KNOWLEDGE PARTNERSHIP PROGRAMME

Draft Report

Study on Understanding SHG as Programme for Economic and Social Empowerment of Women in India and LIC

Catalyst Management Services Private Limited

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STUDY ON UNDERSTANDING SHG AS PROGRAMME FOR ECONOMIC AND SOCIAL EMPOWERMENT OF WOMEN IN INDIA AND LIC

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Submitted by

Catalyst Management Services Private Limited  (Lead Firm)

Head Office:  No. 36, 1st Floor, Vinayaka Layout, Boopasandra Main Road, Bangalore – 560 094, India
Ph: + 91 80 2341 9616
Email: raghu@cms-india.org;  Web: http://www.cms.org.in

Regional Offices and Presence at – India  (New Delhi, Bhopal, Hyderabad, Madurai)

APMAS
Plot 11 & 12,HIG, HUDA Colony, Tanesha Nagar, Near Dream Valley, Manikonda,
Ranga Reddy (Dist),
Hyderabad 500 089

Email: creddy@apmas.org; krajareddy@apmas.org
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<td>ADS</td>
<td>Area Development Society</td>
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<tr>
<td>AP</td>
<td>Andhra Pradesh</td>
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<td>APMAS</td>
<td>Andhra Pradesh Mahila Abhivruddhi Society</td>
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<td>APMSS</td>
<td>Andhra Pradesh Mahila Samatha Society</td>
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<td>APRACA</td>
<td>Asia-Pacific Rural and Agricultural Credit Association</td>
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<td>ASCA</td>
<td>Accumulating Savings and Credit Association</td>
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<tr>
<td>BLF</td>
<td>Block Level Federation</td>
</tr>
<tr>
<td>BRLPS</td>
<td>Bihar Rural Livelihoods Promotion Society</td>
</tr>
<tr>
<td>CARE</td>
<td>Cooperative for Assistance and Relief Everywhere</td>
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<tr>
<td>CBO</td>
<td>Community Based Organisation</td>
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<td>CLF</td>
<td>Cluster Level Federation</td>
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<td>CMG</td>
<td>Credit Management Groups</td>
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<td>CMRC</td>
<td>Community Managed Resource Center</td>
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<td>CSO</td>
<td>Civil Society Organisations</td>
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<tr>
<td>DFID</td>
<td>Department for International Development</td>
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<td>DHAN</td>
<td>Development of Humane Action</td>
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<tr>
<td>DPIP</td>
<td>District Poverty Initiatives Project</td>
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<td>DRDA</td>
<td>District Rural Development Agency</td>
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<tr>
<td>FGD</td>
<td>Focused Group Discussion</td>
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<tr>
<td>GIZ</td>
<td>Gesellschaft für Internationale Zusammenarbeit</td>
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<tr>
<td>HDI</td>
<td>Human Development Index</td>
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<td>ICDS</td>
<td>Integrated Child Development Services</td>
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<td>IFAD</td>
<td>International Fund for Agriculture Development</td>
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<td>IKP</td>
<td>Indira Kranti Pratham</td>
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<tr>
<td>IRDP</td>
<td>Integrated Rural Development Programme</td>
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<tr>
<td>LDC</td>
<td>Least Developed Countries</td>
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<td>LIC</td>
<td>Low Income Countries</td>
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<tr>
<td>MAVIM</td>
<td>Mahila Arthik Vikas Mahamandal</td>
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<td>MCID</td>
<td>Micro credit innovations department</td>
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<tr>
<td>MFI</td>
<td>Microfinance Institutions</td>
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<tr>
<td>MMS</td>
<td>Mandal Mahila Samkhyas</td>
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<td>NABARD</td>
<td>National Bank for Agriculture and Rural Development</td>
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<td>NABFINS</td>
<td>NABARD Financial Services Ltd.</td>
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<tr>
<td>NGO</td>
<td>Non Governmental Organisations</td>
</tr>
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<td>NHG</td>
<td>Neighbourhood group</td>
</tr>
<tr>
<td>PRADAN</td>
<td>Professional Assistance for Development Action</td>
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<td>PRI</td>
<td>Panchayati Raj Institutions</td>
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<tr>
<td>RBI</td>
<td>Reserve Bank of India</td>
</tr>
<tr>
<td>RFA</td>
<td>Revolving fund assistance</td>
</tr>
<tr>
<td>ROSCA</td>
<td>Rotating Savings and Credit Association</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>---------</td>
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<tr>
<td>SAG</td>
<td>self-help affinity group</td>
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<tr>
<td>SBLP</td>
<td>SHG–Bank Linkage Programme</td>
</tr>
<tr>
<td>SERP</td>
<td>Society for Elimination of Rural Poverty</td>
</tr>
<tr>
<td>SGSY</td>
<td>Swarnajayanti Gram Swarozgar Yojana</td>
</tr>
<tr>
<td>SHG</td>
<td>Self-help group</td>
</tr>
<tr>
<td>SHPI</td>
<td>Self Help Promoting Institutions</td>
</tr>
<tr>
<td>SKDRDP</td>
<td>Shri Kshetra Dharmasthala Rural Development Project</td>
</tr>
<tr>
<td>VSLA</td>
<td>Village Savings &amp; Loan Associations</td>
</tr>
<tr>
<td>VO</td>
<td>Voluntary Organisations</td>
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</table>
1 Introduction and Context

Status of women in India

As in most of the traditional societies, women in India are subjected to various kinds of discriminations. The gender divide especially in rural areas is quite intense and women are often subjected to domestic violence, denied access to fair economic opportunities and equal wages, they often lack access to quality health care and education and mostly do not have property rights. Women bear disproportionate brunt of poverty which forces them into increasing drudgery, longer hours of work under conditions of poor nutrition, food insecurity and falling health. The entrenched socio-economic prejudices results in progressive marginalisation of women’s role in household, neighbourhood and in the community.

Gender inequality in India persists despite high rates of economic growth. Participation of women in employment and decision-making remains far less than that of men and the disparity is not likely to be eliminated soon. India’s poor performance on women’s empowerment and gender equality is reflected in many indicators, the most telling of which is the sex ratio which has in some parts of India dropped to 833 females per 1000 males. Gender inequality is also reflected in India’s low rank on the Gender Inequality Index, which is 129 out of 146 countries with a value of 0.617. In fact, among the South Asian countries, India is second from the bottom, just above Afghanistan\(^1\).

Despite this data, over the years women empowerment in India has made huge strides and the Self Help group (SHG) movement has been a significant factor promoting this empowerment.

Financial Access: the Indian context

A critical pathway towards achieving poverty reduction and socio-economic empowerment of poor across many developing and Low Income Countries (LIC) has been through convenient and simple local level access of savings and credit services to marginalised communities.

In this context, since the early 1990s, the SHG in India has emerged as a dominant ‘community based institutional model’ that provides basic financial services to its member and helps them progressively reduce social and financial vulnerability, expand livelihood opportunity and achieve socio-economic and political empowerment. Initially visualised as a platform for financial intermediation, over the past decades, the SHG movement in India has emerged as an effective institution to address socio-economic empowerment of women.

\(^1\) Based on UNDP India. Website: http://www.in.undp.org/content/india/en/home/countryinfo/challenges.html
One of the most striking aspects of SHG movement in India has been the sheer scale the model has been able to achieve over the past two decades or so. It started with 300 SHGs in 1986 which crossed a million by 2004 and now, as of March 2014, there are 7.43 million SHG groups in India with 97 million members, 84 percent of which are women that are mostly poor.

Contributing to the scale are the variety of models that are promoted by the Government, Bankers, Civil Society and Micro Finance Institutions (MFIs) and at different scales, in different geographies, providing variety of services.

Critical amongst these models have been those promoted by governments and banks. The SHG movement has been able to build on the ecosystem of institutional support and enabling policy environment that infused into a massive growth phase particularly after the banks stepped in to provide credit linkage to the groups. In addition, another crucial factor in the proliferation of SHGs was the government taking up the model in its fold; in some cases with a view to provide last mile delivery of financial services and sometime for directly addressing poverty, rights and entitlements. Either way, the SHG movement received a major boost from government support with dedicated resources and diverse expertise flowing in to replicate the model across the country.

Yet, the diverse models adapted and adopted have resulted in varying levels of successes, effectiveness and impact, especially on women’s empowerment. A study of the SHG movement in India provides rich insights into factors for scale and replicability.

The Department for International Development (DFID), U.K through its Knowledge Partnership Programme (KPP), implemented through IPE Global, is producing and disseminating high quality research, sharing Indian and global evidence on policies that impact development outcomes and supporting advocacy towards strengthening policy and programmes in Ethiopia, Afghanistan, Kenya, Rwanda, Uganda, Myanmar, Nepal, Bangladesh, India and Ghana.

The broader goal of the Knowledge Partnership Programme is to:

- To support evidence generation and uptake on issues central to India’s national development and its impact on global poverty;
- Promote sharing of Indian evidence, best practice and expertise for lesson learning on a global level;

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Promoting Knowledge Partnership on SHG as Programme for Economic and Social Empowerment of Women in India and LIC

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2 NABARD, Status of Microfinance in India, 2013-2014
• Strengthen India’s engagement in LICs - especially in African Least developed countries (LDC’s)

The strategic objectives of the programme include:

• Gathering and uptake of evidence on issues central to India’s national development that have potential for replication in LDCs
• Promote sharing of Indian evidence, best practice and expertise with LDCs in order to facilitate evidence-gathering and uptake

Within the ambit of the KPP, IPE Global has commissioned Catalyst Management Services to undertake a study to analyse the impact of SHG on the socio-economic empowerment of women in India and consolidate the lessons from the SHG models with a view to replicate such learning in the context of the LIC. The study focuses on the select government led SHG models that have achieved scale in their respective geography.

Building on this expectation, the key objectives of the study are to:

1. Study and review existing programmes of 4 SHG, government led models (Kudumbashree, Society of Elimination of Rural Poverty (SERP), Jeevika and Mahila Samakhy) to assess
   a. Whether and how they have helped in addressing poverty among marginalised women
   b. Whether a particular model has enhanced the decision making power of women in their family and their control over resources
2. Analyse the impact of microfinance in transforming the quality of life of SHG women
3. Identify principles and lessons of SHG models that could be adopted in select LICs in Africa and Indian sub-continent.
2 Study Framework and Methodology

Flowing from the above, a study framework was developed [figure 1] which highlights the key dimensions, processes and approach to the study. While focussing on the government led models, the study takes a holistic approach to explore multi-faceted dimensions of SHG as viewed by key stakeholders. Since there is considerable heterogeneity in the government led model, the framework seeks to dwell on diversity in its analysis to answer key research questions.3

3 It is important to note that there have been several revisions in the methodology that was mentioned in the proposal to give rise to the one finally adopted for the study. These modifications were done after a thorough round of discussion with IPE.
Methodology

Method 1: Desk Review
The output of this exercise was to:
1) Generate a list of resource personnel that could be met for consultations
2) To gather evidence on empowerment through secondary data.

Method 2: Expert Consultations
Expert consultations were carried out at the start of the study to understand the information available, their perceptions and linkages/references; and then during the analysis of several models. The respondents were drawn from a cross-section of senior government officials at the national and the state level who are leading (or in past have led) women empowerment or SHGs related programmes/departments, leaders of non-governmental organisations (NGOs) working on SHG promotion and representatives from civil society organisations.

Method 3: Field Level Assessments
Based on the analysis of the information collected, 7 models were studied on the field. For each model, SHGs from a minimum of one district under each model were visited and interacted with. The districts were selected based on convenience sampling. Additionally, for each model, information from senior members of the managerial staff, members of the field staff of the sampled districts and SHG members of the SHG federation was sought through personal interviews and focused group discussions.

Coverage

The scope of the study was limited to four government-led SHG models. The study, in addition, covered two Civil Society (CSO) led models, to get a more detailed perspective. The latter are not covered in detail in this report. At the field-level a small number of sample SHGs for each model has been studied. These SHGs have been sampled on the basis of their maturity, scale, federating level, success and the nature of Self Help Promoting Institutions (SHPI) with the aim of drawing a representative sample. Table 1 details the level of interactions (sources of information) undertaken for each model.

This report first traces the origin and evolution of the SHG movement in India. It then takes an in-depth look at certain policies and institutional mechanisms responsible for scale and impact. It goes on to briefly profile the four government-led models studied, highlighting their commonalities and differences. Factors promoting and limiting the scale and impact of SHGs is discussed, followed by the sharing of findings on women’s empowerment are then discussed - drawing from primary and secondary research. Finally the report culls our lessons for LICs, based on expert opinions and analysis of the models studied.
<table>
<thead>
<tr>
<th>Model</th>
<th>Programme/expert</th>
<th>Representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experts</td>
<td>Experts</td>
<td>8 (Government official = 2; NGO official/Independent consultant = 4; Donor Agency official = 1; Banker = 1)</td>
</tr>
<tr>
<td>Government-led</td>
<td>Kudumbashree</td>
<td>3 senior managerial staff officials Focused Group Discussions (FGD) with 2 SHGs 3 enterprises</td>
</tr>
<tr>
<td></td>
<td>SERP</td>
<td>Project Personnel at the District, Mandal and Village level 4 SHGs 10 SHG members benefiting from different schemes</td>
</tr>
<tr>
<td></td>
<td>Mahila Samakhya (Andhra Pradesh)</td>
<td>4 senior managerial staff officials FGD of 2 SHGs- adult women and teenage girls 2 primary level federations and 1 secondary level federation SHG members associated with interventions</td>
</tr>
<tr>
<td></td>
<td>Mahila Samakhya (Bihar)</td>
<td>5 senior managerial staff officials 4 district staff members FGD with 12 SHGs Group Discussion with 4 members of 1 federation</td>
</tr>
<tr>
<td></td>
<td>Jeevika, Bihar</td>
<td>4 senior managerial staff officials 6 district staff officials FGD with 2 SHGs</td>
</tr>
<tr>
<td>CSO Model</td>
<td>MYRADA</td>
<td>4 Senior managerial staff officials 1 community managed resource center (CMRC) 1 Village Level Federation 4 SHGs, 1 Federation of SHGs of Sex Workers 6 SHG members benefiting from different schemes</td>
</tr>
<tr>
<td></td>
<td>Rajiv Gandhi Mahila Vikas Pariyojana</td>
<td>5 managerial staff officials FGD with 2 adult women SHG groups and 1 adolescent girls group</td>
</tr>
</tbody>
</table>
3  The Self-Help Movement in India

What are SHGs?

SHGs are informal associations (consisting of not less than ten persons\(^4\) with a maximum of twenty) of people who choose to come together to find ways of improving their living conditions. The members of these groups mostly use savings, credit and social involvement as the ‘instrument’ for Empowerment.

*Indian SHGs can be described as on-lending groups which collect their own equity capital, and savings deposits, from their owners, who are also the members and the customers, they lend out their money to the members, at interest rates which they decide, and they accumulate profits which they choose either to distribute to the owners, or to add to the fund at their joint disposal.*\(^5\)

Figure 2: Structure and functioning of an SHG

The members of these groups are linked by a common bond like caste, sub-caste, blood, community, place of origin or activity. The interveners, whether from the NGO, Bank, or Government must have the experience to identify these natural groups which are commonly called “affinity group”. What links together the group

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\(^4\) NABARD recommends that the group should not be less than 6 members and not more than 20

\(^5\) Harper, Ezekiel, Mohanty, & Rao, 1998
members, therefore, is not primarily the need for credit, but a "capital stock" of relationships built on mutual trust and confidence, mutual interests of the group members, a degree of social and economic homogeneity and on the gut feeling of its members that the group offers the best opportunity to realise their latent and often suppressed aspirations to develop economically and socially without creating social tensions locally, with which they cannot cope.\(^6\)

### Principles and practices

In most cases the criteria for the **determination of membership is based on self-selection.** This often leads to situations where the constitution of the group is homogenous in terms of the socio-economic conditions and the location of the members. The leadership of the group is decided through the consent of the majority of the members and is based on rotation. The aim of the SHG is to promote objectives like economic improvement, to raise resources for development and freedom from exploitation. There are **five key practices** or the ‘*Panch Sutra*’ that are to be adopted by each SHG. They are as follows:

1. Regular savings
2. Regular meetings
4. Regular repayments

In order to ensure that the SHG is operating effectively, there is member compliance, and that the SHG is sustainable, the following **operational principles** are adopted by each SHG:

1. A condition is agreed upon by the group as a whole for the meetings
2. A condition is agreed upon by the group as a whole for savings
3. A condition is agreed upon by the group as a whole for loans to be given
4. A condition is agreed upon by the group as a whole for loan repayments
5. There is a social agenda that the group agrees on before each meeting

The form of the SHG is mostly informal (unregistered). Through periodic meetings the members mobilise savings which are deposited in a bank account in the name of the group. The deposits, in addition to members’ savings also include entrance fees, interest from loans, proceeds of joint business operation and income from investments. The deposits are used to advance loans to members, for consumption and production purposes, at the rate of interest decided by the group (usually higher than what the banks charge) Loans are advanced for productive and consumption purposes. The funds/deposits may also be used social services and

\(^6\) Source: Fernandez, Self Help Groups - a credit plus institution, 1997
common investment. SHGs, in addition to being a savings and credit mechanism, also provide support to members in crisis – economic or social.
Origin and evolution of SHGs

The Milestone

1986
Formation of the first SHGs by MYRADA

1987
NABARD takes the lead in partnering with NGOs, particularly MYRADA, to pilot the SHG-bank linkage model

SHG Bank-Linkage initiated (covered in detail in chapter 4)

1992
Pradhan (presently DHAN) forms the first SHG federations

The Highlight

NGOs promote the alternative stream of facilitating thrift and savings women SHGs as an alternative to mainstream financial services to reach un-reached segments of society

Between 1987 and mid-1990s there emerges the recognition of SHG as a means to reached the ‘unbankable’ and modelling of SHG-bank linkage

SHG federations emerge to sustain the SHG movement and to provide value-added services

The Story

In 1986/87 there were some 300 SHGs in MYRADA’s projects. Many of them had emerged from the breakdown of the large cooperatives organised by MYRADA. Similarly in Maharashtra (and other states) under the Integrated Child Development Services (ICDS) programme, mahila mandals were established by the government with the help of NGOs such as Chaitanya. In 1987 the NGO Professional Assistance for Development Action (PRADAN), which was working on a pilot on the effectiveness of the government’s poverty alleviation programme in Rajasthan, introduced savings in groups that had been provided with a grant for fodder purchase to deal with the drought conditions.

In the late 1980s’, dismayed by the poor performance of formal institutions in providing financial services to the rural areas and the poorer sections of the society, the Government of India contemplated promoting another apex bank to take care of financial needs of the poor, informal sector and rural areas. At that point of time NABARD initiated a search for alternative methods to fulfil the financial needs of the rural poor and informal sector and found SHGs as an interesting and effective means to provide the banking services to so-called un-bankable’ people.

NABARD initiated an experiment with MYRADA on SHG lending in 1987 by providing it with a grant of INR 1 million (USD 16,120 ) to identify affinity groups, build their capacity and match their savings after a period of 3-6 months. Encouraged by the results, the NABARD initiated the pilot project of SHG bank linkage 1992.

To overcome the inherent limitations of a small unregistered group, and as part of a withdrawal strategy, promoters facilitated the formation of federations. The benefits of federations include (a) those arising from economies of scale, (b) reduction in transaction costs, (c) reduction in default rates at all levels, (d) provision of value adding services, (e) reduction in the cost of promoting new SHGs (that is, in the cost of reaching out to every poor woman) and (f) increasing levels of financial discipline and accountability among SHGs.

The early SHG federations were promoted by Pradan (presently Development of Humane Action (DHAN)) in Tirupati (1992), and in Madurai (1993), CDS, Alappuzha (1993) and MYRADA (1996). After
Formation and inclusion of NGO-MFIs, NBFCs and post offices as tools to meet the credit needs of the SHGs

SHGs incurred significant transaction costs (in terms of travel costs, opportunity cost of time) when they tried to access credit from banks. To counter this, the establishment of NGO-MFIs, NBFCs and post office interventions helped increase the supply of credit with reduced transaction costs by implementing mechanisms like door step delivery, timely access of credit and so on.

Not-for profit MFIs were formed by MYRADA, while for profit legal NBFCs like were formed by SKDRDP in Karnataka and BISWA in Odisha. A vast network of the postal system and its high level of familiarity within rural India allowed for some scope to use this route as an instrument of financial inclusion. NABARD launched a pilot project in Tamil Nadu in December 2003 to check the feasibility of the same.

During the late nineties and through the first decade of 2000, SHGs and SHG federations gain widespread recognition to be partners of various mainstream agencies such as financial institutions, corporate sector, and government.

NABARD Financial Services Limited, [NABFINS] is a subsidiary of NABARD with equity participation from NABARD, Government of Karnataka, Canara Bank, Union Bank of India, Bank of Baroda, Dhanalakshmi Bank and Federal Bank. The main objectives of the Company are to provide financial services in two broad areas of agriculture and microfinance. NABFINS engages in the business of providing micro finance services (with or without thrift) and other facilities to needy and disadvantageous sections of the society for

Source: Adapted from (Fernandez, History and spread of the self-help affinity group movement in India - The role played by IFAD, 2007), (Reddy, Rao, Ramalakshmi, & et al, 2007) and (Tankha, 2012)
Most SHGs are formed with assistance from a promoting institution – ‘Self Help Promoting Agencies’ or SHPA (Also called SHPIs). These organisations are known as agencies since for most of them, promoting SHGs is often not the main activity.\(^7\)

The main types of SHPIs are NGOs, Governments Departments, Poverty Reduction Programmes, Special Government projects targeting poverty and livelihood enhancement, Banks, Cooperatives, Microfinance institutions and farmer’s clubs.\(^8\) Additionally, Individuals (‘social entrepreneurs’) or SHG leaders may also promote SHG. Finally, there were a number of SHGs that came up independently and spontaneously without any promoter. Figure 3 shows different ways through which an SHPI can be categorised.

\(^7\) Reddy & Sinha, 2006 & CARE, CRS, USAID, & GTZ, 2006

4 Institutional arrangements

A closer examination of the origin and evolution of SHGs and categorisation detailed in Chapter 3 provides pointers on the institutional arrangements and policy initiatives that emerged over the years and have achieved various levels of success in scale and impact. Study of these arrangements provides a context to women’s empowerment.

This chapter traces the history and details of institutional arrangements and policies that provided the spurt for the growth of SHGs. It begins with the basic community institutional model and draws from it the various elements and policy initiatives that have over time formulated the complex institutional architecture in operation and promoted scale and impact.

Figure 4 presents the basic community level institutional mechanism for establishing linkages for services, showcasing how women were linked to different institutions, the economy and polity through their community organisations.

The multiple tiers of institutions facilitated linkages between neighbourhood groups, villages, local governance and the bureaucratic system.

The significant elements of the community mechanism which have promoted the establishment of a diverse institutional architecture, and influenced various facets of women’s empowerment are:

1. SHG Bank Linkage (and subsequent variants/extensions such as the SHG federation linkage, emergence of the micro-finance institutions and SHG linkage with Post-office)
2. SHG linkage with government programmes
3. SHG linkage with Panchayat Institutions
4. SHG linkage to markets

Community level
Institutional
Mechanism for
Establishing
Linkages for
Services

Figure 4: Institutional architecture for establishing linkages for services
The SHG Bank Linkage Programme

The SHG-Bank linkage is perhaps the most significant of all developments. Key policies and the diverse forms assumed by the microcredit sector in India can be traced to this core.

Box 1 briefly outlines the banking history of India, providing a perspective on the establishment of the SHG Bank Linkage Programme (SBLP).

During the second half of the 1980s, the National Bank for Agriculture and Rural Development (NABARD) took a first step turning from the old world of supply-driven to a new world of demand-driven finance, stipulating that programmes with the poor have to be savings-led and not credit-driven; and that the poor have to have a say in their design. Inspired by a new regional programme of Asia-Pacific Rural and Agricultural Credit Association (APRACA) and Gesellschaft für Internationale Zusammenarbeit (GTZ/GIZ) in Asia, Linking Banks and Self-help Groups, NABARD initiated a study of SHGs in 1987, led by MYRADA and based on a new paradigm: savings first. NABARD provided MYRADA with a grant of INR 1 million (USD 16129) to enable it to invest resources to identify affinity groups, build their capacity and match their savings after a period of 3-6 months.

Following through on feedback from this initiative, in 1989 NABARD a pilot was initiated and three options explored, all hinging on prior savings by the groups: matching grants, matching interest-free loans, or bank loans with interest (NABARD 1989: 53-58).

In 1990 the Reserve Bank of India (RBI) accepted the SHG strategy as an alternative credit model. These were the roots for the SBLP. With approval from RBI and an authorisation for banks to open savings accounts for informal SHGs, NABARD started a pilot project in 1992, contributing to the goal of solving the perennial problem of rural indebtedness and poverty in India. Results were promising, and NABARD decided to mainstream SHG banking on a national scale: setting up a Credit and Financial Services Fund in 1996 for extensive capacity-building and a Micro Credit Innovations Department (MCID) for programme implementation in 1998, with MCI cells in every state.

9 In 1986 linkage banking was taken up by APRACA, an association of agricultural and central banks in Asia and the Pacific, as a regional program and disseminated among its member institutions. With TA by GTZ, Indonesia was the first country starting a pilot, 1988-91, serving as an experimental field station visited by member countries. The Philippines and Thailand (both with TA by GTZ since 1990) and India (with TA by GTZ as of 1998) followed with own projects. (Seibel 1996: 62-75, 2005, 2006)

10 Using conversion rate- 1 USD= INR 62

11 Aloysius P. Fernandez, History and spread of the self-help affinity group movement in India The role played by IFAD; 2007

12 On 24 July 1991 RBI issued a circular to commercial banks (RPCD.No.Plan.BC.13/PL-09-22/90-91), advising them to actively participate in a non-mandatory pilot project, refinanced by NABARD.
Box 1- History of Banking in India: Leading up to the SHG Bank Linkage Programme

Till the 1960s private organisations owned and operated banks in India. Being private enterprises the banks operated on the principle of private good, rather than social good, limiting coverage to urban locations which were profitable. In the 1960s the Reserve Bank of India, in an attempt to turn around the lopsided growth of the banking sector, issued the ‘social control’ policy which required all banks wanting to open one branch in the city, to open four in rural areas. While this brought about some spread to unreached pockets, they were not successful in reaching the goal of equity in access. Many banks did not adhere to these controls; and even where rural branches were opened and deposits garnered, these were deployed in cities and not re-deployed in rural areas. 1969 witnessed nationalisation of banks. In addition to other political reasons, nationalisation was meant to improve mobilisation of deposits by covering rural areas, to help agriculture growth, and for balanced regional development.

With nationalisation there was a rapid spread of branch expansion to rural areas. Seeing that lending was being concentrated on large industry, the Reserve Bank of India (RBI) issued a directive for priority sector lending where bank’s 40 percent of lending portfolio was to be loaned at a concession to the priority sector of agriculture and small scale industry. Its aim was to provide resources to help the poor to start their micro enterprise to attain self-sufficiency.

The government of India had also launched various poverty alleviation programmes like Small Farmers Development Scheme (SFDS) 1974-75, Twenty Point Programme (TPP) 1975, National Rural Development Programme (NRDP) 1980, Integrated Rural Development Programme (IRDP) 1980.

According to the All-India Debt and Investment Survey of 1981, some 250 million of the rural poor had no access to formal finance, despite years of massive branch expansion, priority credit programmes for rural areas and numerous donor credit lines. The National Bank for Agriculture and Rural Development (NABARD), carved out of the central bank in 1982, analysed the reasons behind the failure of reaching the rural poor which included: a sole emphasis on production loans, prohibitive transaction costs for lenders and borrowers, failure to mobilise savings, and overly complicated procedures.

Further pointers on design faults in programmes during those initial years are evident on examining a scheme promoted by the Government of India in 1980, viz. Integrated Rural Development Programme (IRDP). IRDP involved the commercial banks in giving loan of less than ₹15,000 (USD 241.935) to socially weaker section. The problem with IRDP was that its design incorporated a substantial element of subsidies (25-50 percent of each family’s project cost) and this resulted in extensive malpractice and mis-utilisation of funds. This situation led bankers to view the IRDP loan as motivated handout and they largely failed to follow-up with borrowers. The net result was that estimates of repayment rates in IRDP ranged from 25-33 percent. The two decades of IRDP experience in the 1980s and 1990s affected the credibility of micro borrowers in the view of bankers and ultimately, hindered access of the less literate poor to banking services.
Major policy decisions taken by RBI and NABARD gave a boost to the SBLP include:

- Banks were allowed to lend to SHGs without ascertaining the purpose for which the loan was being taken by the eventual borrower.
- Banks were allowed to undertake lending to groups without physical collateral.
- Banks were allowed to lend to unregistered groups.
- Designating SHG lending as a priority area and providing 100 percent refinancing to banks’ lending to SHGs

Why SHGs lending was attractive for banks:

1. Repayment performance of the portfolio showed better results than other sectors.
2. Transaction costs were lower because fewer accounts catered to large number of clients reducing time and logistical costs. Time taken for credit appraisal, credit worthiness and follow-up of loans was taken care of by groups.
3. Cost of promoting groups was borne by NGOs, which would have otherwise not been possible for banks to initiate

In 2006, RBI issued a circular whereby introduced an innovative concept called Business Facilitator and Business Correspondent. This concept aims at furthering the goal of universalisation of financial inclusion. Registered SHG federations could act as either a Business Facilitator or Business Correspondent of a bank to provide a full range of banking services as an agent of a formal financial institution.

In South India the SHG movement was vibrant and bank-linkages showed a good degree of success. Some banks such as Indian Bank, Corporation Bank, Canara Bank, Syndicate Bank, State Bank of India and some of the prominent Regional Rural Banks (RRBs) promoted SHG branches and special services for SHGs to boost the linkages.

One of the successes of the SLBP has been the change in perception of the leadership and managers of mainstream Financial Institutions. Small loans were historically seen by banks as a social obligation rather than a potential business opportunity. Contributing to this position has been the fact that poverty alleviation related small loans (IRDP, Differential Rate of Interest Scheme (DRI)) have been utilised historically as a tool for disbursing political patronage, undermining the norm that loans must be repaid. This made bankers cynical about lending to the poor. The SBLP was instrumental in changing these perceptions.

With a small number of 620 SHGs linked during 1992-1994, SBLP had, according to NABARD data, disbursed credit to over 2.23 million SHGs cumulatively by March 2006 and to 7.6 million SHGs in 2013-2014 (Figure 5). As on 31 March 2014 over 4.1

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13 Ajay Thanka; Two Decades of Bank Linkage Programme in India; 2011
14 http://www.sa-dhan.net/Adls/Microfinance/PerspectiveMicrofinance/BuildingSustainableMFIs.pdf
17 million SHGs had outstanding loans. **SBLP thus enjoys the status of a major microfinance programme in the world.**

![Cumulative number of bank linked SHGs in India (1992-2014)](image)

**Figure 5: Cumulative number of bank linked SHGs in India 1992- March 2014**

**Microfinance services through different models: variants or extensions of SBLP**

With the scale up of SHGs, many challenges and opportunities presented themselves, and were seized by NGOs, government and private players alike to establish new or complementary microfinance models.

As discussed in Chapter 3, in order to overcome the inherent limitations of a small unregistered group, and as part of a withdrawal strategy, promoters facilitated the formation of federations. There was also the formation of NGO-MFIs, Non-Banking Finance Companies (NBFCs) and post offices as tools to meet the credit needs of the SHGs. While the federations and post office mechanisms sought to link to banks, the NBFCs provided alternatives for financial services, especially where bank-linkages proved difficult. These variants and extensions of the SBLP have met with varied levels of successes.

**Linking SHG federations with Banks**

Being small in size, SHGs were somewhat limited in the financial services that they could provide to their members. To bridge the demand and supply gap of bank loans through SHG direct linkage, some of the SHPIs that promoted SHG federations, mobilised savings from the SHGs and SHG members and created own funds for the federation of SHGs\(^{13}\)
In 2007 NABARD issued a circular to facilitate financial support to promote SHG federations. Loans to Federations would be in far larger amounts than to individual groups. Though transaction costs were considerably lower, the risks were substantially higher and this model did not take off in a significant manner and most Federations faced difficulty in leveraging loan funds from banks. The progress for most Federations in bank linkage, except a few promoted by credible promoting NGOs, has been largely discouraging.

The postal network in India is much more extensive than that of our largest commercial bank - the State Bank of India. Additionally, by 2003, the postal system had already started providing financial services with a sound accounting system in place.

Convinced by the above mentioned factors and the already existing level of familiarity of SHG women with the postal network, NABARD launched a pilot project in Tamil Nadu in December 2003. The objective behind this project was to link post-offices with the SHGs to examine the feasibility of utilising the vast network of post offices in rural areas for disbursement of credit to rural poor on an agency basis; and to test the efficacy of Department of Posts in providing micro finance services to rural clientele.

The initial results were encouraging and NABARD sanctioned an additional Revolving Fund Assistance (RFA) of ₹20 million (USD 0.322 million)\(^\text{15}\) to India Post for on lending to SHGs, taking the total RFA sanctioned to ₹50 million (USD 0.805 million)\(^\text{15}\).

As on 31 March 2010, 2,828 SHGs opened zero interest saving accounts with selected Post Offices in Tamil Nadu and 1,195 were credit linked with loans amounting to ₹32.125 million (USD 0.518 million)\(^\text{15}\).NABARD also sanctioned ₹5 lakh (USD 8064)\(^\text{15}\) to Post Offices in Meghalaya for on-lending to 50 SHGs in east Khasi hills\(^\text{16}\).

Despite the extensiveness of the postal network, the post-office linkage programme had very little success, primarily because of its dependence on the postal department staff. There is evidence that wherever the postal department staff is involved enthusiastically in the project, the successes are assured. Further scale-up depends heavily on training and follow-up of staff. However, from a

\(^{15}\) Conversation factor: 1USD= ₹ 62

\(^{16}\) https://www.nabard.org/Publication/Status%20of%20Micro%20Finance%202009-10%20Eng.pdf
member’s perspective this model is work replication due to proximity of post office to them.\(^{17}\)

The attractions of the SHG-bank linkage model were many; the considerable reductions in transaction costs both for bankers and borrowers and the further possibilities of ‘graduation’ of individual borrowers into the banks’ regular lending programmes. Yet banks in many states were not enthusiastic about SBLP and banking with the poor. SHG-banking continued to be vulnerable to individual branch managers’ whims and fancies. As a result many NGOs and wholesalers favoured alternative paths for financial service provision for SHG members\(^{13}\).

Post reforms, rural markets emerged as the new growth drivers for MFIs and banks, the latter taking interest in the sector not only as part of their corporate social responsibility but also as a new business line. On the demand side, NGO-MFIs increasingly began transforming themselves into more regulated legal entities such as NBFCs to attract commercial investment. MFIs set up after 2000 saw themselves less in the developmental world and more as businesses in the financial services space, catering to an untapped market segment while creating value for their shareholders. This overriding shift brought about changes in institutions’ legal forms, capital structures, sources of funds, growth strategies and strategic alliances\(^{18}\).

A number of leading NGOs across the country including Shri Kshetra Dharmasthala Rural Development Project (SKDRDP) in Karnataka and BISWA in Odisha chose to act as or to transform themselves into financial intermediaries under appropriate legal provisions. Others set up independent satellite microfinance organisations under the NGO umbrella to act as intermediaries for SHGs or their federations.

While a few organisations like MYRADA, DHAN Foundation formed “not-for-profit” MFIs, others such as Association of Sarva Sewa Farms (ASSEFA) and BWDA formed “for-profit” NBFCs to channelise funds directly to SHGs or through their federations.

Models for SHG linkages to MFI included:

1. SHGs/SHG Federations linked to NGO-MFI intermediaries
2. SHGs/Federations of SHGs linked to in-house “not-for-profit” companies and NBFCs
3. SHG Federations and MACS linked to wholesalers

\(^{17}\) SAGE Publications and ACCESS Development Services; Microfinance India: State of the Sector Report 2012;2013
\(^{18}\) http://www.samn.eu/?q=india
In 2008 NABARD established a subsidiary called NABFINS (with equity from NABARD, Government of Karnataka and several Commercial Banks) and positioned it in a field which till then was dominated by models of NBFC-MFIs which started with good intentions; some of the largest ones however were increasingly driven by private and venture capital, where profits, high growth rates and high remunerations became the dominant drivers because governance took a back seat.  

As of March 2010, over 24 million clients were being served by the 103 MFIs with ₹196,760 million (USD 3173 million) loans outstanding. For-profit MFIs accounted for 90% of the total client outreach and loans outstanding. Nearly 81 million people were being served by the SHG-linkage programme with ₹ 61,990 million (USD 999.83 million) of savings deposits and ₹ 280,480 million (USD 4523.871) loans outstanding as of March 2010.

The Government of India (GoI) realised the potential that the SHG model had in alleviating poverty and contributing to women’s empowerment. The launch in 1999 of the Swara Gram Svarozgar Yojana (SGSY) articulated this through its objective: To bring the assisted poor families (Swarozgaries) above the Poverty Line by ensuring appreciable sustained level of income over a period of time, to be achieved by inter alia organising the rural poor into SHGs through the process of social mobilisation, their training and capacity building and provision of income generating assets.

The SGSY allowed considerable scope to state governments to scale up the innovations of the NGOs in promoting the SHGs and linking them to banks under the SBLP. While SGSY partnered with a number of NGOs for promoting and nurturing the SHGs, some of the state governments directly promoted SHGs through their District Rural Development Agencies (DRDAs), mostly in South India. Some of the externally-aided programmes (funded by IFAD, World Bank and DFID) implemented by the state governments also gave impetus to the rapid scaling up of the SHG model in Tamil Nadu, Andhra Pradesh and Karnataka. Andhra Pradesh was the first state to promote federations of SHGs on a large scale to sustain the SHGs and to provide the much-needed institutional architecture for the poor to access various entitlements from the state government.

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19 Aloysius P. Fernandez, NABARD Financial Services Limited (NABFINS): Where it stands and where it endeavors to go; April 2012
20 Conversion factor: 1 USD= ₹ 62
21 Champatiray A., Agarwal P, Sadhu S.; IFMR; MFI and SHG penetration among female population; 2010
By 2005, the state governments in many states had several schemes designed for the welfare of the poor that were delivered through the SHGs and their federations. Today, SHGs and SHG federations are being used as channels for delivering various state development and welfare schemes and bear responsibilities normally handled by government welfare departments. Many political parties evinced keen interest in the SHGs and included various promises for the SHGs in their election manifesto. Basic principles like self-help, mutual benefit, self-management and self-reliance were compromised. With increased emphasis on credit and subsidy, there was limited ownership among the SHGs promoted by the state governments resulting in weak group dynamics and high dependence on the promoter.

Starting from 2005, the Union Budget speech of the finance minister included microfinance and each budget had a certain target for the SBLP at the all-India level. Today more than 75 percent of the SHGs in India are promoted by the state governments under various schemes and programmes, such as Indira Kranti Pratham (IKP) in AP, Mahalir Thittam in Tamil Nadu, Kudumbashree in Kerala, Mahila Arthik Vikas Mahamandal (MAVIM) in Maharashtra and Mission Shakti in Odisha.

Ensuring optimal success and sustainability of SHGs and Federations required a host of other services beyond mere credit provision such as production, packaging, marketing, utilisation of loans, etc., which SHPIs have been providing, albeit with varying levels of success.

A success story is that of MYRADA, which linked its SHGs to the watchmaker – TITAN, for manufacturing inputs of watches and providing services at the factory. The success culminated in the establishment of the private company, MEADOWS where the SHG groups now directly deal with TITAN22.

Corporate India is also showing keen interest in the SHG movement as it provides an alternative business opportunity for them besides being a means to actualise its corporate social responsibility objectives. Many corporates have realised that the people at the bottom of pyramid can be brought into their business model. The group also sees a critical role of the corporate sector in providing market linkage to the products of the rural areas on a sustainable basis. The following are the examples.

- ITC (through e-choupal model)
- Hindustan Lever Ltd (through Stree sakti project)

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22 http://www.iimb.ernet.in/microfinance/Docs/Students/meadow_ujjwala.pdf
The convergence of SHG with Panchayti Raj institutions is significant from a social empowerment perspective. SHGs are moving beyond their mandate of economic self-reliance to participate in the overall affairs of society through Panchayati Raj Institutions. There are a number of roles that SHGs play in this context: (a) Participation in development programmes of the Panchayat; (b) being pressure groups at the gram sabha in ensuring quality delivery of programmes; (c) interfacing for rights and entitlements; (d) Interlocking of institutional membership, where SHG members are in other committees and are able to ensure transparency and accountability in the functioning of these committees. Engagement at the panchayat level has provided opportunities for members to meaningfully participate in their community institutions, as well as set or drive its agenda.

Figure 6 shows the institutional architecture for sustained financial access, encompassing all the options of SHPIs, financial service providers and legal forms that community institutions can assume.

At the local level the groups are informal in nature. As they federate, they are registered – having different options of form – based on their agenda and approach, and influencing their scope and activities. This allows for flexibility at the grassroot level, while providing for regulation with scale.

The groups and federations are promoted by different types of agencies. The growth of the SHG movement has also led to the formation of financial institutions, departments and funds – in the government and non-government space.

All these development have a bearing on the pathways and outcomes to empowerment, and on scale and impact (as cause or effect). This is discussed in greater detail in chapters 6 and 7.

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23 Dr. Md. Tarique and Ranjan Kumar Thakur; Growth of Micro-credit in India: An Evaluation (90th Conference Volume of Indian Economic Association); 2007
Figure 6: Institutional architecture facilitating sustainable financial access to the poor
5 Case study of SHG models

This chapter gives a brief snapshot of the 6 models under the primary study – the government led models – Kudumbashree, implemented by the Government of Kerala; Indira Kranti Patham (IKP) implemented by the SERP, Government of Andhra Pradesh (AP); Jeevika, implemented by Bihar Rural Livelihoods Promotion Society; Mahila Samatha/Mahila Samakhya in AP and Bihar – and the NGO led models – MYRADA and Rajiv Gandhi Mahila Vikas Paryojana. It lays the context on which the successes and challenges of women’s empowerment within the models are analysed.

Kudumbashree

Kudumbashree, initiated in 1987-88, was sponsored by UNICEF. It was formally inaugurated in 1998 as a mission to eradicate poverty, with the goal of universal coverage of poor women under the SHG model by the Government of Kerala.

Context

The Kudumbashree programme design and impact has been deeply influenced by some unique socio-economic feature of the state of Kerala like i) Kerala is a highly literate state (94.65 percent literacy rate, India 74.04 percent\(^\text{24}\)) and has the highest rate of urbanisation (47.71 percent during 2001-2011\(^\text{25}\)) ii) The Panchayati Raj Institutions (PRI) in the state have traditionally been strong with a high degree of decentralisation of power at the grass-root level iii) The political environment of the state is dominated by two parties- left and centre right who have, between them, ruled Kerala for most of the period since independence.

Coverage

By September 2014, the programme had over 2.5 million groups, 4.1 million members, with savings of ₹22,620 million\(^\text{26}\) (USD 364.83 million)\(^\text{27}\). Kudumbashree covers more than 50 percent of poor households in the state with over 90 percent of the women members being poor. Its coverage includes all of Kerala except the tribal areas. The programme has now diversified and today it supports over 10,000 farmers’ collective and over 80,000 micro-enterprises that are engaged in variety of livelihoods activities including making of baby food for the Aanganwadi (Early Childhood Development Centres).

\(^{24}\) Census of India 2011
\(^{25}\) Census of India 2001 and 2011.
\(^{26}\) Economic Times; Kudumbashree: Kerala's all-women Rs 22,620 million savings group finances microenterprises of members (September 2014)
\(^{27}\) Conversion Factor: 1 USD= ₹62
**Approach**

Kudumbashree model right since its inception adopted **rights based approach** where members of the programme proactively seek various social and economic entitlements. The programme always had a clear agenda for women empowerment which was an integral part of programme design and process. In conventional anti-poverty programmes the poor are identified using income as the sole parameter, usually done through a household survey conducted by the officials. In Kudumbashree to identify the poor instead of the income criteria, nine point non-monetary risk indicators have been designed and developed, which are very simple, transparent, easily understood by the community and includes various manifestations of poverty.

**Institutional Arrangements and Governance**

Ten to twelve women form a neighbourhood group (NGH). In each Neighbourhood Group from among its members, five Volunteers are elected for undertaking various functional activities – community health volunteer, income generation activities volunteer, infrastructure volunteer, Secretary, and President. The position of a volunteer is the first stepping-stone towards leadership for a woman from poor family.

The second tier is Area Development Society (ADS), which is formed at ward level by federating 8-10 NHGs. The activities and the decision in the ADS are decided by the representatives of the poor elected from various federating NHGs, and functions through a General Body, Governing Body and Monitoring and Advisory Committee.

At the Panchayat level a Community Development Society (CDS), a registered body under the Charitable Societies Act is formed by federating various ADSs. Like the ADS, the CDS has three distinct bodies, a General Body, Governing Body and Monitoring and Advisory Committee.

**Services**

The model allows for savings, facilitates bank linkages of the NHGs, forms federations, provides trainings on livelihood activities, markets the produce of the SHG group enterprises, promotes tourism through the SHGs and most importantly provides a forum through which information is disseminated to the groups.

**Good practices**

1. **Inclusive approach:** The nine-point index through which women for groups were self-identified was a unique approach that ensured strong and inclusive groups and federating structures
2. **Quality of the staff**: The government staff selected to lead the programme was based on their reputation. These officials were the best in their area of operation in various sectors which included finance, accounting etc.

3. **Strong team**: The Kudumbashree team is a combination of the government, the NGOs and the private sector where each party gets equal representation. The government representatives bring with them their experience/expertise, the NGO brings in empathy and the private sector brings in efficiency with it.

4. **Stable Leadership**: Kudumbashree has had only three Directors since its inception. Stable leadership played a very critical role.

5. **Divergence from the SERP (AP) model**: SERP focused much more on savings and thrift while Kudumbashree focused on enterprises and gender empowerment.

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**Indira Kranthi Patham (IKP)**

IKP is a state-wide poverty reduction project to enable the rural poor to improve their livelihoods and quality of life through their own organisations. It is implemented by SERP, the department of Rural Development, and the government of Andhra Pradesh.

SERP is an autonomous society registered under the Societies Act, established in 2000 with a financial assistance of $260 million from the World Bank, for the implementation of rural development projects in a professional and accelerated manner. SERP implements the project through DRDAs at the District level. The Chief Minister of Andhra Pradesh is the Chairperson of the Society.

**Context**

The IKP/SERP model is influenced by the following socio-economic characteristics of AP: i) the extensive coverage of banks cross the state ii) high proportion of women headed households iii) more socially empowered women due to the anti-arrack movement that took place in the early 1990s; iv) builds on more than a decade long, state-wide rural women’s self-help movement.

**Coverage**

SERP covers 11.6 million SHG members in 1 million SHGs organised into 43,597 Village Organisations (VOs) and 1,098 Mandal Mahila Samakhyas (MMSs) and 22 Zilla Samakhyas in AP.

**Approach**

To provide sustainable livelihoods, SERP has made various land based interventions to poor households that include land access, sustainable agriculture, dairy, non-farm livelihoods and jobs for rural youth.
Institutional Arrangements and Governance

SERP is an autonomous society, registered under the Societies Act. The institutional arrangement is a four-tiered structure. Ten to fifteen women form a SHG. The SHG is federated at the Village, village organisations at the mandal level and the Mandal Mahila Smakhyas (MMS) at the district level (Zila Samakhya). For disadvantaged individuals, the SHG is federated only at the mandal level.

Two representatives are elected by the SHG to represent the group in the VO. Three office bearers are elected in each VO. Two representatives from each VO constitute the general body for the MMS. Five office bearers are elected for the MMS which constitute the governing board of the MMS.

Services

Social mobilisation, institution building, financial institutions linked to each level of federation, providing livelihoods, building value chain, social security.

Good practices

1. SERP adopted participatory methods in identification of the poorest of the poor and poor through educated and experienced resource persons.
2. Special programmes were designed by positioning separate staff to the vulnerable and disadvantaged communities like disabled persons, tribes (Chenchus, Yanadis), fishermen and so on. It is said that around 98 percent of the poorest of the poor households were organised into SHGs.
3. Influencing the government policies in designing various rural developments and social security programmes like Dr.YSR Abhayahastham, Bangaruthalli etc.
4. Development of a cadre of social capital and Community Resource Persons to achieve the objective of attaining self-managed community based organisation
5. The SHG movement has become an important element in the process of empowerment of women and hence, the government is giving priority to women in designing developmental activities. Apart from the existing subjects related to social mobilisation and micro finance that were already a part of the curriculum in universities, several universities have also adopted courses on institutional building.
6. Exclusive SHG women bank branches are more helpful to the women in remittances and loans and the women are able to get banking services without any disturbances. The staff members of the bank are also women and they provide support for filling vouchers to withdrawal amounts. Women beneficiaries were of the opinion that separate branches are more useful to avoid issues with men.
Jeevika, launched in 2006 is a comparatively new government promoted SHG programme in eastern Indian state of Bihar, established by the Bihar Rural Livelihoods Promotion Society. Initially funded by the World Bank it is now funded by the state government. The Jeevika programme is primarily based on the SERP model of AP though the programme has adopted a different strategy due to vast difference in the context of the two states.

**Context**
Some of the key features of the state that influenced the programme design and strategy are: i) Bihar is among the most socio-economically backward state of India with highest poverty rate and lowest score on HDI ii) It is the least urbanised state with nearly 90 percent population living in rural areas iii) the social and political institutions are deeply fractured around traditionally caste and class divisions iv) The penetration of formal financial institutions like Bank is lowest in the country.

**Coverage**
The programme reaches out to 2.3 million SHG members, 1,86,248 SHGs, 8113 VO, 165 MS across all 38 districts of Bihar spread across all 38 districts of the state. Roughly ₹ 376 million rupees (USD 6.06 million)

28 of credit has been disbursed across 66,258 SHGs

**Approach**
The programme focus is on socio-economic development and livelihood promotion. The programme has also taken initiative on enhancing food and nutritional security of poor households. The programme is at different phases of maturity at different places. This provides the advantage of transferring learning from one place to another.

**Institutional Arrangements and Governance**
Ten to twelve women form SHGs. At-least eight functional SHGs with twelve members are federated at the village level into the VO and then at the block level into Block Level Federations. Members of different SHGs can be a part of a producer group which is federated at the cluster level.

All members of the SHGs constitute the general body of the VO and two members from each SHG form the executive committee of the VO. Five members from the VO are the office bearers. The role of the VO includes providing technical assistance to the SHG members, solving problems and conflicts between SHG members and facilitating the socio-economic development of the members. After the establishment of about 15-20 functional VO’s, the same are promoted to the cluster

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28 Conversion Factor: 1 USD = ₹ 62
29 Source: BRLPS MIS- July 2014
level federation (CLF). The general body of the CLF comprises of the executive committee members of all the VOs. The representative executive committee comprises of one representative from each VO and three-five office bearers are elected overall to represent the CLF. The CLF is responsible for financial allocation by prioritizing demands of SHGs and the federations, managing natural resources and disseminating information. The Block Level Federation (BLF) is formed after the SHGs/VOs/CLFs have attained critical strength in terms of capacities and numbers. The role of the BLF is to provide technical assistance, conduct social audits, maintain the information system and mobilize community resource personnel.

**Services**
The model provides for institution and capacity building, social development of the members, training on livelihoods, facilitation of market linkages for the livelihood activities undertaken, accumulation of savings and access to finance.

**Good Practices**
1. The programme did not make provision for direct subsidy to the beneficiary. This helped in building cohesive and financially self-sufficient groups
2. Sound training protocols of the women is essential for facilitating strong groups and their nested institutions. While the training modules were based on the SERP model, effort was made to customise them for the Jeevika.

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**Mahila Samatha, Andhra Pradesh**

Andhra Pradesh Mahila Samatha Society (APMSS) is a part of the Mahila Samakhya Programme of Government of India under department of Education, Ministry of Human Resource Development. The programme was launched in the State during the year 1993, under the National Policy on Education (1986) to empower women through Education. APMSS is funded through central and state government. Initially implemented in Medak & Mahaboobnagar districts it is presently extended to 15 districts through phase wise expansion.

**Context**
Some of the key features of the state that influenced the programme design and strategy are: i) Many AP districts have high poverty and backwardness, with marginalised women, particularly those belonging to the Schedule Caste and Schedule Tribe communities; ii) There are areas where female SC/ST literacy levels are very low (approximately 15-25%); iii) These areas are also very low on other development indicators.

**Coverage**
The project currently has 2,54,018 members in 6639 SHGs spread across 5,013 villages in 121 mandals and 15 districts of AP.

**Approach**

The principle objective of the programme is **Education for Empowerment of Women**. It is sought to be achieved through village women’s collectives - **The Sanghams**. The core areas for empowerment are education, health, women in governance, natural resource and asset building and social and gender equity issues.

**Institutional Arrangements and Governance**

Ten to fifteen women form an SHG. There is only one meeting arranged periodically in each village where members of all the SHGs of the village attend, rather than each SHG arranging their own SHG meetings. Non-members are also encouraged to attend these meetings.

All the SHGs in 5-6 villages are formed into a cluster. The representatives of the clusters together form a federation at the mandal level. The representatives of the federations form a Mahasangham at the district level.

Each SHG has sub committees on education, health, NREGS, legal issues.

**Services**

The structure of the model allows for awareness and discussion on political proceedings of the local governments, establishment of local women courts to reduce domestic violence and institutions where adolescent girls can receive education. Bal Samakhyas or SHGs for younger children are also organised under this model.

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**Mahila Samakhya, Bihar**

Mahila Samakhya Bihar was started in 1992 in Bihar under the National Policy on Education (1986) to empower women through Education. The initial funding for the programme came from the Central, State Government and UNICEF. DFID also funded the programme in subsequent years. In 2006 the Bihar Mahila Samakhya Society, was established as an autonomous body and is now running the programme.

**Context**

Some of the key features of the state that influenced the programme design and strategy are: i) Bihar is among the most socio-economically backward state of India with highest poverty rate and lowest score on HDI ii) It is the least urbanised state with nearly 90 percent population living in rural areas iii) the social and political institutions are deeply fractured around traditionally caste and class divisions; iv)
When the Mahila Samakhya programme began, it was difficult to find even a single literate girl/woman in some villages.\textsuperscript{30}  

**Coverage**  
By July 2014, the programme had 2,14,436 members across a total of 11251 SHGs and 9 federations across 124 blocks and 8,503 villages. An approximate savings of about ₹ 98.26 million (USD 1.584 million)\textsuperscript{31} has been accumulated since the inception of the programme.\textsuperscript{32}  

**Approach**  
Mahila Samakhya is an education process that aims at enabling the woman to move from a state of passive acceptance of her lot to where she can speak her mind, articulate her needs, and join hands with other women in order to identify collective strength and to make decisions that affect her life and that of her daughters.  

Though Mahila Samakhya began as part of the Bihar education project in 1992, literacy in the Mahila Samakhya vision is not an end in itself, but part and parcel of an overall empowerment strategy. The Mahila Samakhya is the cocoon where women work on their self-esteem and interact with each other, think, and articulate their strengths.\textsuperscript{33}  

**Institutional Arrangements and Governance**  
Sanghas are formed at the village level and a cluster of 10 villages forms the Cluster Resource Group. A unit of 50 villages forms the core group. Federations are formed at the district level. Each SHG has sub committees on education, health, NREGS, legal issues.  

**Services**  
The model establishes local women courts, discusses on issues relevant to the village, provides for trainings for capacity building, educates women on their rights, markets the produce made by women organisations and also targets adolescents.  

**Good Practices**  
1. The need for savings is not imposed on the members. The model allows members to realise the need for savings as a solution to their existing problems. This allows

\textsuperscript{30} http://www.bihardays.com/bihars-mahila-shikshan-kendras/  
\textsuperscript{31} Conversion Factor: 1 USD = ₹62  
\textsuperscript{32} Source: Mahila Samkhya Office: July 2014  
\textsuperscript{33} http://frank-op.blogspot.in/2008/04/women-education-social-change-jaiman.html
for increased sustainability in the savings phenomena adopted by the members of the SHG.

2. The focus is on social empowerment of women under the assumption that social empowerment widens the thought process of the beneficiary allowing her to think progressively and subsequently empower herself in the economic and political sphere.

**Governance mechanisms at state level promoting institutions**

The government led models have certain governance and implementation features that have facilitated growth and impact of SHGs and efficiencies in the delivery of services. These features include the following:

- The organisation is usually a ‘registered state promoted Society’, which ensures ‘authority and power’ of the government, and at the same time has the ‘flexibility’ of an independent civil society organisation/ company.
- The thrust is on ensuring consistently high levels of ‘political and bureaucratic will’ to the initiative, and therefore the top political leader or bureaucratic head, heads the institution (Chief Ministers or Principal Secretariats).
- **Two layers of governance** are followed – Governance Council and Executive Council, which ensures decisions are taken on time, both at strategic and operational level.
- **Representation of key departments** or institutions and governing board, as convergence is the key to the intervention.
- **Strong and long haul for the top leadership** – in most of the models the top leadership of the implementation agency (such as SERP, Kudumbashree, etc.) are given 5-10 years of timeframe as the leader, without change (which is quite different from the normal government system).
- Advisors and steering group members include experts from civil society, government, and others, and also the representatives of the ‘external funders’ (such as the World Bank, DFID, IFAD, etc.).

**Implementation arrangements at state level promoting institutions**

An independent implementation organisation is generally established, with leadership coming from the government (on posting; and usually ‘hand-picked’) and with professionals selected or deputed that are provided with a long haul. Also, State Level Promoting Institutions have operated in diverse fashions:

- **Focus on communities** and participatory processes like a civil society
- **Authority and scale** of the Government
- **Efficiency and results orientation** of a corporate
The systems, processes and investments involved are more like that of a corporate, with result based management systems, indicator based monitoring, and looking at unit costs and efficiency.

Apart from the government-led models detailed above, two NGO-led models – MYRADA and Rajiv Gandhi Mahila Vikas Paryojana – were also examined. A brief case of these is presented here.

**MYRADA**

Formed in 1968, MYRADA started focusing on marginalised poor since 1982. It has been a pioneer in the microfinance sector in India. Myrada at present is directly managing 18 projects in 20 backward and drought prone Districts of Karnataka, Tamil Nadu and Andhra Pradesh.

**Coverage**

As on March 2009, MYRADA was working with 9747 SHGs with 153490 members. A total savings amount of ₹ 727 million (USD 11.725 million) has been accumulated. Additionally, the total amount of credit disbursed values ₹ 3934 million (USD 63.45 million).

MYRADA also established Sanghamita, an NGO-MFI.

**Approach**

MYRADA aims to empower the poor and marginalised so that their right to build and manage their own institutions, develop their own livelihood strategies and lobby effectively to change oppressive relations is recognised.

**Institutional Arrangements and Governance**

Self Affinity groups (SAGs) formed are federated at the village level under the CMRC. The CMRC is composed of members of diff CBOs and supported by the Center for Institutional Development and Organisational reform.

Not less than 10 and not more than 30 SAGs should form the federation. There should be 2 members representing each SAG in the federation. The SAGs gaining representation should be atleast 6 months old.

**Services**

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34 APMAS; An Evaluation Of Self-Help Affinity Groups Promoted By Myrada; 2009
35 Conversion Factor: 1 USD : ₹62
MYRADA provides livelihood improvement through NRM management, vocational education, trainings, capacity building and education.

**Rajiv Gandhi Mahila Vikas Pariyojana**

Rajiv Gandhi Mahila Vikas Pariyojana was initiated in 2007 by the Rajiv Gandhi Charitable trust to build the gap between the poor and their entitlements. It receives funding primarily from NABARD.

**Coverage**
The model has formed 105996 SHGs constituting 12,35,400 members across forty plus districts in Uttar Pradesh. These SHGs have a total saving corpus of ₹ 600 million (USD 9.677 million)\(^{36}\) and have availed credit of ₹ 3220 million (USD 51.93 million)\(^{35}\) from the banks\(^ {37}\).

**Approach**
Reduce poverty and promote women empowerment and rural development to bridge the gap between the poor and their entitlements

**Institutional Arrangements and Governance**
15 women form an SHG, 20 SHGs of the village are federated at the village level and then at the block level

Each SHG is represented in the VO by 2 of its members, 20 members of the VO form the executive body, 5 members are elected to be office bearers and 15 members form sub committees on education, health, bank linkage, social awareness and gender

**Services**
The model allows for direct delivery of savings, linkages with government departments and banks, provides training on livelihoods, and generates awareness on health, rights, education and entitlements. The model also allows for the formation of SHGs for young girls so as to develop their skills on livelihood and leadership.

\(^{36}\) Conversion factor: 1 USD= ₹62

\(^{37}\) Source: [www.rgmvp.org](http://www.rgmvp.org); Impact Chart (Mar 2014)
6  Women’s empowerment and the SHG movement: factors of impact

Women empowerment is a central issue in development planning and poverty alleviation strategy worldwide and especially in the developing and least developed countries. The real thrust for women empowerment in many of the developing countries like in India and in several African countries came from women led grass root movements where women self-organised themselves on institutional platforms to demand for justice, equitable wages and freedom from social oppression. The emergence of Self-employed Women Association (SEWA) in Gujarat, India in early 70’s as a union of women working in unorganised sector is an excellent example of women's movement which evolved into an institutional platform. The emergence and evolution of the SHGs in India in 90’s can be traced to the sociological and political backdrop of such local movements that provided and prepared the ground for women collectivisation as the first step towards group formation.

This chapter aims to explain the process by which women, who are a part of an SHG, gain empowerment in the economic, social and political sphere. It also aims to analyse and present the level to which this empowerment has been achieved both through secondary literature and primary data collected.

Empowerment can be defined as “The expansion in people's ability to make strategic life choices in a context where this universally and relevant in the local context ability was previously denied to them” Kabeer (2001)38. Seen from this perspective, women face an overall condition of disempowerment where they experience diminishing ability to take strategic control of own life choices. Conversely, in condition of gender equity, women as member of society should have capability to make choices in two inter-related dimensions –

a. **Agency**: an actor’s ability or inability to make a meaningful choice; that is, to envisage options and make choices.

b. **Opportunity**: the formal and informal contexts within which actors operate, which may facilitate or hinder the exercise of choice (Alsop and Hinson (2005)39.

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The SHGs or its earlier variants that were started in India in ‘80s, initially served as a financial intermediation platform for poor rural women who did not have access to basic financial services. The basic mechanism of the group where 10-20 women come together to grow their savings and to access credit which banks are increasingly willing to lend, gradually evolved into a financial plus social platform where women now increasingly discuss and take action on community and women’s issues like- health and education, livelihoods and enterprise development, water and sanitation, access to entitlements and government schemes and prevention of social evils like dowry, alcohol and gender violence.

In the typical pathway (Figure 7) of a SHG progression from a financial intermediation platform to a community institution of empowered women, a few distinct stages can be identified:

**Stage I** - where SHG provides a new opportunity for women to *come together and meet regularly*, and discuss, debate and exchange views on issues that are important to their life and family and society at large.

**Stage II** - The emerging financial power through their association with SHG contributes to *gradual shift in perception* first with the members of the households where the women are seen as a source of financial stability. Women now increasingly influence household decision making.
Stage III - As SHG members gain in confidence, they start assuming larger role like undertaking of group enterprise, community work, monitoring and implementation of government programmes and schemes and participation in community meetings. This brings in change in perception of the society where women were now seen as active participants in village community.

Stage IV - Finally in mature SHG models, women graduate from being participant in social and political platforms to a more empowered role where they could successfully contest elections and assume political power at various levels.

To understand the role of SHG in women empowerment in India, the study referred to a large volume of research on the subject and also examined the evidence emerging from the ground. To take a ring side view of the impact of the SHG, the following section first looks at key economic and social impacts of SHGs (more specifically SHG Bank Linkage Programme or SBLP). The data in the following section is mainly derived from a GIZ-NABARD study\(^{40}\) conducted in six states (Andhra Pradesh, Karnataka, Maharashtra, Orissa, Uttar Pradesh and Assam) in five different regions across India (hereafter referred as ‘NABARD study’), an all India study on SHG\(^{41}\) (hereafter referred as Enable study), and primary data collected through expert engagement and focus group discussions with SHG groups. This data suggests that SHGs in general have made a positive impact on socio-economic condition and poverty of SHG members and their households. It has also reportedly empowered women members substantially and contributed to increased self-confidence and positive behavioural changes in the post SHG period as compared to pre-SHG period.

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\(^{40}\) National Council for Applied Economic Research for GTZ-NABARD, ‘Impact and sustainability of SHG bank linkage programme’, 2008. The study covered 77 percent (4791 households) of all credit linked SHG as on March 2002 and therefore represents all India picture. All groups covered under the study were more than four years of bank credit linkage.

\(^{41}\) K. Raja Reddy and C.S. Reddy, Self Help Groups in India: A study on quality and sustainability- Enable publications, (2012). The study covered a sample of 1942 SHGs from 41 districts of 8 states namely Rajasthan (266), Assam (250), Bihar (252), West Bengal (241), Gujarat (160), Maharashtra (253), Andhra Pradesh (250) and Karnataka (270) in India promoted by various SHPIs such as Government (692), NGOs (967), banks (51) and self/community (232).
The SHG movement has been able to make a **significant impact on poverty reduction** with the poverty rate for member household showing a decline of over 25 percent (Figure 9). This is an overall important result as it shows that the SHG movement across India has been able to deliver on poverty alleviation which is an important goal of development. The impact of SHG in lowering poverty rate can be linked to progressive enhancement in income levels (Figure 8) of the beneficiary households which is a result of reduction in financial vulnerability, improved access to financial services and in many cases due to women taking up new enterprises or expanding the existing one. The household income for the members from the SHG group was found to have increased by over 72 percent.

Economic empowerment of members through SHG has led to expansion of choice and increased freedom to women on financial matters at the individual and household level. In the NABARD study **60 percent of women members reported increase in ownership of productive asset post SHG while 22.9 percent women reported taking decision on household matters compared to 9.1 percent pre-SHG.**

When change in control over use of money is considered, the study shows that over 60 percent of the members have achieved higher degree of economic empowerment through their association with the SHG (Fig 10). Significantly, **more**
than 70 percent of the women indicated control over expenditure on children’s education as improved or significantly improved. Seen along with the increased household investment in education, this could mean a shift in role for women SHG member over the years, where they now play a central role in making decision on the matter. Such transformation in decision making role can be linked directly to women access to credit and savings though their membership of SHG.
Improving access to financial services is core objective of SHG programme. At the basic level, the programme seeks to enhance flow of credit and provide savings opportunity to members from formal financial institutions through the group platform. In the pre-SHG time, poor on account of lack of access to secured and accessible financial services from the formal channel would mostly end up seeking such services (mostly credit) from the local moneylenders at high interest rates with high collateral. The resulting debt trap would often force member and their households into cycle of socio-economic vulnerability and financial shock, further deepening the poverty level. SHGs help in breaking this cycle by making available institutional credit and savings opportunity to poor who are able to use these services to effectively manage household cash flows and starting of income generation activities.

Kudumbashree groups share that only the husband’s income was spent for household expenses. Members of the household were not insured and the level of health and education in the household was lower. Today, through Kudumbashree, they are able to earn money which has led to the redistribution of expenditure towards education, land and gold. The increased level of income has also allowed for an increase in the level of savings. Additionally, previously women had undertaken multiple loans for several purposes (including education, construction of their houses). There is a now a decrease in the level of access of finance through money lenders. Additionally, during situations of emergency, the women in Kudumbashree raise money for the person in need.

The SERP SHG members reported changes in the financial management of their houses and attributed the same to their membership in the SHG. In particular these changes were in the areas of expenditure on food, increase in the amount of loans
taken from the SHGs and their repayment and the ability to take loans from sources other than SHGs on a need basis.

The SHG bank linkage has led to deepening of financial services to poor as seen by more than 2.5 times average increase of loan per SHG member compared to pre-SHG era (Fig 11). The availability of credit has played a critical role in improving financial status and investment capacity of poor households.

With enhanced access to loans through SHG (51 percent), there is an overall increase in portfolio of loans to member households from formal financial sources and a proportionate decline in credit from non-formal sources (Fig 12). It is interesting to note that the penetration of SHGs has had a cascading impact on choices for credit sources available to members’ households. The loans from banks have also increased from 13 to 44 percent, indicating improved access of members to banking services. The massive drop in loans from moneylenders from once 60 percent before SHG to 1.2 percent in post SHG period is a strong testimony to impact of SHG in improving credit access to poor.

The Enable study has reported that for the 28 percent members of SHG the dependency on money lenders has ‘decreased’ while for 26 percent it has significantly decreased’ (26 percent). This could be because of on lending of savings mobilised from members, external grants and loans taken from promoting and credit agencies. Further the NABARD study shows that the proportion of loan (by
number) taken by members for productive purposes like investment in livelihoods/enterprise has shown steady increase from 43-51 percent; and a proportionate decline in loans for consumption purpose from 57-49 percent. Such shift in loan utilisation indicate that members after improving their financial capability to meet consumption expenses (like health, festival related expenses) are now graduating to next stage of economic development through enhanced investment in productive activities like livelihoods and enterprise promotion to expand and augment their income.

The Enable study reported that while, a majority believed that their membership with the SHG has led to an ‘increase’ in access to formal institutions (60.9 percent) and pro-poor programmes (53.3 percent), one-fifth of them felt that there is ‘no change’ in access to formal institutions and pro-poor programmes. The changes at household level indicates that the amount of ‘positive change’ is ‘more’ in case of financial aspects such as habit of savings, availability of credit, dependency on money lenders when compared to health status, educational levels and access to formal institutions and pro-poor programmes. It could be because of various government programmes being implemented through SHGs and saving and credit linkages of SHGs with banks.

The social empowerment of women has also led to change in perception and shift in attitude of society towards women in general. In the NABARD study, about 92 percent of the households with a women SHG member of SBLP reported increased social empowerment since their SHG membership over a period of time. The Enable study shows that a majority of the SHGs have reported that their families are cooperative (91 percent) followed by indifferent (5 percent) and put hurdles (4 percent) to attend SHG meetings. Similar kind of support is found in repaying loan instalments (88 percent- cooperative, 6 percent- indifferent and 6 percent- put hurdles). More support from family members could be because the men realised the amount of benefits, women were getting, being members of SHGs.

Significantly, in NABARD study, over 60 percent of women indicated improved or significantly improved capability to face different types of problems (Fig 13). Ability to move easily from one place to another is an important indicator of empowerment and in the Enable study a majority of the SHGs said that many women ‘go alone’ (66 percent) to do SHG work outside the village. Improved ability to face problems on health and financial matters can also be seen as an indicator of their expanding sphere of influence in households and making choices that have an impact on the wellbeing of household members. Such confidence in ability is reflection on the members’ progressive empowerment through group processes.
starting with interaction, debate and discussion which gradually paves way to next stages of economic and human development and finally towards social development/empowerment where women feel empowered to deal with family matters and community issues and demand more active participation in the decision making process.

However such changes in household decision making dynamics often challenge established traditions and norms and therefore cases of ‘backlash’ from the existing power locus, mostly from male family head is also quite common. In some cases this may lead to an increase in domestic violence and gender discrimination but group solidarity has often acted as a buffer.

Empirical evidence also suggests that SHGs have also resulted in major improvement in key social sectors like nutrition, health care and education in the members’ households can be traced to enhanced awareness and financial capacity of SHG women members to manage and take decisions on such matters. Economically empowered women are able to nudge decisions and investments in households towards improving social status of their family.

42 Source: Mr. Vijayanand’s Ladders of Empowerment based on the Kudumbashree experience
The NABARD study indicates that SHG members’ households (based on respondent’s perception) have on an average seen nearly 80 percent improvement in nutrition, children’s education and health care from pre-SHG situation (Figure 14). Similarly, the number of households using piped water supply increased by 7 percent but the improvement in sanitation facility showed a modest increase with number of households indicating no sanitation facility, coming down from 48 to 44 percent. The improvement in drinking water and sanitation is an indicator of enhanced awareness of members on safe drinking water and hygiene issues in their households.

The SERP members felt that implementation of various trainings, welfare and developmental activities by the CBOs, have resulted in many positive changes noticed at the individual, household and community level in i) level of literacy ii) ability to speak with government officials, iii) physical mobility iv) respect in the household and society, v) recognition within the government departments, vi) participation in gram sabhas, vii) confidence in raising issues with the concerned officials, viii) involvement in the identification of beneficiaries for various government programmes.

The children of women members of Kudumbashree attribute their level of education to the presence of Kudumbashree. Due to an increased level of education, the children have been stated to now marry at the age of 24-25 in contrast to the earlier age of around 18 years. Also, women now have a blanket cover for whenever there is a calamity since the women in Kudumbashree not only help in collecting money to deal with the calamity but also provide moral support which was not present earlier. They also try to deal with gender violence issues faced in a member’s household.

In Jeevika women believed that since their association with Jeevika, their self-respect has been enhanced as there is an increased recognition from the villagers; Before the formation of the SHG, the women were not allowed to move out of their households. However, now, due to the formation of the SHG, they are able to move outside their houses for the weekly meetings or to visit the bank. The physical mobility has given them a sense of empowerment Jeevika SHG women learnt how to sign. This signature literacy boosted their self-confidence to a very large extent. They realised that they had their own individual
The women stated that the staff at the bank now recognise them as the “group” and hence, treat them with respect. The women also realise that they now have a bargaining power since they can shift their account to another bank branch at any point of time.

Beyond financial transaction, the Jeevika group discussed on issues like domestic violence, children education, sanitation etc during their meetings. In case of domestic violence with a women member, the group acts together to counsel the responsible members in the household to stop such incidences. Women feel that the solidarity of the group has given them the strength to face any distress at the individual or household level. Awareness on schemes for health and education has improved, as a result of which, they ensure that their girl child also goes to school.

Increasing representation of SHG women in elected bodies is likely to make a significant impact on the gender dimensions of policy and governance. However, a step before women enter into electoral politics, a sign of political empowerment comes from increasing assertion of women in demanding public services from government and elected bodies and monitoring quality of such services.

The experiential learning through SHG prepares a woman who was earlier confined to her home, to discuss, debate and demand for her rights and entitlement. Evidence from study clearly shows that women members of SBLP are able to achieve political empowerment through their higher participation in community and elected bodies meetings, increasing membership in elected bodies/village level committees. As seen from the study (Fig 15), there has been over three fold increase from pre SHG in women members approaching government officials, attending meeting and discharging their duties in civic bodies. Such expansion in role is generally an outcome of mature SHG institutions where women are capable of taking charge of community affairs with confidence. Similarly The Enable study reports that before joining SHGs the participation of women in Gram Sabhas was very minimal. A majority of the SHGs have reported that, now, women are freely participating in Gram Sabhas (71 percent) and attending meetings within or outside the village (87 percent).

**Impact on political status:** As a sign of political empowerment, women members of SHGs now increasingly participate in electoral process at all levels and many women now assume important positions as political representatives.

![Figure 15: Change in the level of participation in public issues](attachment:image.png)
An overall consolidated view on the levels of empowerment achieved based on the GTZ-NABARD study shows that the highest level of impact has been achieved in the social and political sphere rather than in the economic sphere. Women are hence more confident which allows them to deal with various issues in their life and subsequently gain mobility in terms of their expression as well allowing them to participate in village level meetings.

In Kudumbashree the members of the ADS and CDS were involved in the planning process of the village with the working committees. Also, they are now more active in Gram Sabhas etc., which gives them a sense of political empowerment by going through that process.

In Bihar political parties recognised the strength/collective number of the Jeevika groups and give them priority at the time of the elections. Additionally, political parties have started giving preference to SHG women. Mrs.A.Laxmi Sivakumari – president of District federation, East Godavari has been nominated as the Member of Legislative Council under Governor’s quota in AP.

Some experts believed that the whole issue of women empowerment is seen differently by different SHG models. Therefore the actual achievement on empowerment varies, depending on the way empowerment is defined by the promoting agency and also on the goals and process adopted for the SHG facilitation. For example the Mahila Samakhya Programme sees women empowerment in terms of women ability to take her own decision and therefore stresses on women education, Kudumbashree model adopts an approach to women empowerment and emphasises on political empowerment as a key result area, while in SERP, empowerment is not the explicit aim but the assumption is that access to finance would lead pathways to other forms of empowerment. The whole NGO led SHG, has empowerment as its main goal where financial access has only a small role to play. Few NGO experts also believe that the bureaucracy led government SHG programmes are not designed to empower community and as such fundamental change in the lives of the women member of government promoted SHG programmes is less likely.
7 Factors for scale and impact of the SHG movement

As discussed earlier, in the condition of gender equity, women as member of society should have capability to make choices in two inter-related dimensions –

a. **Agency**: an actor’s ability or inability to make meaningful choices; that is, to envisage options and make choices.

b. **Opportunity**: the formal and informal contexts within which actors operate, which may facilitate or hinder the exercise of choice

Factors of women’s empowerment, generated by the study (both facilitative and inhibitive) empowerment presented here, can be categorised into:

1. Contextual factors: approaches, socio-cultural, political, agro-ecological, market...
2. Programmatic factors: programme strategies, components...
3. Institutional factors: institutional mechanisms, financing, leadership...
4. Policy context

**Contextual Factors**

Empowerment approaches drove the vision and pathways to change. Some experts believe that the whole issue of women empowerment is seen differently by different SHG models. Therefore the actual achievement on empowerment varies, depending on the way empowerment is defined by the promoting agency and also on the goals and process adopted for the SHG facilitation. For example the Mahila Samakhya Programme sees women empowerment in terms of women ability to take her own decision and therefore stresses on women education; Kudumbashree model adopts an approach to women empowerment and emphasises on political empowerment as a key result area. Right since its inception it has also adopted rights based approach where members of the programme proactively seek various social and economic entitlements. In SERP, empowerment is not the explicit aim but the assumption is that access to finance would lead pathways to other forms of empowerment.

NGO led SHG has empowerment as its main goal where financial access has only a small role to play, while Banks are more attuned to the financial route to empowerment. Some NGO experts believe that the bureaucracy led government SHG programmes are not designed to empower community and as such fundamental change in the lives of the women member of government promoted SHG programmes is less likely. A banker whom the team spoke to held the view “The biggest mistake in the SHG movement has been the involvement of the NGOs to form SHGs, leading to an inculcation of the ‘NGO culture’, rather than an
entrepreneurial culture into SHGs.” He felt that SHGs were never created to become institutions that lead to social change. However, these interactions with NGOs have made SHGs drift from their original motive.

In government led models, the stronger programme emphasis on empowerment lead to politicisation of the group within resulting in overall weaker outcome on poverty reduction. In Kudumbashree as the programme expanded to involve millions of women, the institutions have become susceptible to political interference from outside as the members are seen as potential voters and political agents by politicians.

With the expansion in scale of the SHGs many government led programmes also started to use SHGs for programme monitoring and service delivery like running of Public Distribution system (PDS) shops. This in view of some experts may have reduced corruption and improved efficiency but at the same time have increased the drudgery of the women who now have to manage multiple activities.

The socio-political context of the states influenced the type and level of empowerment of women and other impacts attained. For instance, in Bihar with its pervasive culture of caste discriminations and patriarchy bias mainstreaming gender empowerment through SHG is a difficult task. The Jeevika women have shown strength and resilience to challenge existing social bias, the deep seated social prejudices are likely to continue for many years to come. This may act against the stated objective of transformative empowerment of women through the programme.

In Kerala, the high level of literacy, urbanisation, strong PRI system and political environment has influenced the pathway to empowerment, with many women having moved quite far among the pathway on the stage IV in Figure 7.

“The social capital created by the programme has led to political capital and today the members of Kudumbashree find representation in Panchayats where many former Kudumbashree members today are Panchayat Presidents, and some have even been elected to state assembly where one current minister is former Kudumbashree member.” – Kudumbashree member

With respect to contextual challenges the spread of the SHG - Bank Linkage Programme in different regions has been uneven on account of various factors like pro-active role of State Governments, presence of well performing NGOs, socio-cultural factors, better performance of SHGs, etc. In March, 2001, 71% of the linked SHGs were from Southern Region consisting of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. The share of Southern Region has come down progressively over
the years but it is still at 44%. Many States such as Uttar Pradesh and Bihar with high incidence of poverty have shown poor performance under the programme.

The agro-ecological context and market maturity determined the type of and the success of the enterprise. In areas where the market is mature, aggregation potential is high, there is open exchange of information, no barriers to entry enterprises flourish. Market facilitation and capacity building on marketing by SHPI promoted growth of enterprise and women’s earning. For instance, in AP SERP has made various land based interventions to poor households that include land access, sustainable agriculture, dairy, non-farm livelihoods and jobs for rural youth. Its focus on markets has enabled women to start and operate successful enterprises. 

The SERP group shared that due to establishment of the dairy, 65,859 households gained self- employment and 3,280 members got employed as Palamithras (milk procurement agent).

Where SHPIs themselves had limited capacity for market linkages, enterprise development was limited.

**Programmatic Factors**

Salient principles for SHG formation and operation successfully guided the SHG movement of the country.

i) The principle of self-help where women from a neighbourhood are mobilised, made aware and motivated to take charge of their own development with support from by an external agency

ii) The principle of group where groups/collectives of women act as a cohesive unit, learns to conduct group transactions and take up group level issues, leverages group strength for both financial and non-financial purposes

iii) The principle of mutuality where women members aid and support each other on all matters that confront the group

Participatory processes and the overall approach of self-selection of member (guided by a set of good practices/ guidelines) enabled accelerated scale up while maintaining uniformity in principles and approaches. The principle of affinity in group formation was key to ensure a strong bond between members and peer support for responsible savings and credit.

The interactional element of the SHG functioning where initially the less confident women come together to form group, talk about their issues, made the SHG groups a place of solidarity, promoting their sustainability and effectiveness. This has been the first step towards empowerment which one can see in SHG women. This is
different from the Grameen model where the group procedure is focussed mostly on transaction.

Targeting, (also linked to the approaches taken by SHPIs) determined the extent of inclusion. For instance, the nine-point index of Kudumbashree through which women for groups were self-identified was a unique approach that ensured strong and inclusive groups and federating structures where it has operated. Yet, Kudumbashree has been less successful in making impacts in the remote tribal pockets and coastal regions due to the geographical limitations. As a result of this, a section of ultra-poor has not benefited from the programme.

SERP too adopted participatory methods in identification of the poorest of the poor and poor through educated and experienced resource persons. Special programmes was designed by positioning separate staff to the vulnerable and disadvantaged communities like Disable persons, tribes (Chenchus, Yanadis), Fishermen etc, 98 percent of poorest of poor households were organised into SHGs. Yet, in due course of time, SERP realised that it had not been able to impact the target population – the poorest of the poor, to a very large extent.

Overall it may be said that while on the one hand, in government led models, targeting approaches have enabled inclusion of many poor women, in the face numerous limitations, outreach to the poorest and socially excluded remains limited. In contrast there are good practices of many NGOs which take efforts for inclusion. Some SHG groups of SHEPERD, which operates in Tamil Nadu, allows women to save even a handful of grain every week, to ensure food security and nutrition; other NGO SHGs facilitate village governance and commercial groups to give work to ultra-poor. These groups believe in the principle of self-help for the community and not merely for the group.

In Jeevika, as in other government led models the programme implementation structure has been top heavy and runs risk of over bureaucratisation and becoming financially unsustainable.

In this scenario, conceptualizing an exit strategy is not feasible as the entire programme is still critically dependent on support from the government and financial institutions.

A holistic approach to addressing poverty through the institutions of the poor - focusing on financial inclusion, livelihood promotion and addressing a number of social issues – through an institutionalised system of convergence with various line departments of the government facilitated success.
Mission mode of implementation building on the experience and learning from the large-scale government poverty reduction programmes and the experiences of the NGOs made for more effective implementation.

However, in the last three years or so, the undue focus on bank loans has transformed SHGs into credit management groups that are excessively dependent on banks. They need to return to their roots. SHGs need to improve their bookkeeping systems and conduct regular audits. Governance and management of these institutions and federations needs to improve so that members can have greater trust in their own institutions. Those who promote these SHGs need to have less control and focus on transferring skills to the community.

The adequacy and quality of human resources promoted as well as limited scale and impact. The success of the programme depends highly on committed and capacitated individuals to engage with groups and support them in their growth.

The government-led models have deputed senior officers to lead the programmes.

SERP has been able to recognise and develop a good pool of human resources as its community resource personnel which have further lead to the scale up of the programme. It has further provided resource persons and trainers for the Jeevika programme which could quickly create a pool of local SHG women taking the role of trainers. This led to the quick expansion of the programme.

However, many programmes face staff shortages, or limitation of capacity. For SERP shortage of staff and technical support is major concern. Though there are sufficient VOAs at Village level, they are not performing their roles effectively due to no systematic salary system. All the project activities are online but no computer operator allocated to MMS.

Capacity building – generic and thematic in nature; in terms of resources as well as abilities; through linkages with government training institutions, has ensured continuous availability of resources for scale, cross-learning, and efficiency in implementation.

Another successful element in the SHG is the resource model where the women from the SHG would themselves become trainers (as it happened in the AP) which helped in the more effective capacity building and faster expansion of the programme.

43 http://www.cgap.org/blog/will-indian-shg-movement-withstand-competition-mfis
There are, however, a few challenges with respect to capacity building. Firstly, ensuring time and resources is a challenge. Keeping the capacity building support in tune with the maturity of SHGs is a challenge – for e.g. while the training with respect to institutions have been reasonable, there is limited support in the areas of marketing, livelihoods, etc. Assessment of the effectiveness of the training and trainers is low.

Appropriate linkages of SHGs and Federations at each level - with the government departments, banks and financial institutions and to some extent with corporates, and with mainstreamed institutions as much possible (credit, insurance, entitlements, agriculture, marketing, dairy, poultry, etc.) has enabled holistic support.

Many government departments have recognised the potential of SHG federations and have used them in delivering their services. The women and children development departments, rural development departments, health departments, the Panchayat Raj departments, educational departments and organisations involved in HIV/ AIDS, human right issues, livelihoods, water and sanitation are increasing partnering with federations. They are even willing to pay for the services of the federations.

In Kudumbashree, right from the start the programme could achieve convergence with local self-governance institutions like Panchayats and urban bodies. This was partly possible since Kudumbashree was launched close to the time that the constitutional amendments empowering local bodies were put to effect. Later a strong emphasis on joint working and overlap of monitoring and finance role ensured that Kudumbashree retained linkages with these bodies. The integration of Kudumbashree with the people’s planning process was a great success. Several services of the Panchayat like cleaning were outsourced to Kudumbashree. Several such initiatives were taken to ensure convergence of Kudumbashree with the PRIs.

Though linkages have enabled greater efficiency in operations, there are issues with the linkages – with different organisations and different approaches, requiring constant monitoring, support.

Efficient result based management and impact monitoring systems facilitates efficiency and learning. In AP the government made significant investments in using technology for strengthening the SHG movement (web-based database for SHG Bank linkage, use of mobile phone for web-based book keeping and for monitoring various project activities).
The sustainability of large number of community institutions has not been well understood in absence of which the strategy to support and make such institutions autonomous and self-sufficient is a challenge.

In Kudumbashree, despite successful empowerment, the programme is still not fully sustainable - both financially and institutionally. The core structure of the Mission and the CDS still require financial support of the government and the situation is not likely to change over the next decade. The banks are also not fully sensitised as yet and in many cases are not keen on lending to SHG groups.

**Institutional Factors**

The institutional and governance arrangements within state level promoting institutions enabled:

a. Long-term visioning and execution of the vision, as leaders were appointed for the long-term (which is usually not the case in government departments)

b. Political support with the top political leadership of the state committed to the success of the programme so that successive change in the government over the years not dilute the broader policy thrust, as in the case of Kudumbashree

c. Effective leadership

d. A link between strategic and executive leadership, ensuring implementation of strategies and feedback loops

e. Representation of departments, facilitating convergence

f. Well balanced engagement with civil society – bringing in participatory approaches, sensitivity, supporting group mobilisation, demand side focus for entitlement, and so on.

g. Effective coordination system with representation from various agencies at various level, led by the government

The community institutional architecture was facilitatory and included:

a. SHGs Federating at 2-3 tiers with local informal groups and higher level formal registered groups, enabled a regulated and structured organisation, while maintaining ‘informality’ or ‘flexibility’ at the grass-root level

b. The financial inclusion agenda which maintained the stakes of the members/ member organisations with the group

c. Field level coordination mechanisms with community leaders and local stakeholders; chaired by appropriate authority from the government, helping to bring focus and timely decisions
The financing models of interventions influenced model design and growth. At the start-up, externally funded, small funding pilots were initiated as action research; Scaling up, in many cases was through ‘external funded’ projects, which provided not only focussed and adequate funds, but also ‘push’ to ensure that the work is done as per plan and with quality; Subsequent and continuous funding ensured through a combination of State and Central funds – through ‘Plan’ funds provided stability.

In the case of Jeevika, the state government provided strong support to the programme by providing adequate financial resources, dedicated and autonomous structure for programme implementation and by harnessing support from line departments to support the programme at the ground level. Since the penetration of the banking institutions in Bihar was weak, the government directly negotiated with many public sector banks to prod them to finance Jeevika groups. The programme also tried to build awareness of the bankers by sponsoring exposure trips to the successful bank linkage model of SERP in AP.

SERP provided Community Investment Fund (CIF) as a “seed capital” for the SHG federation to lend to those SHGs that are not able to access bank loans.

**Policy Factors**

To begin with, the scale was assured when SHG, as an institutional mechanism was recognised by the Reserve Bank of India and NABARD, inspired by the regional programme of APRACA and GTZ/GIZ in Asia and leveraging the extensive infrastructure of banks. Prior to this, supply and credit driven finance accounted for the failure of numerous efforts and policies initiated for financial inclusion of the large part of the country.

Subsequent adjustment of the policy framework for banking with informal groups afforded a legal status to SHGs and promoted credit access. Prescribing 40 percent bank lending as a target for priority sector lending which included lending for agriculture & allied sectors and also for the micro-enterprises that the poor are generally engaged, and the campaign for universalisation of access to banking, facilitated financial inclusion

*In a parliamentary debate NABARD argued against the introduction of the Grameen Bank model of Bangladesh on a national scale, opting instead for a linkage banking approach: using the existing infrastructure of banks and social organisations; being savings-driven rather than credit-led; and using bank rather than donor resources in the provision of credit (Kropp & Suran 2002; Nanda 1992, 1995; Seibel 2005).*
Once NABARD had started linking groups in the country, they decided to start with Kudumbashree in Kerala. Experts opined that the confidence provided by NABARD in this context made other banks come forward and support the programme.

**Proactive role of state governments**

The proactive role of state governments, from 2000 onwards in promoting SHGs through central and state level programmes provided the momentum for growth, which had till then a slow uptake despite enabling policy announcements in 1992 by the Reserve Bank of India and NABARD. State Governments took upon themselves the promotional role which was hitherto performed by a number of Non-Governmental Organisations (NGOs). Some state governments adopted state-specific policies and innovative strategies to give impetus to the SHG system, promoting autonomous public societies and accessing significant external funding (IFAD, World Bank, DFID UK, etc) to promote SHGs, SHG federations and systematic capacity building. Some State Governments also established a separate Ministry for the SHGs.

**Outreach infrastructure**

The very extensive infrastructure of banks in India facilitated outreach, subsequently promoting linkages by allowing Federations to act as agents through the Business Correspondent and Business Facilitator model promoted linkages. Incentivising SHG lending through measures such as refinancing was a boost.
8 Recommendations for the Low Income Countries

India being one of the fastest growing economies in the world with impressive efforts in financial inclusion and inclusive growth, many of the low income countries may not have similar conditions. In particular, the massive bank-branch network in India, near universalisation of the mobile phone technology and good physical connectivity are some of the advantages that India has. However, many of the LICs are also on the growth phase and huge investments are being made by national governments in the social sector, particularly on poverty reduction by mobilizing own resource and with international funding.

For any development intervention to be effective, context plays a significant role. Before these generic recommendations for LICs are seriously considered by any nation, we strongly urge for a deeper study of the context, including the existing institutions of the poor in that country, ecosystem for financial inclusion, the outreach of the microfinance institutions and the policy and regulatory framework in the country. Based on that analysis, these generic recommendations can be appropriately adopted. A word of caution here is that some of the recommendations based on Indian SHG experience may be irrelevant for some countries. We would like to suggest these “recommendations” to be treated as broad principles for a successful social mobilisation and community organisation strategy. There are several other nuances that can be better understood and appreciated through exchange programmes.

1. **Policy level: to have an enabling environment** – adequate funds allocated to promote & support SHGs /Federations to become strong & self-reliant member-owned institutions serving the members to achieve social, economic & political empowerment.

2. **Evolving a congenial financial ecosystem** – Central Banks of LICs needs to issue policy guidelines to ensure evolution of an ecosystem for financial inclusion of Women Self Help Groups and other informal groups. One of the reasons that contributed to the success of the SHG movement in India is the large network of branches and also the long history of social banking that India has had since the nationalisation of banks in 1969. Therefore the Central Bank should play a crucial role for evolving a congenial financial ecosystem in the country to ensure that the growth is inclusive of all its people, including the poor. For this the steps are:

   a) Issue a directive to the banks to link informal groups with formal financial institutions (Banks, RUSSACOs & MFIs) – opening bank account in the name of
the group and offer full range of banking services (savings, loans, insurance & remittances) to the groups.

b) Issue directive to lend to the groups without collateral and to lend to the group without asking for the purposes of the loan. Formal Financial Institutions can offer customised financial products (savings, loans, insurance & pension) to suit the needs of the financially excluded women.

c) Issue directive to banks to invest in critical sectors such as Agriculture, Small Scale Industry (SME) and Services Sector (Small Business Enterprises) and treat them as Priority Sector lending as it will lead to alleviation of poverty and encourages employment creation. The Central bank could also stipulate that banks need to ensure a certain percentage of its lending to Priority Sector. In India the Reserve Bank of India has stipulated that banks achieve a Priority Sector lending of 40 percent of the total lending of the bank. Lending to SHGs should also be treated as Priority Sector lending.

d) Organise exposure / immersion programmes for the key officials of the banks from LICs to India to understand and learn from the Indian experience.

e) Regulated MFIs that operate in LICs can be allowed to open accounts for the SHGs / Village Savings & Loan Associations (VSLAs) / groups and providing them financial services. For the MFIs this will be a new type of portfolio and given the Indian experience, this lending will not compromise on the portfolio quality.

f) Since branch spread and outreach in the rural areas are likely to be an issue with sparse bank branches, the banking sector as well as the MFI sector could explore/examine the Business Correspondent/Business Facilitator model with the NGOs/Self Help Promoting Institutions to become agents of banks to open bank accounts and facilitate banking transactions including loans. Use of technology for banking transactions such as ATMs, mobile money, etc will be useful tools for exploration.

3. LIC Governments can consider establishing an Autonomous Institution at appropriate level to promote / Support SHG system: A number of Government Departments may be engaged with women SHGs. To ensure convergence & to ensure that these SHGs & their federations serve as a platform for the women to overcome poverty and to access rights & entitlements from the Govt., it would be useful to have an autonomous institution set up by the LIC Government at an appropriate level. Such an institution can also coordinate with various donor agencies, International NGOs and local NGOs engaged in the promotion of women
SHGs. The institution can establish partnerships with NGOs / CSOs for promotion of SHGs and for facilitating linkages. Such autonomous institutions can also have technical support from agencies from India (Kudumbashree, NABARD, APMAS, CMS, etc) and other countries.

4. **Strong emphasis on Livelihood Promotion:** for the members of the women SHGs and other informal groups to make optimum use of the financial services that would be available from the linkages, a strong system for supporting the appropriate livelihoods of the poor need to be developed. There might be some models that might already be work. These need to be carefully studied and documented for integration into this system. There would also be a need that would emerge to form livelihood or community organisations building on the architecture of the SHG system. These producers and their organisations will have to be linked to the markets and partnership with private sector.

5. **Building Strong Social Capital:** The women SHGs and other informal savings & credit groups have tremendous potential as there will be large number of women will emerge as social capital in the form of book writers, community auditors, linkage facilitators, livelihood consultants, social activists, etc. These need to be carefully identified, selected and trained to become a strong resource for the institutions of the poor. These community professionals (called as community resource persons in India) can support strengthening of the existing institutions of the poor and will play a pivotal role in scaling up & saturation.

6. **Piloting Linkage Banking and Federation Approaches:** In the LIC countries that currently do not have any successful models of linkage banking with informal groups or promoting federation of informal groups, these models could be piloted on a small scale to develop proof of concept and to develop a detailed strategy and model for scaling up.

7. **Continuous Capacity Building (decentralised) for consolidation & growth of the SHG system:** A large number of SHGs and other informal group may have been formed by a number of agencies, including NGOs and Government. A systematic approach to build the capacity through a participatory process at a decentralised level would be required. It will also be necessary to have a strong cadre of community professionals developed to provide continuous support to the SHGs. The possibility of developing national & provincial level pools of trainers (ToTs) can be explored. To provide ongoing training a large number trainers would be needed at various levels of the system

As a starting point for developing a comprehensive strategy based on the Indian experience and learning from other countries, a detailed sample study of the
existing SHGs and other informal savings & credit groups can be taken up. Such a study will make an assessment of the quality & sustainability of the existing SHGs, their capacity building needs, capacity building needs of the various promoters of the SHGs / Federations, challenges based on the SHGs and innovations that have been initiated to overcome those challenges, willingness of the Banks, MFIs, RUSSACOs to open bank accounts for SHGs and provide them credit (as a term loan or cash credit facility) and human resource required for supporting the system.

The study could also have certain case studies of the VSLAs and other informal savings & credit groups in existence. Qualitative assessment of the impact of the SHGs and other informal groups could also be assessed. Focus group discussions could be conducted of the key stakeholders to obtain their input for strategy. The findings of the study can be presented in 3-4 regional workshops for deliberating on the strategies that could be pursued across the country. Through these workshops, a popular opinion can be generated on the need for enabling policy (Government & Central Bank), autonomous institution and institutionalised capacity building at all levels. The findings of the study on economic empowerment of women SHGs in India: lessons for Low Income Countries can also be presented in those workshops. Such a study could be supported by an appropriate Government Department or a Donor Agency.