▪ Support for office automation / infrastructure</li> </ul>
4	Savitribhai Phule Sawadhan Kendra Karanja	Wardha / Maharashtra	<ul style="list-style-type: none"> <li>▪ Promotional support for initial 3-5 years by defraying a part of operational cost.</li> <li>▪ Capacity building support - Training/ exposure of leaders of federation</li> </ul>
5	Mehbubnagar Zila Mahila Samakhya	Mehbubnagar / AP	<ul style="list-style-type: none"> <li>▪ Capacity Building of Bankers as large number of groups are yet to be linked to banks.</li> <li>▪ MEDP, SDP and selective REDPs- for SHG members</li> <li>▪ Marketing setting up of rural marts, Sponsoring for participation in exhibitions</li> <li>▪ Loan under RIDF for infrastructure required for procurement of Paddy</li> </ul>
6	Samsthan Narayanpur Kalanjia Sangamitra (SNAKS)	Nalgonda / AP	<ul style="list-style-type: none"> <li>▪ Skill up-gradation- development through MEDP, SDP, REDP</li> <li>▪ Support for marketing outlets-Rural mart</li> <li>▪ Capacity building of functionaries-sponsored training programmes for federation functionaries</li> <li>▪ Grant assistance for promotion of more groups (specially for poor people not covered under BPL).</li> </ul>
7	Maneswar Matrushakti Block level Federation	Sambalpur / Orissa	<ul style="list-style-type: none"> <li>▪ Marketing Infrastructure support - Grant assistance for rural Haats / Marketing of products of SHGs at the block level</li> <li>▪ Capacity Building Support</li> <li>▪ Grant assistance for REDP both technical and managerial REDPs.</li> </ul>
8	Janani Mahila Vikash Parisada	Bharatpur, Khurda / Orissa	<ul style="list-style-type: none"> <li>▪ Seed capital to the Federation either by way of grant or soft loan</li> <li>▪ Training/ capacity building of Staff/ Governing body members</li> </ul>

			<ul style="list-style-type: none"> <li>▪ Grant assistance for purchase of computers</li> </ul>
9	Shakti Block Mahila Sangathan	Rae Bareli / UP	<ul style="list-style-type: none"> <li>▪ To provide equity support – To enhance capital base of federation so that they may mobilize more resources from other institutions.</li> <li>▪ To provide RFA support – to reduce cost of funds (funds available at low interest rate)</li> <li>▪ Support for training of office bearers of federation and for staff of federation Marketing Infrastructure support - Grant assistance for rural <i>Haats</i> / Marketing of products of SHGs at the block level</li> </ul>
10	Annapurna Sewa Sansthan	Sant Kabir Das Nagar / UP	<ul style="list-style-type: none"> <li>▪ Seed capital to the Federation either by way of grant or soft loan</li> <li>▪ Training/ capacity building of Staff/ Governing body members</li> </ul>

### 3.3. Benefits of Federation

The primary role of the Federations is in providing support services to the SHGs that contribute to its sustainability. Federations provide an organizational identity to SHGs that, while crucial for sustainability, is difficult for small organizations such as the SHGs to develop.

Discussions with Federation officials and heads of NGOs / SHPIs revealed that Federating helps SHGs realize benefits of a larger organization, without losing the advantages of small organization. Federation provides following benefits to the SHGs

- By creating *economies of scale*, federations make it possible for essential services such as accounting, audit, conflict resolution and performance monitoring to be made available to SHGs. They also contribute to capacity building of SHGs through facilitating planning and review processes, and mutual learning events. In the absence of federations, many of these services are provided by promotional agencies, an inherently unsustainable mechanism.

- Federations reduce *transaction costs* of financial institutions, such as banks and insurance companies that have business with the SHGs, and the SHGs themselves. For the financial institutions, they reduce the cost of dealing with a large number of small groups; sometimes directly by acting as intermediary organizations and at other times by acting as a social collateral. They reduce costs of SHGs by providing a mechanism for cost sharing.
- Federations *reduce default rates* at all levels – from SHG members to SHGs, and from SHGs to banks – by improving monitoring, and providing both positive and punitive incentives. In the long run, the reduced transaction costs and improved repayment rates should have a positive impact on the lending rates to SHGs.
- Federations provide certain *value-added services*. The value added financial services include special loan products such as housing loans and insurance for members and livestock. Non-financial services include primary education, healthcare, livestock care and technical support for house construction.
- Federations reduce the *cost of promoting new SHGs* because of their information advantage, low staff costs, and voluntary time offered by SHG office-holders for forming new SHGs. This enhances the replicability and sustainability of the model.
- Finally, federating enhances the *empowerment of the poor* by developing local human capital. Federations provide opportunity for SHG leaders to increase their capacities as they take leadership positions in the federations. Federations also contribute to empowerment by exposing SHG leaders to diverse organizations and social institutions.

In conclusion, SHG federation has been evolved as a model that promotes sustainability of the SHGs and provides the much needed institutional base for the SHG members / women to realize their dreams and aspirations. The SHG federation model has achieved significant scale and considerable acceptance among all the major stakeholders. There is great potential for the SHG federation model to address issues of poverty. In many ways, the model is unique – the women are the owners, managers, users and beneficiaries. This is here to stay.

While there are many benefits of SHG federation model, it has several limitations. The promoters need to be aware of both. Within the SHG federation model there are several variations driven by the local considerations and the strategy of the promoting organization.

## *Quality of SHGs Belonging to Federations*

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### **4.1. Introduction**

During our field visits we got an overwhelming feedback that SHG Federations are promoted for strengthening existing SHGs, promoting new SHGs of the poor and for helping member SHGs to access various services from government and banking sector. We also observed that Federations play an important part in SHG capacity building. Based on this, we can safely proceed with a hypothesis that since SHGs belonging to Federations have the benefit of constant oversight by higher tier, their quality should be better as compared to other SHGs. To validate this, data was collected on various parameters to compare the quality of SHGs belonging to Federations and other SHGs. In this chapter an attempt has been made to compare the differences in quality of SHGs between SHGs under the umbrella of Federations and other SHGs which are not part of Federation. For this purpose, 100 SHGs belonging to 10 Federations and 100 SHGs working in similar socio- economic, cultural and geographical milieu but not parts of a Federation have been studied and compared.

Quality is the major challenge that the SHG movement is confronted with at this point of time in the country. To assess the quality of SHGs, NABARD developed a rating tool known as critical rating index (CRI) and advised all banks to assess the quality of groups using the CRI before every credit linkage. The CRI basically consists of two sets of variables, viz. **governance and systems related variables** and **financial variables**. Governance related parameters are periodicity of meetings, attendance in the meetings, decision making process in the meeting, observation of norms, saving and loan installment collection methods, lending procedure, rotation of leadership, book keeping, etc. Financial

parameters include periodicity and regularity of saving, use of savings for internal lending, lending rates, lending norms, regularity in loan repayment, etc.

Various quality parameters of SHGs under the umbrella of Federations and other SHGs have been collected based on CRI discussed above.

#### 4.2. Sample Description

Main characteristics of sample SHGs are given in Table 4.1.

**Table 4.1: SHG Sample Description**

<b>Particulars</b>	<b>Federation SHG</b>	<b>Non Federation SHG (Control Group)</b>
No. of Sample SHGs	100	100
SHG – Only Women members	100	99
SHG- Only Men members	0	1
SHG - Mixed	0	0
<b>Average number of members per SHG</b>	<b>13.4</b>	<b>13.8</b>
<b>Age of SHGs</b> ( <i>Figures in percent</i> )		
<b>Particulars</b>	<b>Federation SHG</b>	<b>Non Federation SHG (Control Group)</b>
0-2 Years Old	22	24
2-4 Years Old	34	38
> 4 Years Old	44	38
<b>Average number of years of existence</b>	<b>4.6</b>	<b>4.3</b>

From the above it is evident that two sample groups (Federation SHGs and Non Federation SHGs) are more or less similar in terms of their membership size and age.

#### 4.3. Composition of SHGs

SHGs are expected to primarily help poor people. The composition of SHGs in terms of BPL membership has been summarized in the Table 4.2.

**Table 4.2: Composition of SHGs**

<b>Particulars</b>	<b>Federation SHG</b>	<b>Non Federation SHG (Control Group)</b>
Having only BPL members	18	15
Having > 5 BPL Members	42	41
Having 1-5 BPL members	40	44
<b>Av . number of BPL members per group (number)</b>	5.3	5.8
<b>BPL members as a % of total members of SHG</b>	39.5%	42%

In terms of representation of BPL population in groups also it is observed that two sample groups (Federation SHGs and Non Federation SHGs) are almost identical. However, it is encouraging to note that BPL forms a sizeable chunk of membership of SHGs, both under Federation category and non - Federation category.

#### **4.4. Frequency of Meetings and Savings of SHGs**

Table 4.3 given below summarizes the frequency of group meetings and the frequency at which savings are collected by the groups.

**Table 4.3: Frequency of Meetings and Savings of SHGs**

*(Figures in percent of SHGs)*

<b>Particulars</b>	<b>Federation SHGs</b>	<b>Non Federation SHGs (Control Group)</b>
Once in a month	84	88
Fortnightly	0	0
Weekly	16	12

It is observed that meeting and saving on a monthly basis seems most popular as more than four-fifth of the SHGs seem to have preferred monthly meeting and savings to other kinds of periodicity both under Federation category and non - Federation category. Nearly 14 per cent of SHGs save weekly. We did not come across any SHG resorting to saving fortnightly or once in two months.

#### **4.5. Level of Awareness of SHG Members**

The SHG members' awareness and understanding about the purpose of the group and the reason behind the formation of SHG is considered to be the core for the SHGs to sustain. Our field assessments have shown that members of SHG (of both categories) by and large have good awareness about the activities taking place in the group, individual savings, loan details bank procedures, etc. In some of the non – Federation SHGs, especially in Dausa district of Rajasthan, Rae Bareilly district of UP and Pune district of Maharashtra, it was observed that some of the processes followed by SHG members were not as per recommended practices. Some of the examples are given below;

- Quality of book keeping was poor; delay in updation and absence of signature of members attending the meetings.
- Group members did not remember when the group was set up.
- Bank loan received by the group was distributed equally among the members.
- One group, which was more than a year old, had saving of Rs. 13,000/- but it had not started internal lending nor applied for bank linkage.
- Savings amount was distributed among members after 5 years.

The SHG members of both categories were observed to actively participate in the group activities and decision making process also.

Further, it was also observed that about 90% of SHGs belonging to both categories had rules and regulations in written form and the same was available to any SHG member if required.

#### **4.6. Attendance in Meetings of SHGs**

The level of attendance in SHG meetings in both categories of SHGs has been summarized in Table 4.4.

**Table 4.4: Attendance in Meetings of SHGs**

*(Figures in percent of SHG members)*

<b>Particulars</b>	<b>Federation SHGs</b>	<b>Non Federation SHGs (Control Group)</b>
0-2 Years Old	94	89
2-4 Years Old	95	87
> 4 Years Old	91	83
Combined average	94	86

It is observed that the level of attendance in group meeting in Federation SHG is higher than that of non Federation SHGs. Based on our field observations, this can easily be attributed to the fact that Federations monitor SHG meetings closely and by and large there is always some representative / community worker who is present during the meeting.

#### **4.7. Average Monthly Savings of SHG Members**

The data relating to average monthly savings of SHG groups in both categories of SHGs has been shown in the Table 4.5.

**Table 4.5: Average Monthly Savings of SHG Members**

*(Figures in percent)*

<b>Amount (in Rupees)</b>	<b>Federation SHGs</b>	<b>Non Federation SHGs (Control Group)</b>
0- 20	6	22
20-50	43	42
50-100	51	35
>100	0	1
<b>Combined Average</b>	<b>Rs. 72</b>	<b>Rs. 62</b>

Based on the financial strength of the members, each SHG fixes a certain amount as mandatory savings. In our sample, the average saving per member amounted to Rs. 67/- per month for the entire sample SHGs. It is observed that members save more in case of Federation SHGs as compared to Non Federation SHGs. In case of Federation SHGs, majority of them save more than Rs. 50/- per month while in case of non Federation SHGs only 36% of SHGs save more than Rs. 50/- per month. Federation SHGs save higher amount as

compared to Non Federation SHGs because of better understanding of benefits emanating from cumulative effect of higher amount of regular savings.

#### **4.8. Annual Savings per Member in Terms of Age of SHGs**

The data relating to annual average savings of SHG groups in both categories of SHGs has been shown in the Table 4.6.

**Table 4.6: Annual Savings per Member in Terms of Age of SHGs**

*(Figures in Rupees)*

<b>Age of SHG</b>	<b>Federation SHGs</b>	<b>Non Federation SHGs (Control Group)</b>
0-2 Years Old	576	480
2-4 Years Old	828	696
> 4 Years Old	912	768
<b>Combined Average</b>	<b>864</b>	<b>744</b>

As observed earlier, members save more in case of Federation SHGs as compared to Non Federation SHGs.

#### **4.9. Cumulative Savings of Group**

The data relating to annual cumulative savings of SHG groups since the time of group formation (on the date of data collection) in both categories of SHGs has been summarized in Table 4.7.

**Table 4.7: Cumulative Savings of Groups in 2010**

*(Figures in Rupees)*

<b>Age of SHG</b>	<b>Federation SHGs</b>	<b>Non Federation SHGs (Control Group)</b>
0-2 Years Old	7,718	6,293
2-4 Years Old	33,286	23,814
> 4 Years Old	61,104	41,992
<b>Combined Average</b>	<b>49,860</b>	<b>33,660</b>

It was observed that the average amount of funds available with SHG (including savings, interest earned, fines and other misc. incomes) stood at Rs. 49,860 for Federation groups and Rs. 33,660/- for non federation groups. One of the

reasons for such a high difference in group's funds was that in case of federation groups, 2 groups had distributed savings after five years where as in case of non Federation group this was done in respect of 18 groups. From this it is evident that non federation groups did not clearly recognize the importance of growing kitty of group savings in terms of leveraging external credit and in terms of high interest earning for each member when the fund is used for internal lending.

#### **4.10. Utilization of Group's Savings for Internal Lending**

The data relating to utilization of savings of SHG groups for internal lending (on the date of data collection) in both categories of SHGs has been given in the Table 4.8.

**Table 4.8: Utilization of Group's Savings for Internal Lending**

*(Figures in percent of Group's Savings)*

<b>Age of SHG</b>	<b>Federation SHGs</b>	<b>Non Federation SHGs (Control Group)</b>
0-2 Years Old	54	32
2-4 Years Old	64	44
> 4 Years Old	59	43
<b>Combined Average</b>	<b>61</b>	<b>41</b>

As on the date of data collection (during Feb – April 2010), it was observed that 51% of groups savings (along with interest and other receipts like fine, etc.), for the entire sample SHGs taken together, was deployed for internal lending to members. Rest of the amount was kept either in the savings bank account or in the form of cash with the group. The extent of deployment of group's savings for internal lending was higher in case of Federation SHGs as compared to non – Federation SHGs. This is another indicator reflecting better financial management practice in Federation SHGs as compared to non federation SHGs.

#### **4.11. Interest Rate Charged on Lending by Groups**

Table 4.9 gives the details regarding interest rate charged on lending by Groups:

**Table 4.9: Interest Rate Charged on Lending by Groups***(Figures in percent of SHGs)*

<b>Rate of Interest</b>	<b>Federation SHGs</b>	<b>Non Federation SHGs (Control Group)</b>
Depending on Purpose	3	1
Less than 18%	9	8
18-30%	80	91
> 30%	8	0

Groups were found to charge same interest rate on internal lending as well as lending of funds received from external sources. It was observed that almost 80% of groups were charging interest rate of 24% p.a. on internal lending as well as lending of funds received from external sources. Groups belonging to Gramin Mahila Swayamsiddha Sangh (GMSS), Samsthan Narayanpur Kalanjia Sangamitra and Janani Mahila Vikash Parisada were charging around 30% p.a. from their members on loans taken by them.

#### **4.12. Group Members Benefiting from Internal Lending**

The data relating to extent of SHG members benefiting from internal lending (on the date of data collection) in both categories of SHGs has been given in Table 4.10.

**Table 4.10: Group Members Benefiting from Internal Lending***(Figures in percent of SHG members)*

<b>Age of SHG</b>	<b>Federation SHGs</b>	<b>Non Federation SHGs (Control Group)</b>
0-2 Years Old	24	16
2-4 Years Old	66	46
> 4 Years Old	76	58
Combined Average	70	52

It is observed that the percent of SHG members benefiting from internal lending in respect of Federation SHGs was higher as compared to non Federation groups. This can be interpreted in terms of more inclusive beneficial impact of internal lending in case of Federation SHGs as compared to the control group.

#### 4.13 Percent of SHGs Credit Linked

The data relating to extent of Bank linkage of SHGs (in both categories) has been given in Table 4.11.

**Table 4.11: Percent of SHGs Credit Linked**

*(Figures in percent of SHGs)*

Age of SHG	Federation SHGs*	Non Federation SHGs (Control Group)
0-2 Years Old	44	32
2-4 Years Old	81	66
> 4 Years Old	88	75
Combined Average	76	61

\* Also includes credit linkage with MFIs as in case of Gramin Mahila Swayamsiddha Sangh (GMSS), Samsthan Narayanpur Kalanjia Sangamitra and Janani Mahila Vikash Parisada

As on the date of data collection (during Feb – April 2010), it was observed that 76% of Federation SHGs were credit linked as against only 61% of non – Federation SHGs. This clearly brings to fore the useful role played by Federations in enabling groups to access external funds.

#### 4.14. Repeat Bank Linkages

The data relating to extent of repeat bank linkage (in terms of number of times bank has provided credit to groups) of SHGs (in both categories) has been shown in the Table 4.12.

**Table 4.12: Number of Times SHGs Accessed Credit from Banks**

Age of SHG	Federation SHGs	Non Federation SHGs (Control Group)
0-2 Years Old	1.8	1.2
2-4 Years Old	2.8	1.6
> 4 Years Old	3.6	2.2
Combined Average	3.2	1.9

On an average, for all the groups taken together, SHGs had got Cash Credit limit sanctioned by banks two times during their entire period of existence. The

Federation SHGs, on an average, could manage to get Cash Credit limit sanctioned 3.2 times by banks as against only 1.9 times by non Federation SHGs. This further confirms the beneficial role played by Federation in helping SHGs to access bank credit more frequently.

#### **4.15: Cumulative Amount of Credit Sanctioned by Banks**

The data relating to cumulative amount of credit sanctioned by banks to SHGs (in both categories) has been shown in the Table 4.13.

**Table 4.13: Cumulative Amount of Credit Sanctioned by Banks**

*(Figures in Rupees)*

<b>Age of SHG</b>	<b>Federation SHGs</b>	<b>Non Federation SHGs (Control Group)</b>
0-2 Years Old	18,330	14,685
2-4 Years Old	66,450	50,625
> 4 Years Old	84,610	66,180
<b>Combined Average</b>	<b>65,655</b>	<b>51,140</b>

An analysis of cumulative amount of loan sanctioned by Banks to credit linked SHGs indicate that Banks, on an average, sanctioned an amount of Rs. 65,655 to Federation SHGs and for non Federation SHGs this amount stands at Rs. 51,140/- This clearly established that presence of Federations facilitates groups to access more credit from Banks.

#### **4.16. Group Members Benefiting from Credit Sanctioned by Banks**

The data relating to percent of members of SHGs (in both categories) benefiting from Bank linkage has been shown in the Table 4.14.

**Table 4.14: Group Members Benefiting from Credit Sanctioned by Banks**

*(Figures in percent)*

<b>Age of SHG</b>	<b>Federation SHGs</b>	<b>Non Federation SHGs (Control Group)</b>
0-2 Years Old	36	22
2-4 Years Old	58	43
> 4 Years Old	64	48
<b>Combined Average</b>	<b>62</b>	<b>44</b>

It is evident from the above table that while 62% of SHG members of Federation SHGs could get the benefit of loan accessed from Banks, the same stood at only 44% in case of Non Federation SHGs. This indicates that presence of Federation helps more SHG members to get the benefit of external credit.

It was also observed that the **average amount of loan availed** by a group member (including internal loan) stood at **Rs. 5,833/-** for Federation SHGs while the same stood at Rs. 4,271/- for non – Federation SHGs.

#### 4.17. Educational Level of SHG Members

In order to study the percentage distribution of SHGs by literacy level of the members of the groups, the SHGs were divided into three categories:

- those in which all the members of the group are literate,
- those in which more than 50 per cent of the members were literate and
- those in which less than 50 per cent of the members were literate.

The data relating to literacy levels of members of SHGs (in both categories) benefiting from Bank linkage has been shown in the Table 4.15.

**Table 4.15: Educational Level of SHG Members**

*(Figures in percent of SHGs)*

<b>Particulars</b>	<b>Federation SHGs</b>	<b>Non Federation SHG</b>
All the members of the group are literate	13	19
more than 50 per cent of the members are literate (excluding groups having all literate members)	23	31
less than 50 per cent of the members are literate	64	50
<b>Overall percent of literate members</b>	63	68
Percent of SHGs reporting increase in no. of literate members since formation of Group	61	78

It was observed that the literacy level was higher in Non federation SHGs as compared to Federation SHGs. One of the reasons for this was that most of the

non Federation SHGs did not have the support of Federation for writing books of accounts and therefore they were encouraged by SHPI to learn writing their books themselves.

#### 4.18. Quality of Book Keeping

The quality of maintenance of books in respect of both categories of SHGs has been summarized in Table 4.16

**Table 4.16: Maintenance of Books of Accounts**

*(Figures in percent of SHGs)*

<b>Books of accounts written by</b>	<b>Federation SHGs</b>	<b>Non Federation SHG</b>
A literate member of SHG	22	46
Representative of Federation / NGO	14	12
Person employed by SHG (local resource person)	42	4
Any other (relatives, friends)	22	38
Without outside assistance	22	46
With outside assistance	78	54

It was observed that in case of Federation SHGs, books of accounts (minutes book, attendance register, members pass book, etc.) were written by *Samooch Sakhi* (local resource person) for which they were paid by the group. This made the group dependent on outsider to write their books. In case of non Federation SHGs, groups managed this function on their own.

The quality of book keeping system in the SHGs of both categories was found to be a matter of concern, books were available but not updated. In most cases, the minute books were updated every month; other books like loan register, saving register were updated when the book keepers had sufficient time to update.

#### 4.19. Governance of SHGs

The information regarding rotation of leadership in respect of both categories of SHGs has been given in the Table 4.17.

**Table 4.17: Rotation of Leadership**

*(Figures in percent of SHGs)*

<b>Age of SHG</b>	<b>Federation SHGs</b>	<b>Non Federation SHGs (Control Group)</b>
Groups in which leadership was changed even once since inception	06	21

Only 6 out of 100 Federation SHGs reported change of leadership even once during the entire lifetime of the SHG. In case of non Federation SHGs, the incidence of changes in leadership was much higher at 21. During the field study it was observed that in many of the SHGs, the members wanted and preferred the highest educated among them to be the leader since number of members were illiterate. Further, it could be also in the interest of the Federation / NGOs to appoint a capable as well as literate member of the group as the leader so that the running of the SHG is smooth. The concern for smoothness in day to day operations could be an important reason for persistence with the same group leaders over a period of time.

#### 4.20. Summary of Comparison

SHG federation members are SHGs, and they are the purpose for the federation to exist. Hence the performance of the SHGs is very important in assessing the overall performance of the federation. In this chapter quality of SHGs in terms of a number of parameters has been analyzed and the summary of the same is given in the Table 4.18.

**Table 4.18: A Comparative Analysis of Quality of Groups**

<b>SN</b>	<b>Parameter</b>	<b>Federation SHGs</b>	<b>Non Federation SHGs</b>
1	BPL members as a % of total members of SHG	No difference	
2	Frequency of meetings	No difference	
3	Attendance in meetings of SHGs	Higher	
4	Level of awareness about functioning of SHGs among members	Higher	
5	Average monthly savings of SHG members	Higher	
6	Annual savings per member in terms of Age of SHGs	Higher	
7	Cumulative savings of the group	Higher	
8	Utilization of group's savings for internal lending	Higher	
9	Interest rate charged on lending by groups	No difference	
10	Percent of group members benefiting from internal lending	Higher	
11	Percent of SHGs credit linked	Higher	
12	Number of times SHGs accessed credit from banks	Higher	
13	Cumulative amount of credit sanctioned by banks	Higher	
14	Percent of group members benefiting from credit sanctioned by Banks	Higher	
15	Educational level of SHG members		Higher literacy level

16	Maintenance of Books of Accounts		Lesser dependence on outsider
17	Rotation of leadership		More frequent

From the above, it clearly emerges that the quality of Federation SHGs on parameters related to financial management (savings, inter lending, bank linkage, amount of credit from external sources, etc.) is better as compared to the non Federation SHGs. On parameters related to general management practices (frequency of meetings, level of attendance, level of awareness regarding objectives of SHGs, availability of written rules and regulations, etc.) both categories of SHGs were found to be more or less similarly placed. In terms of governance (rotation of leadership) and writing of books of accounts non Federation SHGs exhibited better quality as compared to Federation SHGs.

Based on the foregoing, it can be concluded that presence of Federation has indeed helped SHGs to manage their financial operations better as compared to non Federation SHGs.

## *Findings and Conclusions*

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### **5.1. Backdrop**

The SHG bank linkage programme is nearing two decades of existence. While the growth has been phenomenal in terms of number of groups, there are several concerns that are emerging on the sustainability of the programme. The premises on which the programme has been built are

- The groups will manage on their own after the initial capacity is built; the SHPIs will build the capacity of the groups, link them to the banks and scale down their involvement. If banks are the SHPIs, the relationship continues more as a lender than the capacity builder.
- Once the groups are linked to the banks, they will not need external assistance and the banks will continue the banking relationship seeing the business opportunity.

However, field level experiences of the last two decades show that these two premises are not holding good. The moot question is “*Can groups manage on their own?*”

The initial capacity building of the groups which is critical to the organizational existence and sustainability of the groups has been affected largely by the minimalist approach of funding the capacity development of the groups. This has led to low capabilities in most of the groups. Moreover, with fund accumulation and aging there are other support needs that the mature groups require. Low literacy levels within the groups have led to issues with book keeping and accounting. With accumulation of funds, the groups require services for basic book keeping, verification of books, auditing service etc. Over a period of time, the peer pressure within the groups has been observed to diminish. Repayment rates have been observed to fall; internal repayment rates which is the critical indicator for the health of the group start showing poor performance. The groups require training even beyond the initial 18 months. The older groups also face

conflicts which if remains unresolved, it lead to dormancy of group. Thus the groups require critical support for their sustainability. How do we ensure the quality and organizational sustainability of the groups? The groups can procure these services from the market, from the NGO, from Government initiatives or from their own network organizations (through federations). If federations are the way forward to ensure support services, how do we ensure that the federations are sustainable? These are some of the issues that the study seeks to address.

## **5.2. Findings of the Study**

The findings of the study in terms of each of TOR are presented in the following paragraphs;

### **5.2.1. TOR I**

**To assess whether the federations have evolved based on needs of SHGs or due to some extraneous factors.**

In all the ten Federations studied, it was found the SHG Federations were set as a result of decision taken by promoting NGOs for different reasons. The motivations behind bringing SHGs under the umbrella of *Federation* were found to be promoter driven rather than Primary SHG members driven.

NGOs / SHPIs promoted SHG Federations for strengthening existing SHGs, promoting new SHGs of the poor and for enabling member SHGs to access various services. Other motivations for promoting SHG federations were that Federations play an important part in SHG capacity building and conflict resolution – both internal and external. Further, promoters of SHG Federations perceived that Federations provide a sense of solidarity among members of different SHGs in an area. It gave them an identity and it also created a sense of ownership among SHGs.

### **5.2.2. TOR II**

**To identify the services provided by the federation and analyze their benefits to SHGs.**

Following are the major services provided by SHG Federations;

- Nurturing of existing SHGs (facilitating regular meetings, savings and credit activities)

- Formation of new SHGs
- Facilitating credit linkages
- Improving the quality of maintenance of books of account
- Regular audit / review of SHG functioning
- Providing training to new SHGs
- Arranging for training of new leaders at (i) group level and (ii) cluster level
- Ensuring proper recovery of loans. Cluster creates peer pressure on SHG for timely repayment of loan.

The above services help in strengthening the member SHGs in several ways. It helps them to have the benefit of scale, better capacity development and better access to various services from government and banking sector. Presence of Federation also enables groups to manage their financial operations (savings, internal loaning, credit linkage, etc.) better as compared to SHGs which are not part of Federation.

### **5.2.3. TOR III**

**To assess the level of autonomy available to SHGs in lower tier and their participation in the decision making.**

It is observed from the field study that the Federations usually take macro level decision like following;

- Rate of interest to be charged by group from its members.
- Service Charges to be paid to *Munshi* for writing account and meeting proceedings.
- Penalty to be charged by group in case of default of loans.
- User charges to be collected in case of provision of services like animal husbandry (AI, vaccination, deworming, etc.), insurance of cattle, life insurance of SHG members, etc.

For remaining decisions, SHGs are free and they do not have to seek guidance from the upper tier. The lower tier SHGs, therefore, are free to take operational decisions like;

- Fixing the date and place of meeting
- Amount of monthly saving by each member

- Members to be provided loans from internal saving.
- Loan to be given to different members from funds received from Banks.

From the field studies it emerged that SHGs enjoy substantial amount of autonomy in their day to day operations and higher tier organizations do not significantly interfere in their operations.

#### 5.2.4. TOR IV

**To study financial parameters of federations to evolve benchmarks for their sustainability.**

Following are observed to be the main sources of revenue for Federations;

- **Membership fee and service fee:** Federation collects a service fee on each service it provides to its subsidiaries and members.
- **Interest income on its corpus,** which include savings from their constituents, grants they received and bulk loans they borrow from FIs and others for on lending.
- **Personal support and recurring grants** from promoters.

Following are observed to be the main items of expenditures for Federations;

- Rent – Office
- Telephone, Electricity, Stationary, etc.
- Salary – Chief Coordinator
- Salary – Accountant
- Salary – Field coordinators
- Conveyance expenditures
- Other misc. expenditures

It was observed that the level of financial sustainability of Federations varied between zero to 100%. Following table summarizes the level of financial sustainability of Federations which were covered in the study.

**Table 5.1: Level of financial sustainability of Federations**

SN	Level of financial sustainability	Names of Federations
1	<b>Low</b> (revenues meeting 0 – 50% of expenditure)	<ul style="list-style-type: none"> <li>▪ Savitribhai Phule Sawadhan Kendra Karanja, Wardha</li> <li>▪ Mehbubnagar Zila Mahila Samakhya</li> </ul>

		<ul style="list-style-type: none"> <li>▪ Maneswar Matrushakti Block level Federation, Sambalpur</li> <li>▪ Janani Mahila Vikash Parisada, Khurda, Orissa</li> <li>▪ Shakti Block Mahila Sangathan, Raebareli</li> </ul>
2	<b>Moderate</b> (revenues meeting 50 – 75% of expenditure)	<ul style="list-style-type: none"> <li>▪ Mahila Sangharsh Manch, Alwar</li> <li>▪ Annapurna Sewa Sansthan, Sant Kabir Das Nagar UP</li> </ul>
3	<b>High</b> (revenues meeting 75 – 100% of expenditure)	<ul style="list-style-type: none"> <li>▪ Saheli Samiti, Dauasa,</li> <li>▪ Gramin Mahila Swayamsiddha Sangh (GMSS), Pune,</li> <li>▪ Samsthan Narayanpur Kalanjia Sangamitra, Nalgonda</li> </ul>

It is observed that 50% of the sample federations was having very poor level of financial sustainability, 20% of the sample federations had moderate level of financial sustainability while 30% of the sample federations had high level of financial sustainability. From this it can be observed that financial sustainability of Federation remains an area of concern.

#### 5.2.5. TOR V

**To identify the constraints / challenges faced by SHG Federations and recommend measures to address these.**

Following major constraints / challenges faced by Federations have been identified;

- Lack of clarity of objectives among federation board members.
- Poor skills in respect of financial management among federation board members.
- Absence of second-line leadership.
- Poor capacities of human resources.
- Low fund availability at federation level.
- Low level of financial sustainability.

To overcome above constraints, there is a need for regular capacity development effort. To improve financial position of SHG Federation, it is important to have

diverse activities and collect user charges for diverse services offered by federation to member SHGs.

#### **5.2.6. TOR VI**

**To assess from the stakeholders the mode of NABARD support to SHG federations.**

Discussions with heads of SHPI/NGO for promoting Federations brought to fore following suggestions regarding support from NABARD;

- SHG Federations is a matter of reality and should be considered as a step forward in SHG bank Linkage Programme. To give an impetus to the process, NABARD may consider launching a Federation Bank Linkage Programme to provide financial assistance to Federations in the form of loan.
- There are many regions in the country where Banks are still reluctant to give loans to SHGs and due to this, the SHG Bank Linkage programme is suffering. A study may be conducted to estimate average amount of bank loan given to SHGs in each district of the country and where ever this amount is less than 25% of national average, NABARD may consider providing bulk loan to SHG Federation for onward lending to SHGs.
- Promotion of SHG Federations requires resources. A soft loan product with some component of grant may be developed by NABARD for Federations promoted by reputed / established NGOs / SHPIs.
- Special emphasis is required to be put on building the capacity of the Committee members in creating awareness to the board on bye laws, roles and responsibilities and statutory compliance in order to avoid dependency on staff and SHPIs for creating ownership on Federations. For these activities, NABARD may support federations from its promotional funds.
- NABARD assistance from MFDEF may be made available to more number of SHG Federations.

### 5.3. Quality of SHGs

In addition to the above TORs, the study also attempted to compare the differences in quality of SHGs on several parameters between SHGs under the umbrella of Federations and other SHGs which are not part of federation. The observations are given in the table below;

**Table 5.2: Summary of Comparative Analysis of Quality of Groups**

SN	Parameter	Federation SHGs	Non Federation SHGs
1	BPL members as a % of total members of SHG	No difference	
2	Frequency of meetings	No difference	
3	Attendance in meetings of SHGs	Higher	
4	Average monthly savings of SHG members	Higher	
5	Annual savings per member in terms of Age of SHGs	Higher	
6	Cumulative savings of the group	Higher	
7	Utilization of group's savings for internal lending	Higher	
8	Interest rate charged on lending by groups	No difference	
9	Percent of group members benefiting from internal lending	Higher	
10	Percent of SHGs credit linked	Higher	
11	Number of times SHGs accessed credit from banks	Higher	
12	Cumulative amount of credit sanctioned by banks	Higher	
13	Percent of group members benefiting from credit sanctioned by Banks	Higher	

14	Educational level of SHG members		Higher literacy level
15	Maintenance of Books of Accounts		Lesser dependence on outsider
16	Rotation of leadership		More frequent

#### 5.4. Other observations from the Study

- There is near unanimity about the relevance of SHG federations. Both governmental and non-governmental agencies are actively promoting federations.
- Our field studies revealed that the major benefit of federations is that federations could become alternative source of credit to SHGs. Such an alternative is essential because, in several regions of the country, the banks' attitude towards SHGs is still not conducive for large scale delivery of credit to poor.
- Experience suggests that finance is only one of the necessary conditions for poverty reduction. For optimum and better utilization of financial services, the poor require a variety of livelihood promotion services, for which federations are best suited.
- SHG federations provide several services to their member SHGs. These services help the SHGs gain economies of scale, obtain value-added services, reduce transaction cost, and enhance empowerment, thereby contributing to organizational sustainability of the SHGs.
- Though federations are member owned, they tend to be promoter managed. Due to lack of technical capacities, the role of the boards is limited and the promoter plays a crucial role in sanctioning and recovery of loans, in decision making and also in service delivery.
- Capacities of federations have not yet reached the extent required for the independent management of a financial intermediary role.

- Credit is the predominant product offered by the majority of federations to member SHGs. Some federations have initiated activities like agricultural input supply and output marketing. Most federations offer a limited range of services due to the inadequate capacities of board members in evolving strategy and designing of products and services.
- Federations can be self-sustaining by providing useful non-financial services to members for a fee. Many SHG federations are also recovering some of their operational costs through fees.
- The SHG federations are now recognized by RBI, NABARD, Government of India, State Governments and the corporate world. There is near unanimity on the need for SHG federations to provide non-financial services to members contributing to SHG sustainability. However, there is divided opinion on federations performing a financial intermediation role. Irrespective of the divided opinion, almost 50% of the SHG federations in India are engaged in some form of financial intermediation role. Some of them term themselves as Community Based Microfinance Institutions (CBMFIs) and have been accessing bulk finances for on lending. Some of the federations call themselves "Mahila Banks" (women's banks).
- The majority of federations are heavily dependent on the promoter for resources. Federations often receive grants, both for meeting recurring expenses and as revolving funds.
- The corporate sector, especially insurance companies, is actively getting into partnership with federations to market their products. Companies like Hindustan Lever (HLL), Indian Tobacco Company (ITC) are dealing with federations to market their products and source their raw material requirements. This enhances the ability of federation to generate more resources for their sustenance,

## ***Recommendations***

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Based on insights gained from interaction with heads of SHPI/ NGO for promoting Federations, the study recommends following measures for strengthen SHG federations;

### **6.1. Need for Support to Federations**

It is observed that Federations are engaged in undertaking socially meaningful tasks. They are essentially serving the unserved and meeting the credit needs of some of the most vulnerable sections of population. Considering this facet of their work, their operations may need to be financially supported / subsidized in the short or even in the medium term. Hence the low level of financial sustainability brought out by this study need not be too much cause for worry. On the contrary, it is a case for every federation to achieve operating sustainability as quickly as possible. This essentially amounts to ensuring that all the direct expenses associated with the microfinance and other operations of a federation are met out of the revenue it generates.

### **6.2. Bulk Loans to Federations**

There are many regions in the country where Banks are still reluctant to give loans to SHGs and due to this, the SHG Bank Linkage programme is suffering. A study may be conducted to estimate average amount of bank loan given to SHGs in each district of the country and wherever this amount is less than 25% of national average, NABARD may consider providing bulk loan to SHG Federation for onward lending to SHGs. Alternatively, NABARD may encourage NABFINS to actively provide financial assistance to SHG Federations in these regions.

### **6.3. Diversified Functions of Federations**

To enable SHG Federations to gain financial sustainability, they need to offer different saving, loan and insurance products and non-financial products and support services aimed at strengthening the performance of its members on a

fee- for- service basis in order to sustain the federation. Typically, a Federation may offer following types of services;

Financial Services	Livelihood Promotion Services	Social Services
<ul style="list-style-type: none"> <li>▪ Savings - mandatory, voluntary, fixed deposits and recurring deposits. Also, savings for specific purposes like health, education, marriage, etc.</li> <li>▪ Loans - life cycle needs and livelihood activities</li> <li>▪ Insurance - life, asset and health</li> <li>▪ Act as a business correspondent of the banks as per the RBI circular.</li> <li>▪ Act as a business facilitator of a bank.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Collective procurement of family requirements - rice, pulses, oils, etc. Also, collective procurement of seeds, fertilizer, pesticide, agriculture tools, etc.</li> <li>▪ Collective marketing of the produce of the members</li> <li>▪ Processing of the agriculture produce of the members</li> <li>▪ Linkages for skill up-gradation and training on micro-enterprises.</li> <li>▪ Inputs for development of assets and increasing the incomes from the existing livelihoods</li> </ul>	<ul style="list-style-type: none"> <li>▪ Capacity building of SHGs, formation of new SHGs</li> <li>▪ Support in the areas of book keeping, self-grading, auditing, etc</li> <li>▪ Facilitate linkage with quality health care and education services</li> <li>▪ Provide information to members on various government schemes and programs.</li> <li>▪ Participate in the affairs of the Gram Panchayat</li> <li>▪ Address women's issues like rights and entitlements.</li> </ul>

More the width of types of services offered by Federations, more are the chances of Federations being financially sustainable.

#### **6.4. SHG Federations as BC / BF**

SHG federations need to be encouraged to act as either a Business Facilitator or Business Correspondent of a bank to provide last mile connectivity to banks to provide a full range of banking services. SHG Federations have strong potential for achieving the objectives of financial inclusion.

#### **6.5 NABARD Support to SHG Federations**

NABARD may provide following types of support to federations;

- Capacity building support to Federations (Board members as well as professional working in Federations)

- Support may be extended to the Federation by way of grant for training, capacity building, and exposure visits of SHG members, etc., as also under all the NABARD's existing promotional schemes.
- Support from Microfinance Development & Equity Fund (MFDEF) may be increasingly made available to deserving SHG Federations both in the form of Revolving Fund Assistance as well as Capital / Equity Support.
- The Capital / Equity Support may be made available to Federations in the form of soft loan (at low interest rate of around 3% and reasonably long repayment period of around 5-7 years).
- In hilly / tribal areas, NE region and other difficult regions, NABARD may support promotional cost of SHG Federations as well as its running cost for initial few years, if establishment of federation is likely to spur formation of more SHGs and thereby enabling poor to access credit from formal sources.

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## SHG Federations Studied

As discussed in Chapter 1, the following Federations were selected for detailed study. A brief write-up on each of these federations is presented to facilitate the readers to appreciate the contextual framework of findings of the study.

**Table: Sample Federations selected for Study**

SN	Name of Federation	Distt. / State	Promoted by
1	Mahila Sangharsh Manch	Alwar / Rajasthan	Ibdata, Alwar
2	Saheli Samiti	Dausa / Rajasthan	PRADAN
3	Gramin Mahila Swayamsiddha Sangh (GMSS)	Pune / Maharashtra	Chaitanya, Pune
4	Savitribhai Phule Sawadhan Kendra Karanja	Wardha / Maharashtra	Nagesheara Charitable Trust, Nagpur
5	Mahubnagar Zila Mahila Samakhya	Mahubnagar / AP	World Bank's Project –SERP (State Elimination of Rural Poverty)
6	Samsthan Narayanpur Kalanjia Sangamitra (SNAKS)	Nalgonda / AP	Dhan Foundation
7	Maneswar Matrushakti Block level Federation	Sambalpur / Orissa	Women & Child Development Department of Govt. of Orissa
8	Janani Mahila Vikash Parisada	Bharatpur, Khurda / Orissa	Swayamshree Micro Credit Services (MFI)
9	Shakti Block Mahila Sangathan	Rae Bareli / UP	Rajiv Gandhi Mahila Vikas Pariyojna (RGMVP), Rae Bareli
10	Annapurna Sewa Sansthan	Sant Kabir Das Nagar / UP	Grameen Development Services, Lucknow

## **I. Mahila Sangharsh Manch, Alwar, Rajasthan**

The federation (promoted by **Ibdata**, an NGO) was set up in 2004 and registered in 2006 as a Trust. The motivations behind establishment of federation was to ensure sustainability to SHG programme.

### **Characteristics of Area of Operation**

Mahila Sangharsh Manch (federation) is an association of self help groups in the area of Ramgarh block in Alwar district of Rajasthan. It aims and works towards empowering and improving social and economic status of economic and socially deprived and backward females of villages. Area falling under the geography of Alwar district is also known as “MEWAT “and it falls under the category of backward areas. Main caste who dwells in this region is “MEVS” who are basically followers of ISLAM religion. Here each family has 6-8 children, and due to gender bias, only male children are entitled to education, good food and other amenities. Female children are generally engaged in household work, and also practice of child marriage is also prevalent. Girl children are deprived of nutrition, education and other basic rights. As a result, their condition is very poor. Due to patriarchal set up of society, condition of females is very benevolent. In order to improve their condition, self help groups of women have been formed. Objective of formation of SANGHARSH federation is to facilitate and sustain these self help groups for a longer period of time, to simplify and deliver the necessary amenities to them. To collect them and unite them as single powerful association which can represent these women on a larger platform.

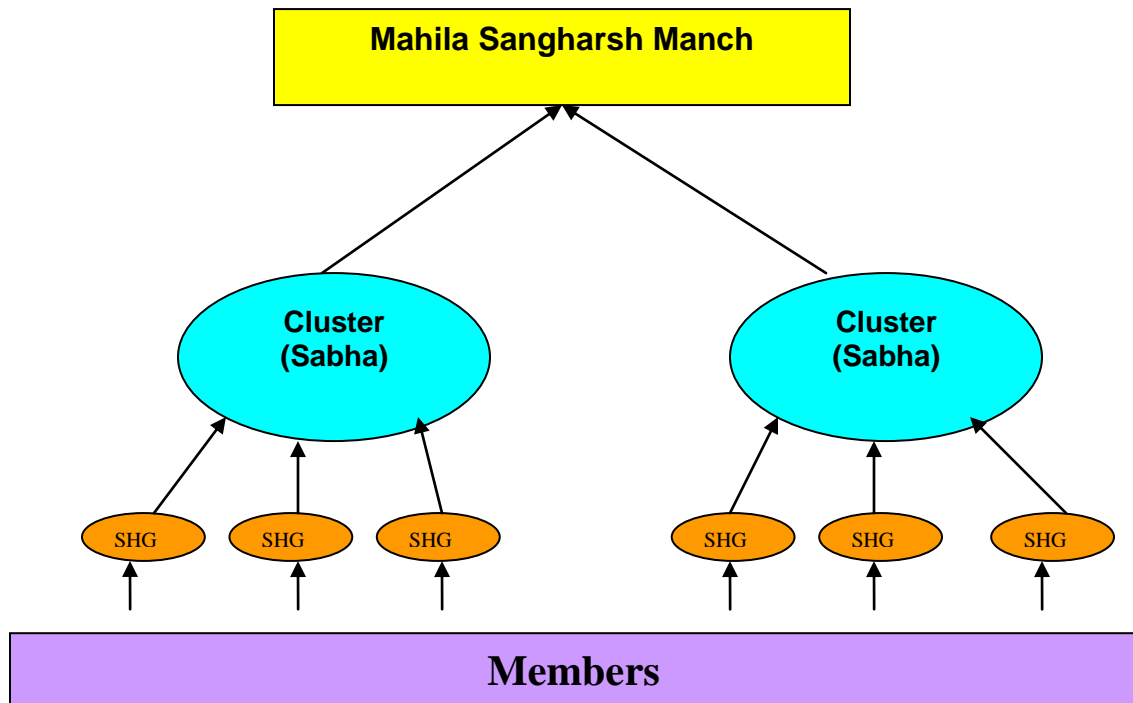
### **Functions performed by the Federation**

- Helping groups in regular conduct of meetings.
- Maintenance of books with the help of *Samooch Sakhis*
- Providing training to new SHGs
- Arranging for training of new leaders at (i) group level and (ii) cluster level
- Helping groups to get credit linked with Banks
- Providing loan for livelihood for – Dairy / bullock cart, small retail shops, vegetable growing, Bio gas, etc (loan sourced from DEWAN Foundation by IBDATA)
- Providing agricultural inputs i.e. seeds, manure, pesticides, etc. by buying in bulk and selling to groups at reasonable rates and ensuring adulteration free materials.
- Arranging for vaccination/ deworming of animals through *Pashu Sakhis*
- Providing loan for goat rearing for livelihood

- Providing housing Loan / sanitation – loan sourced from IBTDA
- Issues – Drinking water and Wine shops closures
- Taking up issues based cases; such as drinking water, alcohol banning in villages health, agriculture, education, NREGA, etc. related issues.

**Structure:**

As described in the chart below, the federation has three tier structures. There is a SHG at village/hamlet level that comprises of 10-20 members. Each SHG has 3 office bearers. Of these three, two represent the group at the cluster level. A cluster typically comprises of 8-12 SHGs. The cluster has 4 office bearers. All the clusters in one block or at one location form the federation. Two representatives from each cluster represent in the federation. The meetings of SHGs are organized fortnightly/monthly. The meetings of clusters and federations are held every month.



**Details of Manpower in Federation Office:**

Designation	Number	Educational qualifications	Salary (p.m.)
Manager	1	Graduate	Rs. 4,500/-
Asst Manager	1	XI pass	Rs. 4,000/-
Accountant	1	XII pass	Rs. 4,500/-
Munshi	4	X pass	Rs. 3000/- to 3,500/-

## II. Saheli Samiti, Dausa, Rajasthan

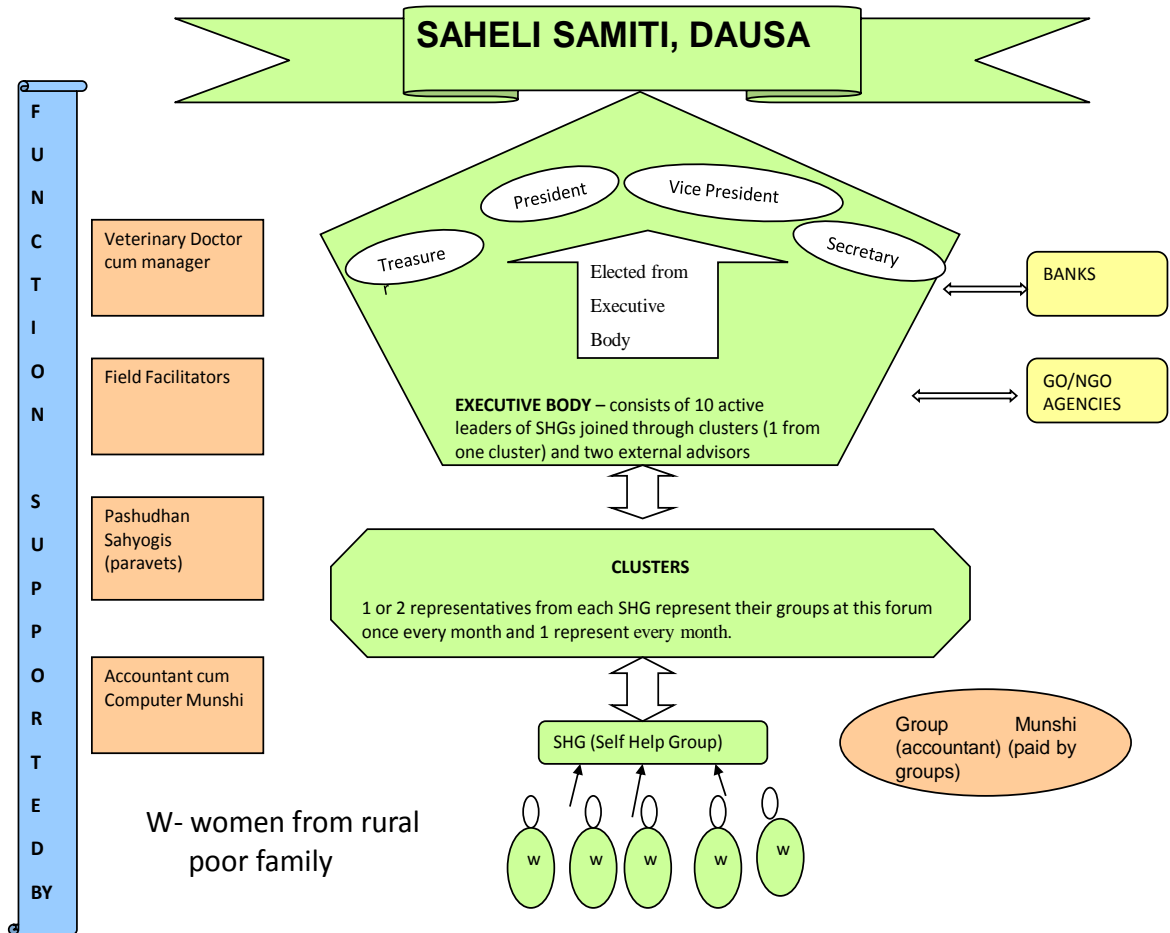
In early 2007, PRADAN decided to withdraw development support team and closed the project from Dausa after completion of DPIP project activities. Therefore, PRADAN worked more closely with Saheli Samiti (SS) to facilitate fast execution of DPIP activities and completed DPIP project activities by fourth quarter of 2007. In this period, SS executive body decided to make it a formal body and registered itself under Trust Act in September 2007. The broad purposes of SS in getting it a formal body were (1) to act as a support body to SHGs so that these SHGs can sustain their efforts in promoting livelihood activities, vet care, A.I. etc. and (2) to facilitate bank linkages to draw credits to strong SHGs.

Saheli Samiti has three tier structure, i.e. SHGs -> Cluster -> Federation. The federation is governed by 11 trustees out of which 9 trustees are leaders elected from different clusters.

### Functions performed by Federation

- Helping groups to get credit linked with Banks
- Formation of new SHGs
- Maintenance of accounts – managing accounts through a software (*Mc Financer*) which helped SHGs in providing up to date information regarding their total savings, member wise saving, member wise loan outstanding, member wise loan installment to be paid, group trial and balance, etc.
- Providing veterinary services (treatment, deworming, immunization, artificial insemination, etc.) for animals belonging to SHG members by collecting user charges.
- Providing for insurance for animals
- Providing life insurance to SHG members by tying up with Birla Sun Life Insurance Company
- Providing training to SHG leaders / members, *Samooch Munshi*
- Providing Emergency loans to SHG members in case of accidents, hospitalization, etc.
- Act as pressure group - if some member does not pay back the loan, members of the cluster go to her house to buildup pressure on her.

- Taking up issue based work – the grazing field was freed from the encroachment



### Details of Manpower in Federation Office

Designation	Number	Educational qualifications	Salary (p.m.)
Advisor (Ms. Jebul Nisha)	1	M. Sc. (Ag)	On honorary basis
Manager / Coordinator	1	B.V.Sc.	Rs. 15,000
Accountant	1	X pass	Rs. 5,500/-
Field coordinators	4	BA pass	Rs. 4,000/- to Rs. 5,000/-

### **III. Gramin Mahila Swayamsiddha Sangh (GMSS), Pune, Maharashtra**

The GMSS is a federation of SHGs and is engaged in providing micro finance to the poor people through SHGs in Khed taluka of Pune district. The area of operation of GMSS is inhabited by tribal population. Gramin Mahila Swayamsidha Sangh (GMSS) is a Trust registered under the Bombay Public Trusts Act. It is one of the 14 SHG federations promoted and supported by Chaitanya, an NGO working for the capacity building of rural women and youth in six districts of Maharashtra. GMSS is operating in Khed block of Pune District with 500 SHGs, 7,500 total members and 1,335 active borrowers. Products and services offered by GMSS include loans, savings, insurance, SHG audit, legal counseling.

#### **Organizational Objectives**

- Organizing women into strong and sustainable Self Help Groups, Clusters & Federations as a forum and learning, planning and monitoring.
- Provide financial services to the members that include savings/credit and insurance
- Leverage low cost funds from various financial institutions to meet the financial needs of the member
- Develops a cadre of local resource persons JANKARS to provide legal counseling and support service of women in distress.

#### **Governance & General Functioning**

GMSS is governed by a 19 member executive council which is supported by a five member advisory board. The democratic functioning of GMSS with participation of SHG members in decision making is a positive feature. GMSS enjoys high credibility in the area and has profitable operations with returns on assets of 2.7% during Apr-Dec 2009. Operating efficiency is high with low OER of 5.9% during Apr-Dec 2009. GMSS has reasonable MIS and internal control systems and availability of locally trained manpower for handling the field operations. Performance is restricted on account of weak equity capital base resulting in low CAR of 6% and average portfolio quality with PaR of 3.3% as on 31December 2009.

#### **Financial Services**

<b>Financial Products</b>	<b>Description</b>
<b>Savings</b>	To fulfill the financial needs of members, GMSS provides savings facilities to women.
<b>Regular Savings</b>	Rs 100/- per group at the annual interest rate of 4%
<b>Excess Savings</b>	SHGs are encouraged for voluntary savings that can be withdrawn at

	any point for which an interest rate of 5% p.a. is paid by federation.
<b>Fixed Deposit</b>	7% interest rate is paid to the depositor for a tenure of five years.
<b>Credit</b>	For fulfilling the credit needs, GMSS provides credit for health, education, agriculture, cattle, housing infrastructure loan for IGA, and emergency loan. The maximum loan limit for each individual is Rs 50,000/- and the rate of interest charged is 21% p.a. A service charge of 2% on the loan disbursed is also collected.
<b>Insurance</b>	GMSS provides insurance services to members through a tie up with Life Insurance Corporation. GMSS also provides audit services to groups on an annual basis.

**Loan products:** Broad features of the loan products are shown in the table given below:

SN	Loan Product	Features of the loan product	Max. Loan Amt. (Rs.)	Repayment Period	Interest Rate
1	Dairy	For purchase of milch animals	20,000	12 monthly equal installments	21 %
2	Capital / infrastructure loan for IGA	Workshed, cattle shed, equipment / machinery, vehicle, shop/house construction	50,000	24 monthly equal installments	21 %
3	Agriculture loans	For land preparation, labour, irrigation, seeds, fertilizer etc.	20,000	12 monthly equal installments	21 %
4	Service / trading loans	For all types of Service & trading activities	15,000 - 20,000	12 monthly equal installments	21 %
5	Consumption loans	Household consumption purposes	10,000	12 monthly equal installments	21 %
6	Emergency loans	For treatment, hospitalization or other emergency	10,000	In one lump-sum within 3 months	21 %

#### **Chief Executive officer and Staff**

Smt. Kausalya S. Thigle is the CEO of the federation and is responsible for day-to-day functioning of the federation. She is a B.Com. and has been with the GMSS since 1993 i.e. almost since constitution of GMSS. The CEO has good experience and is well versed with the working of the federation. GMSS has a staff strength of 15 employees including the CEO. CEO and 4 other employees are attached to GMSS office while there are 6 field workers and 3 field supervisors. Besides, the other two federations of Junnar & Ambegaon have their own staff with 8 employees each.

GMSS has its HR policy and provides regular training to the staff on variety of topics including Risk mitigation, financial management, data management etc.

### **Positive Features**

- ◆ GMSS has organisational credibility and low competition and is having democratic functioning with participation of SHG members in decision making.
- ◆ GMSS offers other services viz. financial audit, legal counseling and training to SHGs and their members.
- ◆ GMSS has performed well on organisation and management parameters with a grade of B+ on account of well trained staff and high operating efficiency.
- ◆ Field staff though not highly qualified, are well trained in maintaining financial records and working with the SHGs.
- ◆ The MIS software of GMSS has adequate user friendly controls and no back date entry can be made-in once the day is closed which ensures updated information at the end of every day.
- ◆ GMSS enjoys strong support from Chaitanya, the promoting organisation.

### **Areas of Concern**

- ◆ The Executive Council which consists of local women SHG members relies heavily on advisory board for technical and strategic inputs. The meetings of the Executive Counsel with the Advisory Board have been informal and undocumented.
- ◆ GMSS accepts savings/fixed deposits from its members which poses a regulatory risk since a trust is not allowed to collect deposits.
- ◆ No specific second line of management exists in GMSS.
- ◆ Raising more funds from external sources remains a matter of concern for GMSS due to low capital adequacy of 6%.

## **IV. Savitribhai Phule Sawadhan Kendra Karanja, Wardha / Maharashtra**

The federation was set up by the promoting institution (**Nageshwara Charitable Trust**) in 2009 with following objectives;

- Developing leadership qualities among SHG members.
- Making the SHGs self-reliant after the withdrawal of the promoting institution.
- Involvement in a variety of non financial activities depending on the needs of members.

### **Functions of Federation**

- To follow up with each SHG – review of group functioning in monthly meetings.
- To solve any problem which groups are unable to solve (for ex non-repayment of loan)
- To ensure that the benefit of government scheme reach SHG/SHG members by creating pressure.
- To create awareness regarding new schemes development projects among SHGs.
- Experience sharing and cross learning by interaction between several groups.

### **Future Plans for role of Federation**

- To build capacities of groups and clusters in management and problem solving.
- To promote special programmes to meet civic and developmental needs of the members.
- To function as business facilitators and business correspondent of banks.
- To procure and supply agricultural inputs to its members on commission basis.
- To stock consumption goods and sell to its members on a commission basis.
- To aggregate produce of its members and sell it in the market.
- To promote livelihood and micro enterprises among the members and provide various types of market support.

- To conduct various types of training programmes, particularly imparting new skills and upgradation of existing skills of members for taking up micro enterprises.
- To facilitate a safety net mechanism for the poor members of SHGs and agents for micro insurance etc.
- To facilitate SHG members participating in the organized supply chain management and primary process of produce.

## **V. Mahbubnagar Zilla Mahila Samakhya, Andhra Pradesh**

Mehbubnagar Zila Mahila Samakhya (SHG Federation) has been promoted under Indira Kranthi Patham project by the Society for Elimination of Rural Poverty (SERP). Indira Kranthi Patham (IKP) is a statewide community driven rural poverty reduction project to enable the poor to improve their livelihoods and quality of life through their own organizations. It aims to cover all the rural poor households in the state with a special focus on the poorest of the poor households in all the 22 rural districts of A.P.

Society for Elimination of Rural Poverty (SERP) is an autonomous society of the Department of Rural Development, Government of Andhra Pradesh. SERP is registered under the Societies (Telangana) Act, chaired by the Chief Minister as the ex-officio Chairman of the General Body (GB).

The management of SERP is entrusted to an Executive Committee (EC), of which an eminent non-governmental person is President and the State Project Director is the Chief Executive Officer (CEO). The President of EC is the Vice Chairperson of the GB. The EC consists of seven members with three ex officio government officials and four drawn from the civil society.

**Date of formation 21.11.2002 but registered in 2010.**

**Purpose:** To enable the poor to improve their livelihoods and quality of life through their own organizations. It aims to cover all the rural poor households in the state with a special focus on the poorest of the poor households.

**Structure:**

The structure of the federation Zilla Mahila Samakhya is as follows:

Poor organized in SHGs-SHG leaders elect members of Village Organisation- leaders of VOs constitute Mandal Mahila Samakhya and their in turn form executive committee of Zila Mahila Samakhya who elect their five leaders President, Vice President, Secretary, Joint Secretary, and Treasurer. There are six committees of ZMS to help in various projects implementation. The support structure from government-PD, DRDA at distt level supported by Additional PD, Area Cordinators, Project Managers for three Mandal- Cluster Coordinators for 8-9 villages- Mandal Book-keeper-Village Book-keepers.

**Services:**

Under the IKP project Zilla Mahila Samakhya provides various services to SHG members through the structure created as above. These services are:

1. Organizing poor into SHGs-savings mobilization for self help
2. Capacity building of SHGs
3. Providing SHGs with Community Investment Fund
4. Bank linkage of SHGs
5. Interest subvention on bank credit-Pavalavaddi
6. Community Managed Sustainable Agriculture- NMP
7. Dairy Intervention
8. Land development
9. Marketing interventions by the VOs
10. Food Security
11. Employment Generation and Marketing Mission (EGMM)
12. Gender
13. Health and Nutrition
14. Insurance of members, health insurance, insurance of assets etc.

By undertaking the above activities there is tremendous empowerment of members of SHGs belonging to BPL families. Some of the activities provide good source of income for the poor members of the SHGs- procurement of paddy which is nicely handled by SHGs with the active cooperation of the state government.

**Areas of concern:-**

- There is no change / rotation of leadership at the SHG level though there is lot of support from the government in financial terms and in providing manpower support.
- Some of the groups which are more than two years old have not yet been provided with the community investment fund (CIF) and many groups are yet to be linked with bank credit- ( examples - Leeja Mandal has 1150 SHGs but bank loan given to only 662 SHGs, interest subvention-pavallavaddi pending for 842 groups on date of visit - 20.4.2010).
- There is a need for capacity building of SHGs and various functionaries of federation on continuation basis.
- ZMS level self sustainability is not feasible without support from government though the programme is in vogue for about eight years now.

## **VI. Samsthan Narayanpur Kalanjia Sangamitra (SNAKS), Andhra Pradesh**

The Kalanjiam Community Banking Programme was started by Dhan Foundation in the year 1990 as a pilot project. It has gone through various stages of development from project to programme and a movement of the Kalanjiam members. The success of the programme has given the inspiration to upscale it and to establish the Kalanjiam model as an enabling model of microfinance.

### **Functions of Kalanjiam Foundation**

- **Upscaling the Kalanjiam Program:** The Institution aims to reach out the community banking program to large number of poor women. As part of upscaling the Kalanjiam Foundation follows the following approaches.
  - Direct action by Kalanjiam Foundation
  - Partnership with other NGOs –Promoting Kalanjiam Affiliates
  - Acting as a resource centre – Capacity Building support to Govt., NGOs and Banks
- In addition to direct action, the organisation promotes collaboration with other institutions guided by the philosophy of enabling and self reliance and willing to reach large number of poor.
- **Create, Nurture and Sustain Community Organizations of women in Microfinance for Development:** The Foundation focuses on reaching large number of poor women in thousands of villages in the country through savings and credit program and promote nested institutions, owned and controlled by poor women living in rural, urban and tribal contexts.
- **Deepening the Microfinance for addressing poverty:** The Institution goes beyond microfinance and develop methods and processes which would significantly address poverty.

### **Area of operation**

In Nalgonda district the agency is working in three Mandals viz; Choutupal, Chityal and Narayanpur.

### **Activities:-**

- Promotion of SHGs
- Providing help in procurement of agriculture produce-paddy and others.
- Supply inputs for agriculture production- fertilizers, pesticides, seeds etc.
- Help in skill development.
- Marketing of milk through private dairies for remunerative prices of milk, breed improvement.
- Poultry as livelihood activity.
- Providing insurance products to members.

### **Structure of the Federation**

Federation at Mandal level-Cluster Development Association(10)---SHGs(180)—Members 2500. Three representatives-- group leaders from each group are members of cluster development association as also the federation. That is at federation level and at cluster level there is direct representation of SHG members

The federation is not doing financial intermediation but has become self sustainable as its revenue covers the expenses incurred by it. As a result of the handholding support provided by officials of Dhan Foundation members of SHGs are getting empowered.

### **Areas of Concern**

- The non-IKP federations are not provided support like interest subvention-Pavala Vaddi, grant for various activities, support for staff, CIF funds for benefit of SHG members.
- Need financial support for skill development of poor SHG members.
- Presence of MFIs in the area- double financing and high interest rates charged by them.

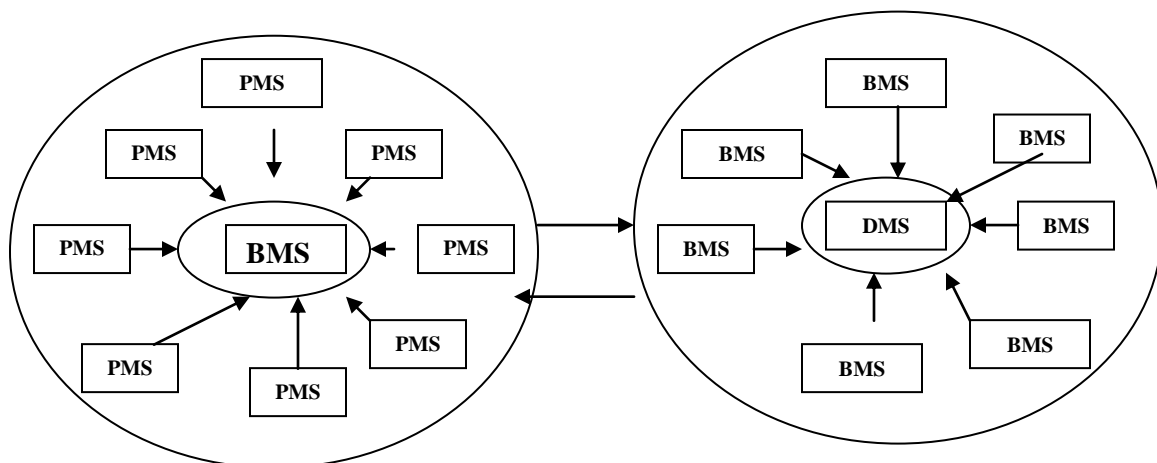
## VII. Maneswar Matrushakti Block level Federation, Sambalpur, Orissa

In Orissa more than 33 lakhs women, as a part of a silent revolution have formed about 3 lakhs SHGs with the active support of Bankers, district administration, NGOs, promoting agencies, etc. The Government of Orissa, as a logical step towards consolidation of these efforts for effective socio-economic empowerment of women has taken initiative for formation of Federations of SHGs. WSHG Federations at different levels are expected to play the role of coordination; monitoring, capacity building and conflict resolution. They are also expected to take up a variety of livelihood activities and mobilize finance for the member SHGs. The Federations at different levels are also expected to promote solidarity among the members and provide a platform for cross learning and resource sharing.

Maneswar Matrushakti Block Level Federation, Sambalpur is one of the Block level Federations formed on 19.06.2007 at the initiative of the Women & Child Development Department of Govt. of Orissa.

### Organizational Structure

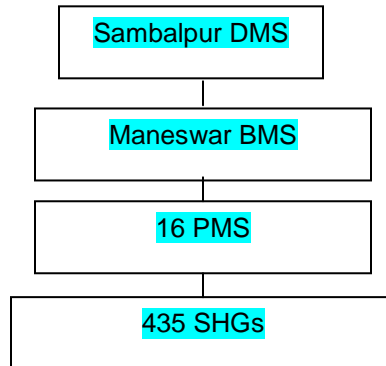
The details of the Organizational Structure are as under:



PMS: Panchayat Mission Shakti Federation      DMS: District Mission Shakti Federation

BMS: Block Mission Shakti Federation

## Structure of Maneswar Matrushakti Block Level Federation, Sambalpur



NB: Nine BMS are affiliated to Sambalpur DMS

### Governance

The Maneswar Matrushakti Block Level Federation, Sambalpur was governed by a Body consisting of 11 elected members (by hand vote in the General body) as per details given below:

- President
- Vice President
- Secretary
- Treasurer
- Seven Executive members

The General Body of the Federation consisted of 34 Members :( 2 members each from the 16 PMS + 2 from joint clusters).The Advisory Board of the Federation consisted of:

- BDO
- CDPO
- Lady Supervisors
- Progress Assistant
- One Bank representative
- One representative of a NGO

### Functions

The Maneswar BMS plays the following important roles:

- Conducts regular meeting and ensure proper coordination with GP level Federations
- Undertakes periodic grading and assessment of member SHGs and prepare capacity building plan and provide capacity building training.

- Liaises and negotiates with Financial Institutions to provide Finances to support member SHGs in livelihood initiatives(bank linkage)
- Provides Internal loans to SHG members
- Generates social awareness (Malaria prevention and eradication, HYV, Breast feeding day, nutrition day, organizing rallies, meetings and quizzes on social issues)

The services provided by the federation and the benefits of such service to SHGs are as detailed below:

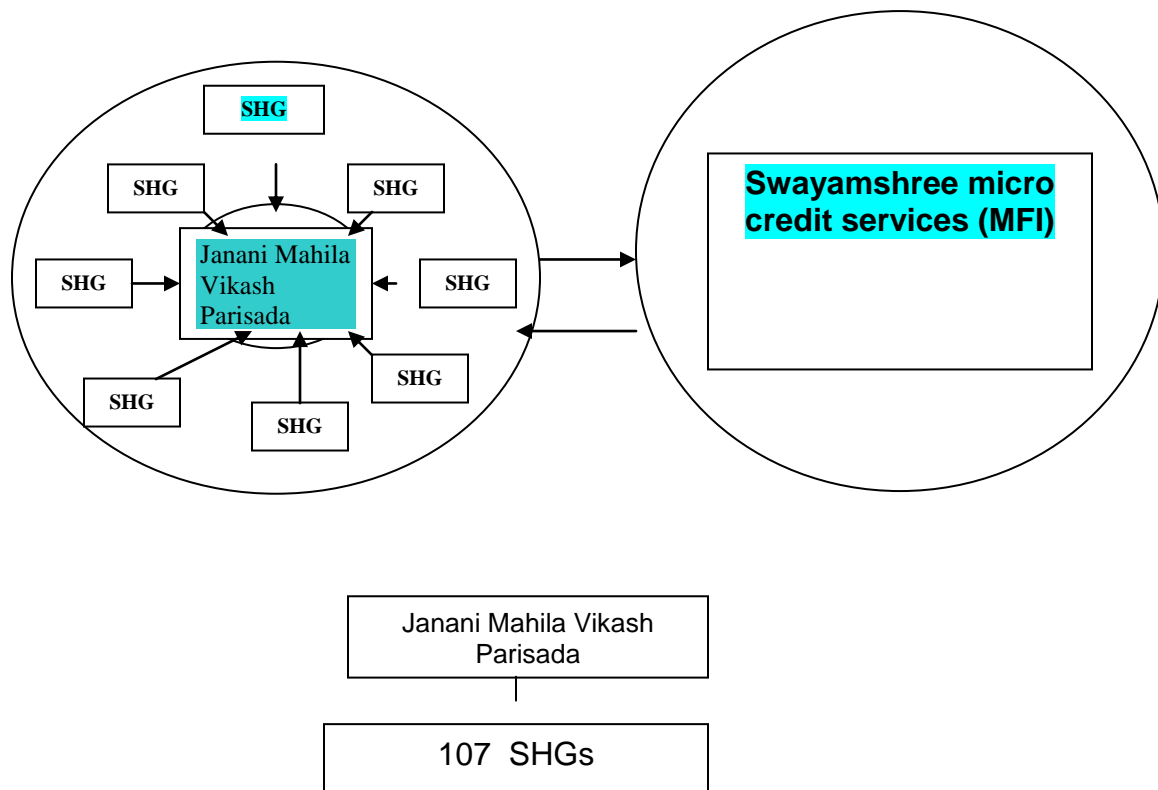
SN	Service	Benefit to SHGs
1	Capacity Building	<ul style="list-style-type: none"> <li>• Skill development and training of members of SHGs</li> <li>• Micro enterprise development</li> </ul>
2	Monitoring and Supervision	<ul style="list-style-type: none"> <li>• Guidance &amp; audit of books maintained by SHGs</li> <li>• Gradation of WSHGs</li> </ul>
3	Awareness creation on social issues	<ul style="list-style-type: none"> <li>• Better Sanitation, Health, Nutrition</li> <li>• Lesser Domestic violence</li> <li>• Anti-liquor campaign</li> </ul>
4	Recommends SHGs and its members for various Govt. Schemes	<ul style="list-style-type: none"> <li>• Award of contract under Supplementary Nutrition schemes, Paddy procurement, etc</li> </ul>

## VIII. Janani Mahila Vikash Parisada, Khurda, Orissa

The federation was promoted by Swayamshree Micro credit services (an MFI).

The Janani Mahila Vikash Parisada, Khurda was set up in 1989 but registered on 24.01.2008 under the Trust Act. The Federation was conceived to improve the socio-economic conditions of the women & solve common problems like village sanitation, absence of water, power and common roads in the village. Further, the SHGs were finding it difficult to link themselves with Banks. There was a felt need for financial intermediation through a higher structure like Federation which can have access to funds from banks/MFIs as the savings mobilized by members of SHGs was not sufficient to meet the emergent requirements of members.

The Organizational structure of the Federation was as under:



## **Governance**

The Federation is managed by a Governing Body consisting of 11 members i.e. President, Secretary, Treasurer/Cashier and 8 Executive members. The General Body has 107 Members :( One member each from the 107 SHGs)

## **Functions**

The Janani Mahila Vikash Parishada Federation has been playing the following important roles:

- Fights atrocities against women
- Conducts regular meeting and ensure proper coordination with member SHGs
- Promotes formation of new SHGs
- Invests savings of member SHGs with MFIs /Banks
- Facilitates inter SHG cross visit for mutual sharing and learning
- Promotes literacy among members of the SHGs affiliated to the Federation
- Runs a community based medicine distribution center for common ailments
- Promotes health through preventive and curative awareness programme
- Organises general health check up programme for members
- Provides marketing facilities to the members of the SHGs affiliated.
- Other social functions like cleaning village pond, stop illegal sale of liquor, bringing electricity line/connection and water supply to villages.

## **IX. Shakti Block Mahila Sangathan, Rae Bareli, UP**

The Federation was set up in 2008 under Rajiv Gandhi Mahila Vikas Pariyojna (RGMVP) being implemented by Rajeev Gandhi Trust. The motivations behind establishment of the federation were as under;

- Motivated by successful SERP Model in AP.
- To adopt holistic approach – community development, health education, women empowerment, food security, etc.
- To ensure rightful entitlements to poor people
- To take up issue based cases (like grain bank, solar lighting, etc.)

### **Functions of Federation**

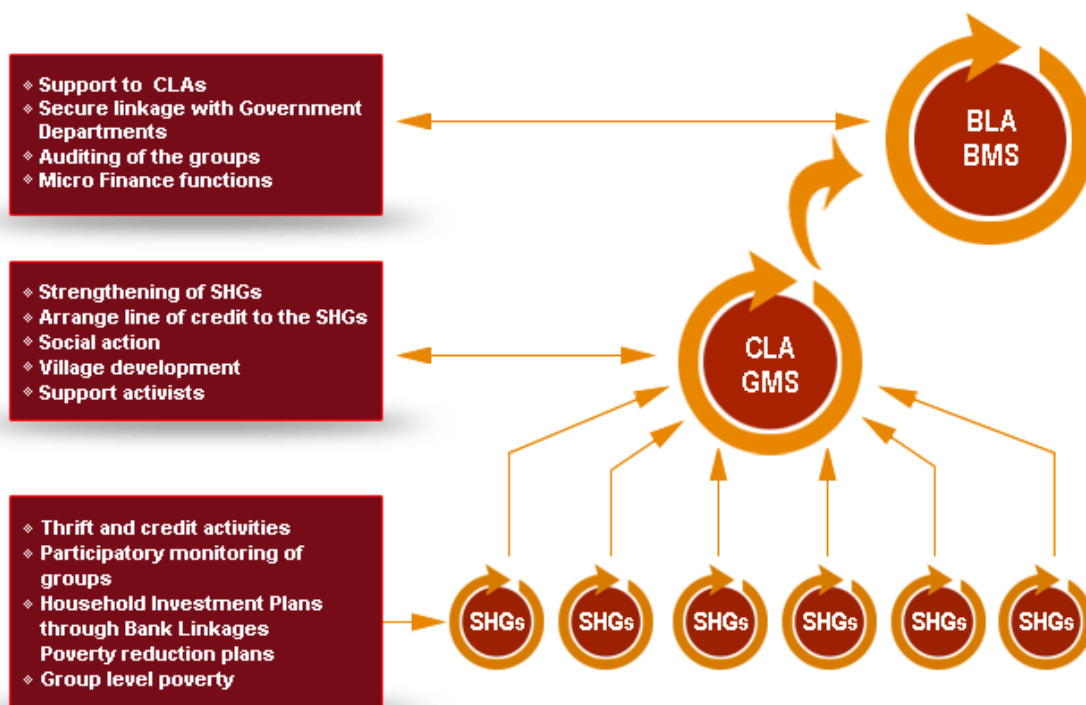
- To form new SHGs to include all poor families.
- To build capacities of new SHGs by providing 3 days structured training programme.
- To enable SHGs have Bank Linkage by regular follow up with bank branches.
- To ensure linkage with other organization (such as panchayat, school, etc) & ensure women get their entitlements.
- To act as pressure groups to solve problems relate to child labor, child marriage, domestic violence, dowry, drinking water, electricity etc.
- To act as a forum for collective action by poor
- To create social capital for development of villages
- To disseminate best practices for health/ agriculture/ livelihood/dairy, etc. through *group sakhis* (community resource persons)

### **Process Followed**

The RGMVP staff goes into villages where there are no interventions and lives with the poor to understand the dimensions of poverty. They mobilise the poor and help them to understand the concept of the SHG. These groups are then linked to microfinance. The social mobilization process is completed by identifying internal animators who can sustain the movement and take the community leadership forward. As the next step, 20-25 SHGs are federated into a village level association, called the **Cluster Level Association** (CLA/Gram Mahila Sangathan). The CLA takes action of issues that cannot be resolved at the SHG level, and maintains links with government and non-government institutions. When 10-15 CLAs have been formed, they are federated into a **Block Level**

**Association (BLA)** which represents all SHGs at the Block level and plans for future activities.

The functions of each of the three tiers are described below;



RGMVP has adopted a holistic approach for their social mobilisation program with health programmes, gender initiatives, education and literacy initiatives, and livelihood enhancement like dairy cooperatives/bulk milk units and organic farming, etc. It has so far formed around 20,000 SHGs with approx. Rs 9 crores of savings, 538 Cluster Level Associations (CLAs) and 15 Block level Federations (BLAs). RGMVP identified the following best practices for the different activities of the federations:

- Education: Community Managed SHG Schools,
- Health: Swasthya Sakhi initiatives at CLA level,
- Food Security: Grain Bank,
- Social Action,
- Bank linkage: Business facilitator,
- Livelihood Enhancement,
- Building Social Capital: Community Resource Persons (CRPs), Samooh Sakhi, Swasthya Sakhi, Aajivika Sakhi, Book Keepers, etc.

## **X. Annapurna Sewa Sansthan, Sant Kabirdas Nagar, UP**

The federation was promoted by Grameen Development Services (GDS), Lucknow. It was set up in 2009 and registered under Societies Act. The motivations behind establishment of the federation were as under;

- When GDS withdraws, there is need for some substitute to ensure sustainability of SHG.
- It is easy to interact with a few Federations rather than a large number of SHGs.

The GDS was founded in 1993 by a group of development professionals, academicians and NGO leaders to promote and strengthen livelihoods of the rural poor. It focuses on direct project implementation, through working with poor communities in rural areas. Apart from that, it also acts as a resource organisation on community based livelihoods promotion themes. The SHGs and federations formed by GDS deliver following services to their members:

- SHGs
  - Microfinance (savings and credit),
  - Platform for collective action,
- Federations
  - To provide microfinance services (credit for on-lending, micro-insurance) to SHG members.
  - To provide inputs like seeds, fertilizers, animal husbandry related services.
  - To provide sustenance support to SHGs (service of accountants).
  - To act as platform for larger collective actions by acting as a pressing group to take up with government department on social issues/economic issues.
  - To provide help in obtaining *Job Cards* issued in the name of the women so that they can work in NREGA and earn wages.

The main challenges faced by the federations are:

- Apathetic/ insensitive attitude of the mainstream institutions in terms of
  - Linkage for credit,

- Participation of SHGs/ federations not encouraged in implementation, of development schemes/programs,
- Lack of functional literacy and awareness of rights among target sections
- Lack of appropriate institutional arrangements for facilitation of SHG movement (e.g. MACS type institutional systems)

**Lessons Learnt:**

- The SHG-Federation model has tremendous potential for economic and social empowerment; however, the minimalist of SHGs as merely financial instruments (for S&C) limits this potential.
- For empowerment and social change rights related awareness/sensitisation and careful nurturing /facilitation of community actions/movements is imperative.