



NATIONAL INSTITUTE OF RURAL DEVELOPMENT

COURSE: RURAL CREDIT FOR POVERTY REDUCTION

RESEARCH REPORT:

FORMATION AND MANAGEMENT OF SELF-HELP GROUPS, THEIR FEDERATIONS AND THEIR IMPACTS

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Abstract:

This research report has the intention to answer a very important question: *What has been the impact of the formation and management of Self-Help Groups as well their federations, in the process of improving poor people's welfare?*. Through a deep revision of the relevant literature on Self-Help Groups and Federations of Self-Help Groups, the main definitions and characteristics of each have been covered. Using a participatory action research method, the report is capable of find out the main characteristics of SHGs and federations in the Orissa, eastern India. The report has allowed to respond to the research question through the following findings: a. Self-Help groups have become a tool of development for the poor people of rural India, especially the state of Orissa, b. Poverty reduction efforts have been achieved with the help of micro-credits; however, this requires a holistic approach to reduce poverty with the support of different actors such Micro-finance institutions, Non-government organizations, the government of India, and International Cooperation Agencies; c. Federations of Self-Help groups is a necessary mechanism to achieve economic empowerment through unity, training, and motivation.

1.Introduction	4
2.Literature review	6
2.1.Definition of Microfinance	6
2.2. Micro Finance Institutions (MFIs)	7
2.3. Concept of Self-Help Groups	7
2.4. Management of SHGs	8
2.4.1. Characteristics and principles of SHGs	8
2.4.2. Modus Operandi and Dynamics of SHGs	9
2.4.3. Assessing Self Help Groups	11
2.5. Formation of groups	13
2.6. SHGs Federations: general aspects and main objectives	16
3.1.1. Findings collected through the questionnaire and specific analysis of each question on federations	18
3.1.1.1. Operational modalities of federations	18
3.1.1.2. Processes of federation	20
3.1.1.3. Problems of federation	20
3.1.1.4. Impact of federation	21
3.2. Field observations and analysis on SHGs	22
3.2.1. Findings collected through the questionnaire and specific analysis of each question on SHGs	23
3.2.1.1. Organizational profile of SHGs	23
3.2.1.2. Operational modalities of SHGs	24
3.2.1.3. Processes of SHGs	27
3.2.1.4. Problems of SHGs	27
3.2.1.5. Impact of SHGs	28
4. Conclusions	29
5. Recommendations: Action plan	31

1. Introduction

Microfinance is recognized and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor, with emphasis on empowering women. It provides opportunity to the poor for getting sufficient amount of credit easily to start any income generating activity.

The Global Microcredit Summit of 2011 estimated that US\$21.6 billion is needed to provide microfinance to 100 million of the world's poorest families. The Summit planners say it should be possible to raise US\$2 billion from borrowers' savings alone (Yunus Center).

Microfinance not only deals with the credit part but also deals with savings and insurance part. It ensures the right to save and it is one of the most powerful weapons, which works for bringing the poor rural into the financial mainstream. Thus, microfinance is often considered as one of the most effective and flexible strategies in the fight against the global poverty. It is sustainable and can be implemented on massive scale necessary to respond to the urgent needs of those living on less than \$1.25 a day, the world's poorest.

The sustainability of Microfinance is based on the effective and adequate formation and management of Self-Help Groups, and their clustering or grouping at a more macro level (change for the proper political definition) through their federations. This research report has as its main objective to analyze the impact that the formation and management of Self Help Groups and their federations has in the process of improving poor peoples' welfare.

Based on the premises that there is need to alleviate poverty and need to increase microfinance outreach to the poorest of the world, the following research question has been stated:

What has been the impact of the formation and management of Self-Help Groups as well their federations, in the process of improving poor people's welfare?

In order to respond to this research question, the following objectives have been formulated:

- To analyze the operational aspects of SHGs formation and management as well as their federations.
- To share the participation's experiences
- To analyze the Indian experience in the formation and management of SHGs
- To help in the preparation of an action plan for implementation of this report's findings and proposals in our respective countries.

The research method used to address the main research questions is *qualitative*, using an *action research* approach crafted on the grounded theory. The data collection process will be undertaken with an initial literature review, study visit, interviews, focus group discussions, and documentation and reflection of field notes.



2. Literature review

2.1. Definition of microfinance

Microfinance could be defined as: "provision of thrift, credit, and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve their living standards" (Gupta, M., p. 379).

The term "micro-credit" broadly refers to very small loans provided to low-income people and enterprises owned by them. However, this term has been gradually replaced by microfinance which is broader, and refers to the variety of services that low-income people may nowadays access in a growing number of countries.

The scope of Microfinance now covers entire range of financial and non-financial services, including skill upgrading and entrepreneurship development, rendered to the poor for enabling them to overcome poverty.

According to Sa-Dhan (2004), Microfinance operations usually involve the following activities:

- a) Making small and flexible loans according to client requirements, repayment capacities and cash-flows.
- b) Providing secure deposit facilities to the poor, thereby allowing them to save as and when they have a surplus.
- c) Including collateral substitutes such as group guarantees and compulsory savings.
- d) Encouraging repeat and larger loans based on repayment performance.
- e) Continuous monitoring and following up to ensure timely repayment of loans.

2.2. Micro Finance Institutions (MFIs)

MFIs are financial institutions which can be all types of formal and semi-formal institutions that offer micro-finance services, that provide microfinance products and services to low-income clients. Initially, microfinance was mostly provided by Non-governmental organizations (NGOs) and other development oriented organizations that wanted to do more than just non-formal education, technical assistance, etc. In recent years, there has been a tendency for these informal credit providers to transform into a formal and professional micro finance institution. Some countries' governments have established separate institutions for micro-finance to be regulated by the Central Bank. More recently, the commercial banks have taken microfinance into their portfolios more aggressively than before.

2.3. Concept of Self-Help Groups

The Self Help Groups (SHGs) are usually informal groups where members have a common perception of need and importance towards collective action for a common cause. The common need here is meeting their emergent economic needs without being dependent on outside help. These groups promote savings among members and use the pooled resources to meet the emergent needs of their members, including the consumption needs. The main objective of SHGs is to inculcate the habit of thrift, saving, banking culture, that is availing the loan and repaying the same over a given period and in the process, gain economic prosperity through credit. In short, a SHG is a group of about 10 to 20 people, usually women, from a similar class and region, who come together to form savings and credit organization. (Singh, p. 12)

A SHG is a registered or unregistered group of micro entrepreneurs with a homogenous social and economic background, voluntarily coming together to save small amounts regularly help basis (Gupta, M., p. 379). The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment thereof. In fact, peer pressure has been recognized as an

effective substitute for collaterals. Moreover, financing through SHGs also reduces transaction costs for both lenders and borrowers.

In recent times, SHGs have been conceptualized with a view of buttressing the State's economy through a silent revolution by raising the level of per capita income through economically rewarding activities. The collective effort channelized through a SHG can work wonders in strengthening the rural economy.

SHG is perceived as a way and opportunity to translate the dreams of the vulnerable groups in reality, and to instill a "raison d'être" and a sense of purpose in them and at the same time imbibe the spirit of work culture and enterprise.

2.4. Management of SHGs

2.4.1. Characteristics and principles of SHGs

SHGs are participative and democratic in character. They follow the cooperative principles of collective endeavor for individual and community development by overcoming the deeply entrenched social bottlenecks and economic hurdles. There should be true democratic culture in which all the members must participate actively in the decision making process. Collective responsibility, leadership with fixed tenure, mutual trust and co-operative philosophy should be the drive force for SHG.

Some of the basic characteristics of SHGs are (Singh, 2011, p. 13):

- a) SHG should be informal and small group of 10-20 members;
- b) SHG members should be economically homogenous and cohesive group of rural poor;
- c) SHG should be formed voluntarily with common objective;
- d) All members should agree to save small amount regularly and to contribute to a common fund;
- e) SHG should meet their emergency need on mutual help basis;
- f) Leaders should be selected in democratic way and on rotation for fixed tenure;

- g) SHG should encourage participation in making collective decisions;
- h) All conflicts should be solved through collective leadership; and
- i) Provide collateral free loans on terms and conditions as decided by the group.

However, the concept of SHG may not be crystal clear to them as far as the following fundamental questions are concerned:

-Where are they now? , Where do they want to go from now?, Why do they want to be there?, and How to get there?

The management of these SHGs also includes the basic managerial functions, namely, planning, organizing, communicating, coordinating, and controlling activities. It also encompasses proper reporting, auditing and monitoring and evaluation as well.

From a future perspective, SHGs can be considered more as Self Managed Groups and ultimately, Self Led Groups, in order to ensure effectiveness rather than simply efficiency, i.e not only doing things right but also doing the right things, crafted on visionary and transformational leadership rather than a solely on transactional one.

2.4.2. Modus Operandi and Dynamics of SHGs

Success of microfinance largely depends upon the quality of S.H.G.s and how it functions. Thus SHGs can be treated as core element of microfinance programs. Some of the basic working principles and functions that a SHGs should follow are (Singh,2011, p. 13) :

- a)** Group members usually create a common fund by contributing their small savings on a regular basis;
- b)** Group evolves a flexible system of working (sometimes with the help of NGOs) and manages pooled resources in a democratic way;
- c)** Loan requests are considered by group in periodic meetings and competing claims on limited resources are settled by consensus;

- d)** Loans are given mainly on trust with minimum paper with and without any security;
- e)** The loan amounts are small, frequent for short duration and are mainly for conventional purposes;
- f)** The rates of interest vary from group to group and the purpose of the loan. It is higher than that of banks but lower than that of moneylenders;
- g)** At periodic meetings, besides collecting money, social and economic issues are also discussed; and
- h)** Defaults are rare due to group pressure and intimate knowledge of the end use of credit.

As a developmental process, training and monitoring is required for sensitizing the group members. In spite of both training and non-training strategies, a negative bent of mind may prevent many people, particularly the youth, from embarking on SHGs in the hope of landing on a lifetime government job. These are mind-set and attitude problems. It is often said that *attitude* is what can give us 100 percent success.

Adopting Peters & Waterman principles (Hitt, 1987), the following may be worth considering for ensuring excellence in delivery of products and services as far as SHGs are concerned:

- Closeness to the Customer
- Bias for action
- Hands-on value driven
- Productivity through smart working by SHGs members
- Stick to their knitting, i.e. never enter a business segment to which they are unfamiliar.
- Simple form lean staff

The SHGs organizational simple and flexible pyramid has emerged as an ideal which many government organizations envy and desire to emulate. Unlike the top-heavy management which usually characterizes government organizations, the SHG is run by a handful of people and leaders who have contributed to effective management coupled with effective coordination, quicker decision making and more adaptability.

In addition, the Mc Kinsey 7S Model (Lopez, 2009) complements with the Critical Success Factors(CSF) which the self help groups may consider, ranging from Strategy, Structure and System as hardware for success and Skills, Staff, Style and Shared values as the software for success. Qualities like entrepreneurship, planning, drive, tenacity and passion are among the vital ingredients for the sound management of SHGs.

The SHGs often function reasonably well as long as guidance and intervention from the mother agency is available. This can help explain the inescapable need to federate in order to generate synergy effects through concerted and collaborative efforts. *(The issue of SHG Federations will be dealt with in the subsequent chapters)*

2.4.3. Assessing Self Help Groups

The SHGs have to be assessed in terms of Group dynamics like cohesion, vibrancy, goal-oriented action, participation of members, democratic decision and collective leadership. The appraiser has to see whether the group is functioning, actually as a group, why the members have come together, whether it is for obtaining loan from bank or the group sees other purposes, what is the group discipline and whether it is sustainable.

For assessing a SHG the important aspects that a financier should look into include (Singh, 2011, p. 17):

-Norms of functioning: 1.membership, 2.meetings, 3.savings –amount-periodicity-rate of interest, 4.credit –procedure for sanction-ceiling amount-purposes-rate of interest-, 5.fines –in case of default in attending meetings, savings and credit repayment-, 6. leadership –election or nomination of

leaders, rotation of leaders, etc-, 7.personal/social improvement –minimum literacy level to be achieved, etc.

-Meetings

-Maintenance of books

-Leadership

-Participation and awareness of group members

-Savings

-Credit

-Self-reliance of the Group

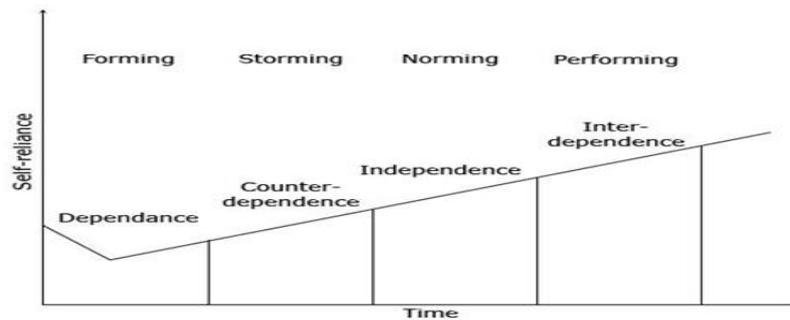
It has been found that the banks, including nationalized ones have been left with little scope to complain as most of the SHGs have been regular in repayment of loans. In fact, it has become a common practice for the SHGs to repay the loan much before the stipulated time. This, in turn, is indicative of higher income accruing with the SHGs.

With the money now at the disposal of the vulnerable groups, they instinctively look for better things in life, like need-oriented education, improved healthcare, sporting facilities, avenues for entertainment, a better market for essentials and other commodities. By doing things differently, they could derive inspiration, cultivate passion and nurture innovation for their own activities.

However more incentives for innovation should be introduced. As the SHGs are transforming themselves from caterpillars to butterflies, competition starts to creep in both inside and outside the groups and once it gives way to cut-throat competition, rivalry takes over. So goes the saying: to INNOVATE or to EVAPORATE.

2.5. Formation of groups

The formation and development of SHGs can be illustrated using the Tuckman model (Boneright, 2010). They usually pass through the forming, storming, norming, and performing stages.



Source: Boneright, 2010

Some SHGs, after formation and through their development lifecycle, have made it easier for the members to earn and upgrade their standard of living. Furthermore with the money they saved, compared to their previous thrift, they are now keen and ready to diversify. For example, the Triyanan SHG has turned around from basic spade work to small food processing enterprise.

One example is the one implemented by The Department of Women and Child Development of the Government of India. It established in 1995 the initiative called *Indira Mahila Yohana* (IMY). The key focus of IMY is the formation of women's self-help groups (SHGs) in coordination with foreign NGOs, and to encourage thrift and savings activities as an entry point to development. IMY encourages awareness raising and confidence building, planning for childcare and better nutrition, income generating projects and enterprise development, participation in services and convergence. Taking this initiative as an important benchmark for group formation, several stages are analyzed to clarify how to form groups.

Stage 1

In the first stage the potential villages where IMY programme should be initiated are decided. *Anganwadis* (courtyard shelters as part of the Indian Health Care Center-Health care center in villages) with good potential for group formation have to be selected.

The criteria for selection are (Singh, 2006, p.):

- Areas where groups are already existing;
- Areas where good promoters are available;
- Areas where good NGOs are functioning and the NGOs are keen to participate in IMY; and
- Poor backward villages which are reached without much difficulty.

Criteria followed by an NGO in village selection

- Remote villages
- Lack of infrastructural facilities such as roads, electricity, drinking water, etc.
- Low literacy levels and high mortality rates.
- Small land holdings
- Existence of moneylenders
- Poor status of women
- Concentration of Scheduled Castes/Scheduled Tribes families.

Stage Two

The village selected should be distributed among the group promoters or animators. Family surveys should be carried out to identify potential participants. Usually, *Anganwadis* workers collect data about the family details under the Integrated Child Development Services (Government of India initiative primary initiative to tackle malnutrition and health problems) scheme. This format could be modified and used. It should be remembered that the information collected should be minimal and easy to collect.

Third stage

The group promoter has to talk to the women and identify whether any groups already exists. The groups could be identified official groups like *mahila mandals*, etc. There are also affinity groups in any village. The members are linked by common bonds, for example, caste, sub-caste, community, place of origin or activity. These self-help affinity groups exist much before any programme or project. The affinity groups can be identified by regular visits to the village, meeting with informal groups gathered around temples, water spots, markets, provision shops, milk collection centers.

Special care should be taken to visit and interact in areas where the poor, scheduled castes and tribes live and where women tend together.

The natural affinity groups have greater chances of forming into self-help groups. They already have a good bond between them and share a mutual trust. Hence it is easier to work with them.

Fourth stage

Once the family surveys and identification of affinity groups are over, village meetings should be held. The group promoter and the Integrated Child Development Services' supervisor have to attend meetings. Efforts should be made to collect as many women as possible. In the meeting, discuss the common problems of women. The issues to be discussed include the general condition of poor families and the need for women to get together to solve some of their problems. The next meeting should be arranged within a month.

In the next meeting, the advantages of forming groups in solving common problems should be discussed. Experience from other areas or villages could be shared. Basic rules of group formation should be explained. It should be emphasized that the groups are for the poor women. It is advisable not to talk about any schemes or projects, loans, etc. as a reason for group formation. The main motivating factor should be self help and solving problems through the group approach.

The buzzwords among the SHGs today are to

- START SMALL
- THINK BIG
- MOVE FAST

A paradigm shift from SHGs to SHTs (Self Help Teams) is worth considering in order to instill more solidarity, openness and trust among the team members. As a TEAM, Together Everyone Achieves Miracles.

However team formation is scheme-oriented and dynamic in nature, similar to the concept of poverty itself. Though old groups are expected to move forward on their own, yet they still require guidance. The SHT should be a means to an end rather an end in itself. Only time will tell.

2.6. SHGs Federations: general aspects and main objectives

SHGs federations have been in existence for the last seventeen years. The promoters of SHGs have considered networking and federating them to provide a sustainable institutional mechanism for the growth of SHGs and their members. The early SHG federations were promoted in Tirupati (1992) and in Madurai (1993).

The idea of federation beyond the village level is usually externally mooted but carried forward with the consensus of SHGs. At present self-help groups are federated at village, cluster, district, and even at state levels for a variety of reasons- some are to assist the promoters in achieving their development goals and others to fulfill the needs of SHGs and its members. To a large extent the objectives of networking SHGs are promoter driven.

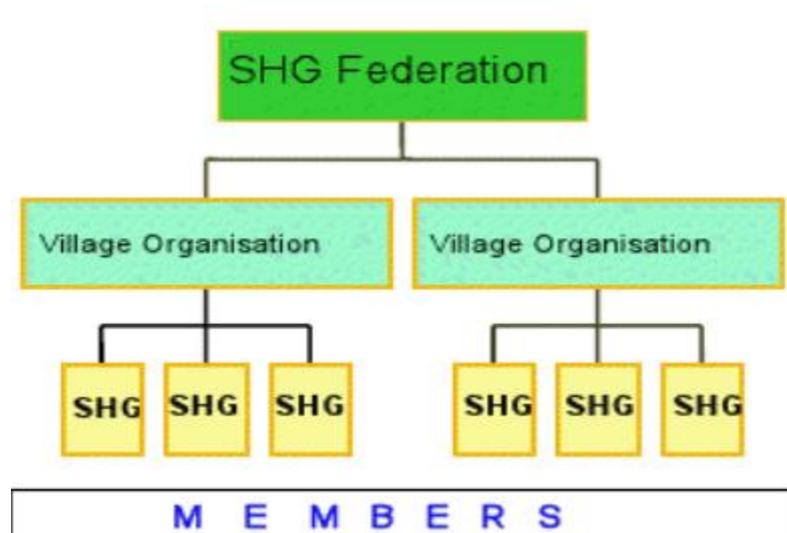
The primary purpose of federating SHGs is to ensure the sustainability of SHGs through providing them need based services such as book keeping, auditing, conflict resolution –both internal and external, linkages with banks, etc, and federations play an important part in SHG capacity building. Federation leaders play a critical role in forming new groups and enrolling them as members of federations; when community leaders are involved in group formation the costs of formation are lower. Federations create a space for internal learning for SHGs by sharing their experiences. Federations act as social or financial intermediaries between financial institutions and SHGs, thereby reducing assessment, monitoring, and paperwork costs through cost sharing. Through better monitoring the repayment performance of the groups can also be improved. SHGs federations can offer several services in a sustainable manner and can also modify the services in order to suit requirements.

The federations of SHGs have formed to achieve several of the following objectives (which are generally inter-linked):

- Provisions of maintenance and monitoring services and promotion of new SHGs
- Financial services
- Empowerment
- Advocacy and deepening poverty reduction efforts
- Investment vehicle

While these federations can be broad goals for forming federations, often federations fulfil more than one goal.

The common structure of an SHG federation is presented as follows:



Source: National Workshop on SHG federations, 2003

3. Field observations and analysis

3.1. Field observations and analysis on Management and Formation of SHG federations

In order to find out more about the way in which SHGs federations are managed and formed in real life, two field visits were made to the federation of SHGs called: *Dandamukundapur Milk producer's Cooperative Society*, Through field notes, pictures and the application of an open-ended questionnaire with the representatives of the federations, several important findings have been made.



The general findings are summarized as follows:

- a. The Milk Federation is well structured and duly recognized as a registered body where each and every member's role is clearly defined.
- b. With the advent of Kiosk Banking which facilitated the opening of Bank Accounts, through the State Bank of India (SBI) and the *Swayamshree Micro Credit Services (SMCS)*, the SHGs have been able to save and to progress.
- c. The Federation is well organized with established communication systems, mainly through the face to face mode, i.e. regular meetings.
- d. The Federation also ensures proper control on their financial activities through audits carried out usually on a yearly basis.
- e. Training is and will remain a vital tool for continuous skill development. The milk chilling process is a vivid example of on- the-job training
- f. Decisions are usually taken by consensus and general agreement
- g. It is unanimously recognized that the formation of SHGs and Federations have largely in reinforcing the community life in the villages. For example, community halls have been built and basic services, such as electricity, water and drainage have been provided.

3.1.1. Findings collected through the questionnaire and specific analysis of each question on federations

3.1.1.1. Operational modalities of federations

-What are the main income generating activities of your federation?

-Milk

-Rope making from coconut residuals

-Fertilizers and pesticides

- Production is 200 Ltrs per day and cattle feed sale is 500 kg.

-Operating in operating in Dandamukundapur, Ranapur, M. Patana and Karimala.

Analysis

This is a very interesting case since all small dairy producers concentrate their storage and administrative capacity in a rural milk cooperative. The cooperative receive a subsidy from the government. Despite being a cooperative, it is a federation because it has gathered at the district level, 10-15 groups of milk producers at the village. In total, the federation gathers a total of 260 members. This income generating activities are part of the primary sector, and their level of processing is only basic. Nonetheless, their practices are sustainable.

-What is your role in the federation?

-Secretary

-President

Analysis

The federation has a board with several members, of which the most important ones are the secretary and the president. The board members are changed every three years, and the board meets once a month.

-How is the decision-working process at the federation? How often are meetings held, and the issues discussed?

-The decisions taken come from the opinions of all the members during the two monthly meetings.

-Democratic decision making process,

-The president and secretary are selected by all members: 176 of which; there are 146 males, and 30 females.

Analysis

As a result of a very democratic and transparent way of managing the federation, members of the board are selected very openly and effectively. The selection process of the President and the Secretary is done every three of four years.

The federation meets twice a month, and there is one general meeting with all members once a year. In these meetings, the board has the opportunity to clarify the role of the cooperative, balances of the accounts, production quotas, and other projects.

3.1.1.2. Processes of federation

Is there a way to follow-up and get feedback on your activities?

- Management democratic,
- Member's education, training and formation.

Analysis

There is a free membership to the federation. Everyone who is a milk producer is free to join the organization. At the meetings held every month, decisions are democratic and are scrutinized by all members present. There is constant follow-up on specific projects such as the members' education, training and formation programs.

Do you have an audit system?

- 1 Audit in all the activities per year.

Analysis: As a result of a yearly formal audit, the cooperative guarantees all of its members that they are being managed adequately and in a transparent and efficient way. Transparency, accountability, and efficiency can be accounted for with a proper audit system.

3.1.1.3. Problems of federation

- Do any conflict arise in the process? If yes, what type of conflict? How is it resolved?

- All the conflict will be resolved by the cooperatives direction. If not resolved at this level, then it will be done at the legal or the government level.

Analysis

Conflicts arise in every organization, and federations and cooperatives are not the exception. From this question asked to the president of the milk cooperative, he is very clear that they are not always

capable of solving all disputes. Under these conditions, then they will continue the process to the next level which is the legal or government authorities.

3.1.1.4. Impact of federation

- Have your income improved with SHGs? How has it changed your life?

-Sources of income from manure.

-59 million ton of slurry will improve the fertility of 143 million hectares of agricultural land.

-One cow takes 6kg concentrate feed, 35 to 40 ltrs water and 12 to 16 kg forage item per day.

Analysis:

At the federation level, it is very difficult to estimate the impact in terms of income generation. However, this study reveals that there are several sources of income that the federation could count on: milk, manure processing, rope from coconut residuals, cattle, among others. This level of diversification of income can help the federation members achieve economic and productive sustainability.

- What have been the contributions of your federation in your community?

-Reduction of mal nutrition or deficiency of calcium in India, help children in Primary school;

-To convert our new generation on a healthy group by introducing milk in their food habit;

-To contribute in climate change, energy problem and reduction of unemployment;

-To reduce global warming in fertilized and pesticides production.

Analysis

This federation has encouraged activities from rural economic development to animal husbandry, to social notorious programmers, resulting in increases in agricultural productivity. Besides, the encouragement of organic farming has also been encouraged, which leads to decreasing global

warming and deforestation. Overall, the community has benefited greatly from the cooperative's influence.

3.2. Field observations and analysis on SHGs

As part of the course Rural Credit for Poverty Reduction promoted by the National Institute of Rural Development, from December 7th, 2012, to January 4th, 2013, the international participants made a field visit to the state of Orissa (eastern India), in which the following SHGs groups were visited, and dates when visit was made:

- Bharaptur SHGs, 28th of December, 2012.
- Adhikar-related SHGs, 29th of December, 2012
- Delanga SHGs, 30th of December, 2012



In each SHG, a questionnaire of several open-ended questions (appendix N. 1) was applied as a means of collecting the relevant data as part of an action research approach. This methodology is strengthened with the collection of field notes, pictures, and observations. Representatives of *Swayamsshree Micro Credit Services (SMCS)* of the branch at Bhubaneswar, Orissa, helped with the translation process.

3.2.1. Findings collected through the questionnaire and specific analysis of each question on SHGs

3.2.1.1. Organizational profile

-What's the purpose of your SHG?

-Individual entrepreneurship

Analysis

The SHGs visited during the field visit presented some common elements:

a. Women meet in SHGs with the objective to improve their living conditions by initiating individual entrepreneurship activities. These activities initiate from a very basic level, and as the rural credit and their business begin to evolve, and then they can improve their repayment of the loan capacity as well as improve their economic empowerment.

b. By being united in an SGH (groups visited ranged from 10-15 women in size), they are have a joint liability which allows them to borrow funds from the MFIs, which helps them improve their productive capacity, and their overall welfare.

c. By being together, they can undertake common social projects that can have positive externalities in the villages such as in the Child and Women Health centers, the construction of larger projects such as sanitation facilities, and community meetings halls.

-What's the composition of your SHG?

-Women, 10-20 members in each SHG, 16-70 plus, villages below the poverty line, positive energetic women, great common affinity in terms religion, tastes, and needs

Analysis

All of the SHGs visited are composed of women ranging the ages of about 16 years of age up to late 70 years of age, or even more. All of the villages visited are part of either an urban or rural slum, or are part of a village. These communities have the common factor of being located below the poverty line as a result of receiving very low incomes. Overall, these women who have been interviewed are

very positive and energetic, with a great sense dignity. They have some common affinity elements worth mentioning such as religion, tastes and needs.

3.2.1.2. Operational modalities of SHGs

What is the main income generating activity? What other complementary activities can you develop?

Leaf plates, incense sticks, candles, groceries, silver and gold ornaments, fish, spices, weed products, bags, detergents, papad, phenyl, etc.

Analysis:

Most of the economic activities being undertaken by the SHGs take advantage of the different skills that their members have. Some of the activities are more traditional and basic in terms of the technology used such as fishing and papad making. Some other activities involve the use of more elaborate technology such as the processing of spices such as curry. Most of the SHG visited use labor-intensive production processes, but some of them have combined it with the use of capital such as engines (curry processing) and processing machines (leaf plates). Most of the activities are linked to the primary sector, but some other ones have evolved to semi-processed products such as detergents and phenyl.

At the time that their SHGs were formed, most of the members were people living below the poverty line, under a subsistence economy scheme. After several years of operation, the SHGs have moved along and improved their welfare with the help of micro-credit loans and their persistence to improve their standards of living.

As the SHG improves its productive capacity, repayment capacity, as well as SHG managing capacity, they will be capable of increasing the amount of their loans, as well as improve their economic empowerment and living conditions with better sanitation and health facilities.

What is your role in the SHG?

President, secretary, field facilitator, treasurer, members.

Analysis

The SGHs visited had different members with different roles each.

In most cases, the board of the SHG would be present, and it is composed of a president, secretary, treasurer, along with a field facilitator/ animator. Besides the board of the SHG, the rest of the group members would be present, along with their children and other village people.

As part of the organizational scheme of every SHG, each SHG has to have a board composed of a three members: president, secretary and treasurer. They are the ones responsible to organize the weekly or monthly meetings of the SHG, represent the SHG with the corresponding federation, keep track of the loan repayment and accounting books, follow-up on projects and decisions taken by the members, among other duties.

How is the decision making process?

Decisions taken united, as a group

Consensus decision-making

Democratic by changing leadership

Analysis

Despite the fact that there is a board that represents the SHG, the decisions are taken in a united and as a group. Decisions are not taken unilaterally. The use of consensus is very important in order to reach agreements in the decision making process. In order for this decision making process to be successful, it is important to keep in mind that SHGs need the following elements: effectiveness (doing rights things), efficiency (doing things right), equity- based (fairness and equal distribution), enlightened (well trained), and entrepreneurial.

Another important element to consider is that leadership needs to be changed among members, so the board members are changed every one or two years in a democratic way in the SHG.

Do you have regular meeting and how frequently? If yes, what are the common issues discussed? How is the meeting organized?

Meetings are held once a week, once a month.

Common issues discussed in meetings:

-repayment of the loan,

-how to solve problems,

-monitoring the performance of the different projects they have such as the Child and Women Health center.

-Keeping accounting books up-to-date

Analysis

All of the SHGs interviewed reported that they hold meetings on a regular basis. Some of the groups meet once a week and others meet once a month.

The common issues discussed in the meetings are:

- a. Community projects to be implemented or already in process (sanitation, health, etc.). In the case of the field visit to the Satyaanagar village in Dumduma, the SHG is constructing a community hall where the health center and the SHGs meetings will take place.
- b. Repayment of the already approved loans. The field coordinator is normally associated with the MFI providing micro-credits to the community, so during the meetings the at member's contribution to the loan is collected.
- c. Collection of the groups' savings: The treasurer of the SHG also collects the funds to be saved by each member of the SHGs. In the case of the Somalei SHG at Khandagari, each member saves 60 rupees a month (average of the SHG is 6,000 rupees per month).
- d. Supply of goods to the market: The demand determines the supply, so frequently the issue of much to produce per week/per month arises at the SHGs meetings.
- e. Specific issues such as helping financially some member of the village in need.

3.2.1.3. Processes of SHGs

Is there a way to follow-up and get feedback on your activities?

-Get feedback as a group, united, every time they have meetings

Analysis

Since the groups meet on a regular basis, they are also capable of following up on the projects they are undertaking and the needs that may arise. As a result of their unity and affinity as a cohesive group, they are able to establish a system by which every member expresses openly and freely their concerns or thoughts about specific issues that may arise. This is also the result of the frequency of their meetings.

Do you have an audit system?

-2 people sign in the bank account,

-changing leadership every year,

-the field and the bank manager make sure that the loan is utilized properly.

Analysis

All of the SHGs exercise some type of auditing controls in order to minimize operational and financial risks. One important measure by all SHGs visited is that they change leadership on a regular basis (from one to two years the board members are changed). Another measure implemented by the Somalei SHG at Bharatpur is that two members of the board signed in the SHG checking account. Besides, the SHGs visited at Adhikar (Manata Sahoo, Maaparwati, and Sarajini Das) demonstrated that in coordination with the field coordinator and the branch MFI manager, they are capable of keeping control of how the micro-credits facilitated, are utilized.

3.2.1.4. Problems of SHGs

Does any conflict arise in the process? If yes, what type of conflict? How is it resolved?

No. But if any, problems are confronted as a group.

Analysis

Most SHGs expressed that they do not confront problems. Nonetheless, this is a difficult position to accept as researchers. So as a group, it has been determined that the SHG is somewhat concerned about facilitating this type of information when representatives of the MFIs are present. From the observations made at the different SHGs and their village, it is evident that each of them confronts development problems such as poor sanitation, health issues, and income instability. Besides, if a member of the village and or SHG is facing a financial difficulty, the SHG apply the principle of solidarity. As any social group, differences arise. The advantage is that the affinity of the SHG member and their fairness-basis principle makes problem solving easier.

3.2.1.5. Impact of SHGs

Have your income improved with SHGs? How has it changed your life?

-Income per month: 5000 to 7000 rupees per month (depending on production and sales) -Somalei SHG

-Income per month: 7000 rupees per month (Matararini SHG)

Group has obtained loans from 5 to 10 times, and has paid responsibly. Loans from 50000 to 100000 rupees. 100% recovery. Incomes have increased 4000 rupees.

Analysis

The average income of the SHGs visited is 6,000 rupees per month; however, this income is variable in terms of their products' demand and production. There are two indicators that the income of the SHGs visited has improved. The first one is that they have several micro-loans, and each time the amount of the principal has increased, with excellent recovery rates on behalf of the MFIs. The second indicators is that effectively some of the women interviewed have agreed that they are better off now than in before the SHG was formed. One of the interviewees responded that her income has increased 4000 rupees.

What have been the contributions of your SHG in your community?

Community Health Care Center, Education of the community, Electricity, Water, Sanitation system, New community hall under construction, Environmental awareness, Assisting others financially when confronting emergencies (lower interest rate), Organize social activities.

Analysis

As clearly explained from the answers obtained, the scope of benefits of the community from the SHGs is very diverse. The important element to distinguish from the answers is that the contributions are focused on improving their living conditions and welfare, not only their economic empowerment. Rural India still needs to improve a lot in terms of human development, and the SHGs is a good tool to reach better standards of living.

Please mention one aspect to improve in the SHG? Challenges ahead?

1 regional chief through corporate election, and to increase economic empowerment.

New projects

Analysis

Most women were not very clear about the aspects to improve in the SHG, but the one answer that repeatedly was mentioned is the possibility to increase economic empowerment. On a more moderate scale, women responded that they can undertake new projects for the improvement of the village.

4. Conclusions

After an intensive of month of attending academic workshops with experts on Microfinance, Micro-finance institutions, and visiting SHGs in the village and their federations, and remembering our research question:

What has been the impact of the formation and management of Self-Help Groups as well their federations, in the process of improving poor people's welfare?, the following statements can summarize our most important learning of this research:

- a. SHGs and their federations have definitely helped to improve the poor's people welfare, by enabling to acquire economic empowerment.
- b. The key element in the sustainability of the SHGs and their federations is the element of consensus and equity in the process of decision-making. Decisions are taken in unity, and based on the real needs of their villages.
- c. Economic empowerment has been propelled with the incentive received through the micro-credits that the MFIs have channeled to them.
- d. Poverty reduction is not an isolated phenomenon; it is an integrated condition that cannot be solved only through micro-credit financing. In order to reduce poverty, it is necessary to apply a holistic approach that entails the participation not only of the MFIs, but also many other actors such as the Ministry of Rural Development, International and National N.G.O.s, Cooperation agencies, and local governments.
- e. The answer to alleviate poverty is profoundly embedded in our attitude. If poor farmers are motivated and guided properly, they can assume the responsibility of their destiny by moving forward with productive development project that would improve their quality of life.

5. Recommendations: Action plan for our countries

ACTION PLAN FOR IMPLEMENTATION OF SHG SYSTEM

Purpose: TO CREATE A PROPOSAL FOR THE IMPLEMENTATION OF SELF HELP GROUP SYSTEM IN HOST COUNTRY

Goal: TO ALLEVIATE POVERTY THROUGH MICRO-CREDITS USING SHGs AND MFIs

Results/Accomplishments: TO REDUCE THE AMOUNT OF PEOPLE BELOW THE POVERTY LINE BY 3%-5%.

Action Steps <i>What Will Be Done?</i>	Responsibilities <i>Who Will Do It?</i>	Timeline <i>By When? (Day/Month)</i>	Resources <i>A. Resources Available B. Resources Needed (financial, human, political & other)</i>	Potential Barriers <i>A. What individuals or organizations might resist? B. How?</i>	Communications Plan <i>Who is involved? What methods? How often?</i>
Step 1: TO PRESENT A PROPOSAL OF IMPLEMENTATION TO THE MINISTRY	DEPARTMENT OF RURAL DEVELOPMENT	FEBRUARY 2013	A. TECHNICAL DEPARTMENTS AT THE MINISTRY B. APPROVAL BY THE MINISTRY AND GOVERNMENT COUNCIL	A. LABOR UNIONS B. LACK OF FUNDS, POLITICAL RESISTANCE	THE TECHNICAL DEPARTMENTS OF THE MINISTRY OF AGRICULTURE FEASIBILITY STUDY BY FEB. 2013
Step 2: IMPLEMENTATION OF THE PROJECT AT THE STATE LEVEL	NEW STAFF HIRED FOR THE PROJECT IN THE MINISTRY AND AT THE EXTENSION LEVEL	JUNE 2013	A. MINISTRY'S BUDGET AND NEW STAFF B. NEW STAFF, OFFICES AT THE STATE LEVEL, TRANSPORTATION	A. FARMERS' ORGANIZATIONS B. ROAD BLOCKADES	THE PRIME MINISTER'S OFFICE AND THE MINISTRY OF AGRICULTURE T.V. CAMPAIGN, CONSULTATION WITH N.G.O. AND GRASSROOTS ORGANIZATIONS
Step 3: COORDINATION WITH THE STATE BANKS	THE MINISTRY OF AGRICULTURE, AND ITS TECHNICAL DEPARTMENTS	AUGUST 2013	A. DEVELOPING BANKING FUNDS IN THE STATE BANKS, AND NEW STAFF B. DEMAND AND SUPPLY STUDIES AT THE VILLAGE	A. CENTRAL BANK, AND BANK'S AUTHORITY B. POLITICAL OPPOSITION	THE BOARD OF THE STATE BANKS AND MINISTRY OF AGRICULTURE

			LEVEL		
Step 4: IMPLEMENTATION OF THE PROJECT AT THE VILLAGE LEVEL	MICRO FINANCE INSTITUTIONS, RURAL CREDIT COOPERATIVES	DECEMBER 2013	A. CREDIT PORTFOLIO FOR DEVELOPME NT BANKING B. NEW BRANCHES AND CUSTOMER SERVICES POINTS AT THE MAIN VILLAGES	A. FARMERS' RESISTANCE TO CHANGE OR MIDDLEMEN B. BLOCKING ROADS AND PROTESTING	DEVELOPMENT N.G.Os AND GRASSROOTS ORGANIZATIONS COMMUNITY MEETINGS, AND TRAINING PROGRAMS EVERY WEEK

Evidence Of Success (How will you know that you are making progress? What are your benchmarks?)

NUMBER OF LOANS ISSUED PER YEAR AND VOLUME

REPAYMENT RATE

NUMBER OF MEETINGS OF GROUPS PER YEAR

NUMBERS OF PRODUCTIVE PROJECTS IMPLEMENTED IN A YEAR

RETENTION RATE OF FARMERS IN THE GROUP

Evaluation Process (How will you determine that your goal has been reached? What are your measures?)

BY TRACKING THE LEVEL OF INCOME OF THE FARMERS

RETENTION OF THE FARMERS' CHILDREN IN PRIMARY AND SECONDARY SCHOOL

VOLUME OF SALES OF THE SHGs PRODUCTS

BY REALIZING FREQUENT AUDITS OF THE USE OF THE FUNDS BY THE SHGs

BY DOING FREQUENT FIELD VISITS TO THE DIFFERENT PROJECTS OF THE SHG.

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Annexure N. 1

Field Visit Interview for SHGs

1. What's the purpose of your SHG?
2. What's the composition of your SHG? (Number of members, age group, gender, profile)
3. What's the main income generating activity? What other complementary activities can you develop?
4. What's your role in the SHG?
5. How is the decision making process?
6. Do you have regular meeting and how frequently? If yes, what are the common issues discussed? How is the meeting organized?
7. Do any conflict arise in the process? If yes, What type of conflict? How is it resolved?
8. Is there a way to follow-up and get feedback on your activities?
9. Do you have an audit system?
10. Have your income improved with SHGs? How has it changed your life?
11. What have been the contributions of your SHG in your community?
12. Please mention one aspect to improve in the SHG? Challenges ahead?

Annexure N. 2

Field Visit Interview for federations

1. What's the purpose of your federation?
2. What's the composition of your federation? (Number of members, age group, gender, profile)
3. What are the main income generating activities of your federation?
4. What's your role in the federation?
5. How is the decision making process at your federation?
6. Do you have regular meeting and how frequently at the federation? If yes, what are the common issues discussed? How is the meeting organized?
7. Do any conflict arise in the process at the federation? If yes, What type of conflict? How is it resolved?
8. Is there a way to follow-up and get feedback on your activities?
9. Do you have an audit system?
10. Have your income improved with SHGs members of your federation? How has it changed your life?
11. What have been the contributions of your federation in your community?