Together we learn

MICROFINANCE Focus

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Self Help Groups and Indian Microfinance Sector

Leader's corner
SHGs and Microfinance: An interview with Mr. C S Reddy, CEO, APMAS [India]

Highlights: Cover story

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Do you want to share your ideas, write up or feedback

Please send us at vikashkumar12@gmail.com

From Our Desk

Indian Microfinance sector is known for SHGs model and its promotion. In India, demand supply[N1] Gap for financial services is huge. For sustainable development, not only financial capital but the development of human and social capital is necessary. Advent of SHGs movements in bigger scale were motivated by these factors and it will be helping to bridge the Gap of financial inclusion and also development of human and social capital specially women, a less participative section in community politics and development & strengthening the local institutions.

In contrary with some other model in microfinance, SHGs depends heavily on people, households, castes, class, region and host of other local factors. Balancing act between various stakeholders also contributes to its complexity also.

Many believe that SHGs have great potentiality for overall development. However this promising and bright prospect depends on tackling many challenges, some basic things like quality SHGs and a synergy between various stakeholders like Group promotion institution, banks and local agencies.

This month, we have[N2] tried to put a modest effort to bring various issue[N3]s on SHGs to urge a wide attention towards its challenges and fuelling the future growth. As host of materials and articles are already available pertaining to SHGs, we tried to focus on recent developments[N4], findings and discussion[N5]s. In the first two articles, we have incorporated experiences from other countries also. This is also an Indication of our modest intention that we are covering experiences across the glob[N6]e.

Mr. Joshi is putting his experience in a brief guideline on how to bring solidarity in SHGs in our first cover article. Dr. Jayseelan outlining great importance to vision building of SHGs, and author believe[N7]s that it will strengthen SHGs for[N8] their role towards sustainable development.

A study which has been carried[N9] out by centre for microfinance, Jaipur in Rajasthan is providing ample insights on problems and challenges and recommendation[N10]s for improving the quality.

This month we are fortunate to have Mr. C S Reddy, a leading personality for SHGs promotion in India in our regular column "leader's corner".
He raised many relevant issues, brought many learnings and insight[N11]s out of his vast developmental and professional experience. We are excited and really happy to bring out the various issues on SHGs. We hope that you will enjoy this issue; your candid feedback will give opportunity to improve the issue. Happy readings!!

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Vikash

Building Inclusive Microfinance- Global Campaigning

By, By Man Bahadur BK, Access to Financial Resources

Microfinance provides financial services to millions of the world's poor. Poor people, just like anybody, may use financial services for many purposes and in different ways throughout their lives, but they are particularly vulnerable since their income is small and unstable. Thus it is difficult for them to anticipate when they might need small but critical amount of money. These amounts help them to overcome the problem of unstable income, for example by allowing them to pay school fees, pay for events such as wedding and funerals, or cope with crises as a result of illness or natural disaster. These amounts mostly are invested in income generating activities which help to reduce poverty. Throughout most of the world, poor people have little or no access to financial services that most of us take for granted. Financial institutions such as banks, insurance services and others have generally regarded 80% of the world's population as an unprofitable market and have focused their attention on serving the richest 20% (Simanowitz and Brody, 2004).

Thirty years ago, a group of development revolutionaries created a new strategy for tackling global poverty by providing small, uncollateralized loans to some of the poorest people in the world. Families were able to start or expand tiny businesses and, as a result, many found a dignified route out of poverty. Microfinance became one of the most powerful tools to address global poverty, and it has been doing so in a way that builds self-esteem in the individual and self-sufficiency in the institution providing the financial services. It works in a synergy with other development interventions such as those that promote health, nutrition, democracy, and education. When executed effectively, it can 1) relieve suffering, 2) bring dignity, and 3) become sustainable and 4) inspire supporters (Harris, 2006). Microfinance is a key strategy in reaching the Millennium Development Goals (MDGs) and building global financial systems that meet needs of most poor people (Hashemi, 2004).

International Initiatives

In February 1997 the first Global Microcredit Summit was organised to streamline the microfinance activities practiced globally as a tool for poverty reduction. The summit focused on catalyzing the international development community to recognize that scaling up microfinance was essential to reaching the MDGs and creating a just world. At that summit, delegates launched a bold campaign to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the end of 2005 (Harris, 2006). The main themes of the Microcredit Summit Campaign were as follows:

- Reaching the poorest
- Reaching and empowering women
- Building financially self-sufficient institution
- Ensuring a positive, measurable impact on the lives of clients and their families.

The Microcredit Summit Campaign plays a unique role in this field. The main components includes: 1) setting bold goals for microcredit, 2) measuring progress, and 3) removing barriers to achieving those goals.

In 1998, UN General Assembly proclaimed the year 2005 as the 'International Year of Microcredit' to recognize the contribution of Microcredit to poverty alleviation. 'Building inclusive financial sectors to achieve Millennium Development Goals' was the official slogan for the year (UNCDF, 2006). The International Year of Microcredit 2005 had five overall objectives as stated below;

- To contribute to the MDGs by assessing and promoting the contribution of microfinance to achieve the goals,
- To increase the public awareness and understanding of microfinance,
- To promote inclusive financial system,

- To support sustainable access to microfinance by increasing the capacity of microfinance providers and
- To encourage innovation and partnership.

To achieve these objectives, various activities have been undertaken at national, regional and international level. Despite the broad consensus regarding the importance of microfinance as a poverty alleviation tool, it is estimated that over two billion people are currently excluded from access to financial services. The situation is particularly dire in Least Developed Countries (LDCs) where often more than 90% of the population is excluded from access to the formal financial system (UNCDF website). Following the International Year of Microcredit the UN Advisors Group on Inclusive Financial Sectors consisting of 25 individuals representing governments, central banks, regulatory agencies, microfinance institutions, civil society, development agencies and donors, and academia from all over the world was established. The main role of the Advisors Group is to inform the United Nations system and members states on global issues relating to inclusive finance (*Ibid*).
The next important event related to this issue was the Global Microcredit Summit 2006. The Campaign was re-launched with two new goals for Phase II (Harris, 2006):

1. Working to ensure that 175 million of the world's poorest families, especially the women of those families, receive credit for self-employment and other financial and business services by the end of 2015.
2. Working to ensure that 100 million of the world's poorest families move from below US$1 a day adjusted for purchasing power parity (PPP) to above US $1 a day adjusted for PPP, by the end of 2015.

As per the report presented in the summit, by December 31, 2005- 3,133 microfinance institutions worldwide reached 113,261,390 clients, 81,949,036 of whom were among the poorest (in the bottom half of those below their country's poverty line or below US $ 1 a day) when they started with the program (*Ibid).* 91 percent of the poorest families reported are in Asia, a continent that is home to some 67 percent of the world's people living on less than US $ 1 a day. The growth from 7.6 million poorest at the end of 1997 to 81.9 million poorest at the end of 2005 represents a growth of 978 percent during that eight-year period (*Ibid).* If the goal of reaching 175 million poorest clients is achieved by the end of 2015, the total number of clients will be 242 million affecting 1.2 billion family members.

Microfinance in Nepal

In Nepal, the formal micro-finance programme has been run since 1970s. The initiation of microfinance by the banking sector was in 1975. It started with the 'Small Sector Lending Programme' which is now known as 'Priority Sector Lending Programme'. There is the directive from NRB that the bank should lend at least 5 percent of its initial deposit and a particular (for the fiscal year, 2061/62, 4 percent) portion of the total lending should be lent to the priority sectors like agriculture, cottage and service enterprises of the deprived people. The scheme is going to be phased out in 2008 July (2065 asar). However, the deprived sector lending (3 percent of total lending) will be continued (Pradhan, 2005). There are several microfinance development programmes operated by the government. I/NGOs and cooperatives supported by the Nepal Rastriya Bank, Agricultural Development Bank, other Commercial banks and Rural Micro-finance Development center (RMDC). Among others, the major micro-finance development programmes are as follows;

General
- Small Farmers Development Programmes (SFDP)
- Institutional Development Programme of SFDP
- Intensive Banking Programme
- Cottage and Small Industry Development Programme
- Bisheswor Among the Poor
- Rural Self-reliance Fund
- Cooperative Societies

- NGOs/INGOs

Women Focused Micro-finance Programme
- Production Credit for Rural Women
- Micro-credit Programme for Women
- Grameen Banks/Development Banks
- Women Awareness and Income Generation Programme
- Banking with the Poor

Over the last decade, Nepal's rural microfinance sector has expanded significantly in terms of service providers and client served (Dhakal, 2004). The rural financial institutions providing microfinance services in the formal and semi-formal segments are reaching out to an estimated 655,000 members1. This estimate, however, includes clients borrowing from more than one source. Assuming that about 15 percent of the clients have borrowed from more than one source, the effective number of HHs with access to microfinance services is estimated at 557,000 (Sharma 2004 cited in SAP, 2005).

The available disaggregated information (see table below) reveals that the Nepalese microfinance market is fairly well balanced between "cooperatives, private and government-owned BBB/Replicators" and "government supported microfinance programs". The cooperative sector (including SCCs and SFCLs) appears to be the biggest player in terms of outreach followed by the RRDBs. Despite the biggest share in the microfinance sector, they are often criticized on their viability, quality and depth of outreach. Other actors such as the MDBs and microfinance NGOs are gradually making their presence felt in the microfinance sector. Further, the SFCLs, which are outcomes of the transformation process of ADB/N's sub project offices under the SFDP, have gained an increasing share of the rural financial market. It is quite interesting to note that the SFCLs possess the potential to attain the largest share of the Nepalese microfinance sector (*Ibid*).

The outreach of microfinance services is still low and the market for micro and rural financial services appears to be huge. Using the analytical methodologies, about 41.6 percent HHs out of 1,339,642 HHs below poverty line have access to microfinance services in Nepal. This statistic implies that an additional 782,642 HHs are yet to be served by the microfinance sector in Nepal (Ibid). Hence, the breadth of outreach is yet to be expanded to ensure access to microfinance services to people below the poverty line which most includes the excluded groups.

Scale of Microfinance program

Financial Institutions	**Number**	**No. of members**	**Percentage**
Regional Rural Development Banks (RRDBs)	5	146,000	22.3
Microfinance Development Banks (MDBs)	4	90,000	13.7
Saving and Credit Cooperatives (SCCs)	2,650	160,000	24.4
Small Farmers Cooperative Ltd (SFCLs)	161	88,000	13.4
Government supported Microfinance Programs2	1	76,000	11.6
ADB/N (Small Farmer Development Program)	1	66,000	10.1
Microfinance NGOs3	44	29,000	4.4
Total	2,868	655,000	100

Source: Sharma S.R., 2004 cited in SAP-Nepal, 2005

[1] This figure does not include the rural clients of ADB/N's development banking segment and the clients of NBL and RBB since all three banks are considered to serve the better off clients in rural areas.
[2] Government supported microfinance programs include MCPW, PCRW etc.
[3] Microfinance NGOs include SAPPROS, DEPROSC and other private saving and credit organizations.

An analysis of the concentration of microfinance services reveals that MFIs are concentrated in the Terai and accessible hills. There is virtually no formal MFI with only limited presence of the SHGs and credit union model in the inaccessible hills and mountains. MFI services are more concentrated in urban and semi-urban areas and such services are very limited for the poorest of the poor.

Therefore, the challenge is how to build the inclusive microfinance accessible to the most deprived and excluded people. In this regard Save the Children USA had a rapid situation analysis on the information regarding inclusiveness of clients in the national MFIs. The assessment found that no MFIs have such specific information regarding the inclusiveness. However, they also agreed that they have not reached up to the level they should have. Therefore, to make the microfinance inclusive we need to have the national campaign. Since the credit has also been recognized as the right of the poor and the component of economic rights, we need to bring MFIs accessible even to the most deprived and excluded groups/communities. For this, one way would be to form a Global Microcredit Campaign- Nepal Chapter which will be appropriate platform to discuss among the microfinance professionals and practitioners. This will also link the national campaign with the global campaigns.

Focus: Article 02

The Impact of Microfinance on Household Welfare: Case Study of a Savings Group

By, Kongpasa Sengsourivong [Laos]

Many countries recognize that microfinance can play an important role in economic development as one of the tools for poverty reduction. Access to financial services is a major issue for both rural and urban areas of Laos. Consequently, the government of Laos recognizes that access to rural finance and microfinance could be one of the major tools for poverty alleviation and places microfinance activities as one of the priority programs for the agriculture and forestry sector in order to promote sustainable growth and poverty eradication under the National Growth and Poverty Eradication Strategy. Many studies have examined the relationship between microfinance and economic development, but until now, only two key studies were undertaken in Laos. While these two studies made an important contribution to this subject, they had some shortcomings as they did not correct for problems of the self-selection and endogenous program placement.

This paper surmounts these issues by adopting the methods used by Coleman (1999) to estimate the effects on household welfare or outcomes by the participation in the savings group. The survey was conducted in six villages in 2005 - 2006, in a semi-urban area of Laos. All these villages had savings groups which were in operation for various lengths of time. Of these, three villages had savings groups operating for more than a year, and are called "old" savings groups. The remaining three villages also started operating savings groups but these were in operation for less than a year. These are called "new" savings groups. In the six villages, villagers were allowed to self-select to be savings group members or nonmembers. The survey sample included members and nonmembers in the six villages. Members who experienced benefits from joining the savings group by either obtaining a credit or receiving a dividend are called the "treatment" group, and those who have not benefited from the groups are called the "control" group. All members of the "control" group were relatively new members with an average membership of 2.2 months. Hence, the effects on savings group members in the treatment group can be compared with the savings group members in the control group. In addition, differences in the length of time that savings group program has been available to members in both treatment and control groups is taken into account to obtain more precise impact estimates. Inclusion of nonmembers in all six villages allowed for the use of village fixed effect estimation to control the possibility that the order in which these six villages had savings group program placement is endogenous.

With this kind of survey design, the impact of savings group program on household outcomes can be straightforwardly estimated. These positive outcomes include increase in household house value, household livestock production income, household agriculture production income, household rental expenses, and household education expenses. The results illustrate that the savings group participation has large positive and significant effects on all of these outcomes, except household yearly income from agriculture. However, this can largely be explained by issues relating to the robustness of the data for this indicator. In short, the participation of savings group can increase household asset, household income from self-employment activities and support the education of children.

Consequently, this paper's findings have several important implications. Firstly, the large positive impact savings group has on household asset suggest that microfinance programs may improve household status in terms of wealth. Secondly, the positive significant effects of the savings group on productivity, particularly livestock and agriculture in terms of rental on rice fields, suggest that the savings group program may be a viable strategy for the poverty eradication. This is consistent with the National Growth and Poverty Eradication Strategy (NGPES) (2004: 65) of the Government of Lao PDR which recognizes the importance of microfinance and has placed it as the one of the high priority projects for the agriculture and forestry development plan. Thirdly, the great positive influence of the savings group program on household education expenses suggests that microfinance program may be one viable strategy to reach the millennium development goals in terms of education.

FOCUS : AD FEATURE

Focus: Cover Story 01

Extending Solidarity, Savings and Self Help to Self Help Groups (SHGs) For Income Generating activities
By, Prabhat Joshi, National Coordinator, GEF UNDP Small Grants Program, India

Introduction:
There is no easy credit available for all the different needs of people. But group members have been able to borrow from their groups when people need for all most all types of their needs and requirements. In the beginning members borrowed to repay money lenders; to release mortgaged lands, to buy rice to eat; to meet their productive and consumption needs. The lessons in various projects have detailed that this is one of the more important ways of addressing the sustainability issues (local ownerships). Under the Small Grants Programme, extension of working capital advances to SHGs is not encouraged as a part of the grant under the UNDP GEF SGP. Instead, it is imperative that the system should be built within the SHGs in such a manner, that, over a period of time, the communities raise the capital through group savings and bank loans leveraged on the basis of the group savings.

Key Issues while creating Solidarity through SHGs: Some of the key points, which need consideration during SHGs, are as follows.

- **Group Meetings:** Promoting democratic values, transparency in all members knowing what decisions are being taken and for whose benefit. Creating social and personal development, through skills, enterprise development and livelihood benefits.
- **Autonomy:** Creating group capacity of all members in managing the actions and the systems through book keeping, leadership and funds management.
- **Social Justice**: Ensure social justice through local empowerment by group decision making and ways to manage them. All group members participate directly and fully in all group functions.

What is an SHG: An SHG is a small, autonomous, non political group of people living near each other and sharing common concerns, who come together voluntarily to work jointly for their personal, social and economic development..

General Characteristics of SHGs: In the SGP the SHGs are encouraged in the projects within the following principles. This normally acts as guidelines for all types of groups in villages. These points are indicative and not exhaustive.

- Small Size
- Voluntary Membership
- Emphasis on Mutual help
- Homogeneity.
- Regular meetings, records and book keeping
- Autonomy
- Collective Leadership
- Non-Political Focus

Elements of the Concept:
The SHG concept contains several components or elements. These are key and needs to be adapted to make them successful.

- Savings and credit activities
- Avoid lending to non-members
- Memberships and Size of Groups
- Bookkeeping
- Meetings

- Rules and systems agreed commonly
- Raising Working Capital assistance through sources
- Group assets building
- Group Audits
- Facilitation, capacity building of self and members in group autonomy
- Creating and federating

The process of group formation and strengthening in the SGP is promoted with having five phases. The NGOs and the CBOs are fully aware and take the effective measures.

- Preparatory Phase: Introducing the concept to the communities.
- Group Initiative: Helping the group members to save and have meetings.
- Group Stabilization: Helping the groups to choose facilitators, norms setting, book keeping and records
- Group Consolidation: Linking to banks, lending, audits and penalties, working capital needs raised and linked
- Withdrawal Stage: Outsiders withdraw roles and communities manage and lead to further visions.

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Why Organize SHGs:
To achieve the goal of empowering, the un-reached, most disadvantaged in a more sustainable manner. Rather as support to SHGs members in the SGP, we promote their capacity building in enterprise development and other allied activities. The focus needs to be on accounting-book keeping, planning, resource management, advocacy, savings and thrift activities and formal bank linkages. These supports are given in order to build long-term sustainable capacities within the community that is essential for livelihood interventions. The stakeholders should realize the benefits of this system to encourage and uplift the poor and underprivileged, especially women.

The SHGs/Federation should be encouraged to build a group fund based on savings and start the process of inter loaning; more for productive and less for consumption actions/activities. We should clearly encourage the groups to agree on the norms for operations and also make written agreements in the village meetings regarding the loans recovery terms, interest rates, penalties etc.

The next step is to create bank linkages for the groups, through opening of bank accounts. Usually within a year of savings, the banks are willing to provide enterprise development loans to the groups. Hence, at the initial stages the members use the loan from the group kitty and later bank loans as working capital for IGA. This model has been used successfully in various SGP projects like the SFCID and KCC to start an eco-tourism enterprise, the briquette plant in RAC, Orissa, Oil expeller units in JAGRITI, Kulu, fish drying units in TIDE, Karnataka; Oil expellers; grain banks; seed banks; micro enterprises; organic fareming groups; medicinal plants growers etc by Humanity, WOSCA, Sambandh; FEEDS; ATREE; Cendect; PEEKAY Foundation WSSS and many others like the IBTADA, VNHCS; Mahila Jagrut; Lok Panchyat; PHD CCI; PAGVS; KRAPAVIS, Shanti Maitri; ALERT, Sahyog; Nidaan; Nav Jagriti; and Saink Foundation.

Vision Building for SHGs

By, Dr.N.Jeyaseelan, Micro finance consultant, Srivilliputhur (Tamilnadu)

i. Introduction:

Poverty continues to be a major problem throughout the world. Women and children suffer more from the clutches of poverty. Due to liberalization the disparity between the rich and the poor is growing at an alarming rate. The formal bank's outreach to the poor was limited. Under the above context, it was considered as a felt need to evolve some alternate credit delivery models, which will enable the poor to access the credit hassle-free and at the same time the lending organization also will continue to sustain. Micro finance is provision of a range of micro financial services like savings, credit, insurance, remittance and housing to the people in the Bottom of the Pyramid. In India, the SHG – Bank linkage project was launched by NABARD in 1992 as a pilot project. As of March 2007, the cumulative SHG loan disbursement under the micro finance program in India is Rs18040 crores benefiting 29.25 lakhs credit linked SHGs. The micro finance delivered through these Self Help Groups have resulted in economic development of poor and thereby they have built up their social capital also. The various impact studies carried out by NABARD corroborate the economic development achieved by the SHG members. Of late, there is a concern that the quality of SHGs are coming down, recovery levels of bank loans of older groups and their sanga (own fund) recovery levels are coming down. It is also reported that many SHGs disintegrate after taking loans. Hence, there is a need to the SHG promoters to enlighten the SHGs about their larger role towards their sustainable development beyond just availing the credit. Under this context, building the visioning capability of SHGs assumes significance.

2. Visioning by SHGs:

Visioning by SHGs will provide direction to their efforts and will facilitate them to focus their energy towards the activities necessary for achieving their vision. SHGs shall be facilitated to evolve their shared vision for the next 3 to 5 years i.e. the destination where they want to reach and by which time frame. For e.g. A SHG started newly in Jan 2008, may have a vision of becoming a "Financially sustainable SHG by Jan 2011".

3. Setting Objectives:

Objectives are the milestones in the long journey to reach the vision. Objectives indicate the purpose to the SHGs and enable them to choose the activities so that they will have the expected outcome at the end. Any problems faced by the SHG can be converted into an objective with appropriate time frame. Objectives should be evolved every year by SHGs. The objectives selected should be SMART (Specific, Measurable, Achievable, Relevant and Time bound).
E.g.

1. In Roja SHG of 20 members, 5 members have taken loan from money lenders at 10% per month interest - Problem.
Objective: To bring out the 5 members of SHG from the clutches of money lender at the end of one year.

2. In Annai Teresa SHG of 15 members, only 2 members have their own micro enterprise and all others are depending upon wage employment. - Problem
Objective: To change 10 SHG members as micro entrepreneurs at the end of 2 years.

The setting of objectives and follow up there of should be on a process oriented approach, which will result in better results among SHGs.

4. Process:

- Every year (preferably in March, as the financial year starts by April) SHGs need to fix 4 or 5 specific objectives based on their member's needs, prioritized problems and their capacity.
- Based on each objective, the SHG shall list the activities to be performed
- These planned activities shall be put in month-wise order.
- This plan will tell what will be done, by whom, when and what they need
- Let the SHG practice self monitoring of plan achievements every month.
- After the year end, let the SHG do a self evaluation and learn lesson out of their experience.
- Let the SHG plan for a small get-together to celebrate its success and achievements and plan for the next year's objectives.
- The entire process needs to be facilitated by the NGO staff and federation staff and every thing shall be recorded in the minutes book of SHGs.
- When the SHG reaches objectives every year, it will definitely reach its vision also at the end of the period (3 to 5 years) selected.

5. Roadmap:

The following roadmap shows what needs to be done to build the visioning capability at the SHG level.

- An orientation program for NGO staff, federation staff and community trainers on Visioning and Management by Objectives.
- NGO staff and Federation staff to train the SHG leaders
- SHG leaders to explain to members
- SHG shall be facilitated to evolve the SMART objectives and the plan for the year.
- Aggregation of plans of SHGs will form as a base for NGO to plan their work.

6. Conclusion:

Micro finance has really become a boon to the rural poor and it has boosted their economic status but, many banks and NGOs merely confine them with lending activity only. Credits alone can not bring out a sustainable development. So, banks and NGOs should offer guidance to SHGs on vision building. By building their vision, the SHGs will realize the larger responsibility to be shouldered by them to sustain the development in a holistic way and they will march ahead paving the way for more inclusive growth.

Study of the Self Help Groups in Rajasthan

By, Jai Pal Singh, Programmes Director CMF, Jaipur

There is a commendable growth in the number of Self Help Groups in last 2-3 years. It has undoubtedly brought more women in SHG fold and with increasing SHG-Bank linkage; flow of credit to SHG members from banks is better than earlier. But the quality of the Shelf Help Groups is a major concern.

Center for Microfinance undertook a study [4]of around 200 functional groups across 5 districts (Bikaner, Bhilwara, Bharatpur, Dungarpur, and Jalor). It covered 89 villages in 15 blocks of these districts and the sample has covered SHGs promoted by both government and non-government agencies.

The study took only active groups as sample for study. The reason was that we wanted to explore the quality issues and the objective was not to evaluate the work of SHPIs. Purely random sampling was difficult because the secondary data of SHGs was not available. So SHPIs were asked to give a list of their SHGs that exist and that are having meetings and savings with some regularity. From this list the sample was taken for study.

Findings and proposed action:

1. It has come out very clearly that the Self Help Groups membership in Rajasthan is largely from poor and marginalized section of society. About 85% of SHG members are from SC/ST/OBC (37% OBC, 26% ST and 22% SC) and about 50% from BPL.

2. From the sample of active groups, 30% SHGs fall in category A (good quality), 50% in B category (groups that can be improved) and 20% are of C category (poor quality). This grading is as per the Critical Rating Index of NABARD.

The above grading is of the 'functional groups'; if we also take in account remaining groups, the % age of 'A' quality groups will go down and % age of 'C' quality groups will increase.

Thus there is a need to focus more on quality of SHGs than on numbers. The monitoring of the programme now should be on the numbers of 'A' grade groups rather than 'total number' of groups.

There are large number of groups in 'B' category, which can be brought into 'A' category with extra inputs of training, exposure and hand holding support.

3. Looking at the quality issues in some depth, we found that 62% groups have regular meetings; most groups meet in afternoon because it is convenient to the SHPI staff. The groups' norms related to savings and repayments are better practiced than the norms on attendance and venue of in the meeting.

4. SHPI staff maintains the group records in 62% of groups. As the literacy rate among members is low, groups find it difficult to write records themselves. But the actual cause of concern is the lack of awareness about group transactions among members.

[4] Study done by Center for microFinance (CmF) and Andhara Pradesh Mahila Abhivruddhi Society (APMAS) Hyderabad

[2] Summary prepared by Jai Pal Singh, Programmes Director CmF

5. Training inputs to SHGs have been mostly limited to the leaders of the groups and most of the training programmes are of one-day duration. Training on group processes, record keeping, skill enhancement, micro enterprise and cluster/ federation are some of the areas that need attention.

6. Another finding from the study is that 'there is no significant difference in the quality of groups promoted by various agencies. Though there are some exceptions like all groups promoted by an NGO (PEDO in Dungarpur) are of A category but overall (after including sample of groups from other NGOs) there is not much difference.

7. It is observed that the SHGs of up to 3 years age have better quality and SHGs of age 4-5 years are of poor quality. It shows that till the time there is some support from SHPIs, the quality of groups is better. And once the support from SHPI is finished, the groups tend to wither away. The study also shows that the groups, who survived 4th-5th year, have good quality. But there is no information on what % ages of groups survive till 4th year and beyond.

It indicates that there is need for longer support from SHPIs or better quality inputs to groups during initial 2-3 years.

There are various issues of quality, which are inter-related. One affects the other and vice versa. For example if the staff of the SHPI does not have the clear perspective and vision of SHGs processes, the Groups promoted and supervised by her/him also lack the perspective and vision. Such groups do not know the importance of regular meetings, inter loaning etc. The group fails to provide any substantial service to its members and so on.

As Government Department (DWCD) promotes large numbers of SHGs and they have minimum investment in the SHG programme (no dedicated staff, low training inputs etc.), there is a need for a large programme with appropriate investment on human resource to improve the quality of existing groups.

Quality SHGs promotion is a process-oriented work and it takes about 3-4 years and about Rs. 10,000/- to form a good quality SHG. So **NABARD and Government should mobilize necessary resources to boost quality in SHG programme.**

8. The financial data collected from 200 SHGs (active ones) tells that 66% of the savings of members is lying idle in banks. Total savings (cumulative) of the studies groups is Rs 2.7 million; out of this, an amount of Rs 1.8 million is in form of deposits in bank and in form of cash in hand. Thus a small fraction of their savings is used for providing credit to members as inter-loaning. This is in fact defeating the very purpose of SHGs.

9. The total loan outstanding from banks is Rs 4 million. In other words, 44% of the outstanding loan to SHGs is actually coming from their own deposits in banks. Looking at the member's profile of SHGs (poor, women, SC/ST, landless etc.) and the kind of interest they pay to moneylenders, it (idle money) should be a matter of concern to banks as well as to government and organizations promoting SHGs.

10. Major reasons of such low inter-loaning and high idle funds are:

    - Lack of clarity at SHGs level that they should use their savings for providing credit to members
    - The SHPI staff also guide the SHGs to build savings in banks so that the group can get bigger loans (though the banks do not require that the SHGs should keep their savings in banks to get loans)
    - Bank keep the savings of the SHGs as security
    - Internal conflict or at least lack of mutual trust among members do not encourage them to lend and they feel it is safe to keep the money in banks

11. The normal monthly saving per person in SHG group varies from Rs. 10 to 100. About 50% groups save up to Rs. 20 per person/ month. Rest 50% groups save Rs. 50-100 per month/ per member. About 25% groups have increased the saving rate since their formation.

But the SHGs are yet to provide a saving option to SHG members/ families. Presently the group, based on the minimum amount that a member can save every month, decides the rate of saving. From the study of cash flow of rural households, we found that about 70% of HH have temporary savings, which they normally keep, in form of cash. If a member has a cash of Rs. 500 or so from the sale of milk, crop or as wage payment, she has to look for other saving mechanisms.

Considering the lack of the outreach of other formal saving options like banks/ post offices etc<u>**, SHGs can be a good mechanism for mobilizing savings. For this the voluntary savings in addition to mandatory savings has to be promoted.**</u>

Most SHPIs are not promoting voluntary savings because it increases the record-keeping task at group level. Also the present savings are not fully used by groups to provide loans to members; there is hardly any incentive for members to save more in SHGs.

12. About 60% members take loan from SHG. The banks give one time loan to SHGs and the new loan can only be given once the old loan is repaid. Normally the repayment period of a loan is 18 months. Now if a member needs a loan anytime during these 18 months, the group is in no position to help her. She will have to go to moneylender.

13. In some cases (though very few) we found that the loan amount is sanctioned and transferred to SHG account. But there is no information with SHG and they withdrew the amount only after 4-5 months. Till then the money was with the bank but the SHG had to pay the interest.

14. The average loan size from a bank to an SHG is around 24,000/- (excluding SGSY groups).

<u>Instead, if banks give a credit line to a SHG (based on its creditworthiness) and leave it to SHG when they wish to withdraw the amount, the groups will withdraw only in case of need and at appropriate time.</u>
Banks are found using different procedures for sanctioning credit to SHGs. There is an urgent need for a uniform system of grading and uniform procedure for SHG-Bank linkage.
Banks should ensure that their rural branch managers do not insist on impounding Groups' savings while giving loan to them.
There is also a need for orientation and sensitization of bank managers towards SHGs and microfinance.

Presently the progress is monitored more on 'number of groups' linked. Though it is important to track the number of groups linked but 'number of repeat loans' and 'size of loans' to SHGs should also be important indicator for monitoring.

FOCUS: Promotion

SHG Federations in India Emerging Practices, Challenges and Recommendations
By, APMAS (India)

Federations are facilitating bank linkage, insurance linkage and managing pensions. They have developed rapport with line departments, and are involving themselves in PRIs, HIV/ AIDS, child labor, non-member work, and they respond to natural calamities. Federations are monitoring functions of their own constituents and also other programs, and organizing social audit. Federations are adopting peer learning through Community Resource Persons. Federations are meeting their operational costs, at least partially. They are getting registered, professionalized, Specialized and recognized. There remains concern about their sustainability. Systems are still weak and need attention.

Some questions

While several questions have been answered through this publication, many questions have also been raised which require further research and understanding. These include (a) who sets the agenda of federations? Is it the members or SHPIs? (b) Are the poorest of the poor benefiting? Does federating result in marginalizing the poor? (c) Does federating marginalize the already marginalized? (d) Is there a need to sustain SHG federations? At what cost? Does that help SHGs or is the federation a burden? (e) Do SHG federations weaken SHGs?

Internal Challenges

1. Though SHGs federations are performing many responsibilities effectively they are facing certain internal and external challenges.
2. Governance is one of the major challenges. Reasons include lack of clarity about vision, limited board quality, limited sense of ownership, development of bylaws and implementation of those, limited understanding of technical aspects of finance by the board, tenure and time spent of the board, lack of second line leadership, legal compliance, etc.
3. Resources are another critical challenge: these include quality and trained human resources, staff review and fund availability for SHGs at federation level.
4. Asset quality of financial federation is another concern. These include portfolio quality and lending methodology.
5. Attention needs to be given to the design of systems and their implementation: This includes two way communication, systems and operating process and monitoring.
6. Efficiency and profitability is another concern. This includes sustainability.

External Challenges

An external concern is the lack of a business like approach on the part of federations promoted by the SHPIs. Conceptualization of federation, legal and regulatory framework, framework for self regulation, target oriented approach, capture by vested interests, capacity of promoting agencies, cost of promotion, decentralization, institutional sustainability are other challenges.

Recommendations for Primary Stakeholders

1. It is recommended that primary stakeholders should ensure that the federations' agendas get evolved on the felt need of members through a process-oriented approach.

2. They should have a long term vision on developing sustainable institutions of the poor. They should get registered under an appropriate legal form and work for complying with all legal obligations and requirements in time.
3. Federation meetings should review progress and performance of their members, and not just on financial matters.
4. Board members often exhibit good commitment and interest in building their institutions. But they may not be aware of their roles and responsibilities. Awareness building exercises should be initiated.
5. The time may have come for sharper role setting - layer-wise specialization may be useful. While the apex level may play the role of catalyst to bring social change and deal with outside work, the second tier could focus on strengthening primary federations and SHGs.
6. Livelihood promotion should be a part of the federation's agenda to ensure optimum utilization of financial services.
7. Federations should play a much greater role in the areas of social empowerment.
8. The savings and insurance services should be taken up on scale, and federations should embrace the business facilitator and correspondent model and enhance their product range.
9. Federations need to develop tailored products addressing members' needs, and offer support services aimed at strengthening the performance of their members on a fee-for-service basis in order to sustain themselves. With the liberalization of the insurance sector, SHG federations have a unique opportunity to play as the role of an agent in ensuring appropriate insurance services for their members - and thereby to mitigate the effects of risks faced/undertaken by them.
10. Federations may consider establishing different institutions for different purposes. At the very least, the SHG federation must keep separate books of accounts for different activities, and prepare separate financial statements to understand which of the activities are sustainable and which are not.
11. It is suggested that the promoters and SHG federations develop some of their women members to take on the role as federation staff in the long-run. This would reduce costs and also dependence on external staff. SHG federations could also access consultancy services of professionals as per their needs to augment their internal capacity.
12. Federations must continue to work for SHG-bank linkages as the federation may never be able to meet the credit needs of all the women members.
13. The financial federation should develop linkage with banks and other Financial Institutions (FIs) to meet credit demand of the members, and to have diversified sources of funds. It needs also to increase the number of member- SHGs to improve its operational and financial self sufficiency. For federations to attract mainstream funds, they must demonstrate excellence in governance, systems and sustainability.
14. For non-financial federations to be sustainable on service fee, a business model needs to be developed. Existing practices could be reviewed and a task force approach could be followed to have a viable business model for no financial federations, to provide high quality need based services and be sustainable.
15. For financial federations to access commercial funds from banks and other financial institutions, they must get themselves rated by a credible rating agency. The rating will give an objective assessment of the strengths and weaknesses of the SHG federation and also the credit worthiness of the federation.
16. Recovery performance at federation and SHG levels, particularly the internal loans, should be improved through regular monitoring and follow up, by strengthening the default management system.
17. Grading and monitoring of SHGs must be regular for enabling good disbursement and effective recovery rate.
18. The experience of Kudumbashree in Kerala and DHAN Foundation in South India clearly indicate the great potential that exist in promoting sustainable SHG federations to promote livelihoods in urban areas.
19. Tribal areas have sparse populations, and experience has proved that SHG federations are effective institutions for tribal development.

Recommendations for Secondary Stakeholders

1. There is also a need for a Self Regulation Organization (SRO) to regulate & supervise the SHG federations at a decentralized level. The likely MF regulator could recognize the self-regulation arrangements and support further development of those to further promote self-reliance and autonomy of the SHG federations, to provide much needed services to their members.
2. There is a need to make significant investments in developing professionals and para-professionals to escort the emerging SHG federations.
3. Across the organizations, there is scope for improving the accounting, information system and internal controls.
4. The SHPIs need to develop a 3 to 5 years Business Development Plan with the involvement of the federation board and staff, which would include vision building and an articulated withdrawal strategy.
5. A participatory monitoring system needs to be developed for the staff. SHG federations also require a self assessment tool to improve their performance.
6. Use of SHG federations as business correspondents using smart card technology is already being piloted. Based on the results, such a model needs to be up-scaled. There is tremendous potential for the SHG federations to play the role of business correspondents to provide the last mile connectivity to banks, and to be catalysts in promoting financial inclusion.
7. The capacities of the federations need to be built to establish and manage partnerships with a variety of players to further their objectives. This would be a major task for the promoting organizations.
8. Setting up of minimum performance standards and benchmarks are necessary. All the major stakeholders need to put their heads together to evolve these.

In **conclusion**, SHG federations have been evolved as a model that promotes sustainability of the SHGs and provides the much needed institutional base for poor women to realize their dreams and aspirations. The SHG federation model has achieved significant scale and widespread acceptance. Though not a panacea, there is great potential for the SHG federation model to address poverty. In many ways, the model is unique - the women are the owners, managers, users and beneficiaries. The federation is here to stay. While there are many benefits of the SHG federation, it has several limitations. APMAS as a resource organization is deeply committed to support the sustainability of the SHG federations. Though it is a challenging task to sustain a large number of SHG federations, it is doable and must be done. What is necessary is a synergetic effort by policy makers, planners, and implementers. There is also a need for public-private partnership to make it a reality.

[This write Up is a part of APMAS study on SHGs Federation, You may access full report in APMAS website, or you may click the link to download http://www.apmas.org/pdf/SHGfinalbook.pdf]

FOCUS: Promotion

To know more about it: www.fairmicrofinance.org

SHG Federations: are they needed?

By, Malcolm Harper,

I am presenting below ten statements, all of which are designed to question whether SHG federations are really needed. I am sure that some of the statements, maybe all of them, are wrong in some particular circumstances, but I am equally sure that some of them are right some of the time. In principle I am against adding any new layer of middlemen (or middle women) to any transaction, unless it can be clearly shown that the new intermediary adds value. I believe strongly that the burden of proof is on anyone who proposes a new intermediary; they must show that it serves a purpose whose value outweighs its cost. These statements are intended to elicit such proofs, or, perhaps, to show that SHG federations are not always needed.

The statements all relate to SHG federations which engage in financial intermediation; many federations do not take their SHG members' savings or lend to them, but do other things. This note is not about them.

1. SHG federations were a necessary but temporary measure when very few branch banks were willing to deal with SHGs and it was necessary to mobilize more pressure than a single group could muster. That is no longer necessary except in a small and rapidly decreasing number of locations.

2. The initial savings deposit of an SHG, perhaps Rs 2000, and the initial loan, of possibly Rs 8000-10000, are reasonable first transaction amounts for a bank branch, similar to what they can expect with their usual customers. After a year or so, SHG deposits of Rs 10000 and SHG loans of Rs 50000 are not uncommon. The SHG itself achieves the necessary bulking-up function for the individual members, but these are profitable accounts, there is no need for a federation to bulk them up further.

3. India has the largest network of bank branches in the world, and most villages are within quite easy distance of a branch of some sort; there is no need to have a federation in order to provide a more accessible place at which to make deposits or take loans.

4. Some federations are themselves federating and aim to create quite new financial institutions. India already has commercial banks, regional rural banks, PACS and DCCB branches; some are not functioning properly, but the way to improve matters is to reform them, not to create yet another set of institutions.

5. The existing financial institutions are not properly regulated or supervised, and there are frequent failures and frauds. There is no way by which the authorities can take on yet another type of institution; SHG federations will need supervision but will not receive it.

6. Loans and other benefits of SHG membership already flow away from the poorest to the most powerful and least needy of the members, as happens in all institutions. This process of marginalization will also happen within federations, so that whole groups will be marginalized, not just individual members within groups.

7. The process of promoting an SHG is not easy, but bankers and new SHG members themselves are increasingly taking over the task, thus reducing the need for dependence on NGOs and subsidy. Promoting a federation is much more difficult, and a federation requires much longer 'hand-holding'. This may suit NGOs which need a reason to exist, but it

perpetuates dependence on external assistance.

8. A single SHG does not contain enough voters to be worth 'hijacking' by political interests, but a federation is a very attractive target.

9. The day-to-day operations of a federation cost money. This may come in the form of contributions or interest spreads paid by member SHGs, or from individual members' voluntary work. SHG members already complain, rightly, about the amount of time that their membership demands, and about the interest rates they have to pay. Federations will make these burdens worse.

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

Focus: Leader's corner

SHGs and Microfinance Development

An Interview with Mr. C S Reddy, Chief Executive officer, APMAS

Mr. C S Reddy holds a Master of Philosophy (M. Phil) in Statistics and Operations Research, from the University of Hyderabad and a Master of Science in Statistics and Operations Research, from the Sri Venkateswara University with over 18years of experience portfolio in the Development sector. Mr. Reddy prior to his role in founding APMAS, acted as State Director of CARE International in Andhra Pradesh for a period of six years, where he played a lead role in the conceptualization and design of large scale programs like Sustainable Tribal Empowerment Program (STEP) and Credit and Savings for Household Enterprise (CASHE).He has been associated with several national and multinational leading organizations in development sector for implementation, research as well as consultancies.

MICROFINANCE FOCUS brought Mr. C S Reddy to talk about various contemporary aspects of self help groups & microfinance. He spoke to Microfinance focus's Vikash Kumar.

***Excerpts**:*

Microfinance Focus: APMAS has a long institutional experience of delivering a range of services to the SHGs fraternity. Would you please share some of your contributions to the SHGs sector?

Mr. Reddy: APMAS came into being when the SHG movement in India was at a take off stage. Since our birth in 2001, considerable work has been done by APMAS in Andhra Pradesh during 2001 to 2005 in collaboration with State Government, NGOs, Banks and SHG federations. From 2005 onwards, APMAS began to focus on providing support to other states as well. While we continue to work intensively in AP, we have initiated our support in Assam, Bihar, Gujarat, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, West Bengal and Uttar Pradesh. Our vision is "Sustainable Women Self Help Movement in India". The following are the major contributions:

- Trained more than 50,000 professionals and Para-professionals on various aspects of SHGs & SHG federations.
- Developed several training modules, manuals and video films for wider use.
- Development of a quality assessment (rating) system called GRADES for assessing the performance and credit worthiness of SHG federations. Rated 423 SHG federations.
- Conducted a large number of research studies on SHG Bank linkage, SHG quality, SHG federations and MFIs.
- National study on SHG federations.
- Anchoring District Livelihood Resource Centres (DLRCs) to promote sustainable livelihoods.
- Policy advocacy at State and National level on various issues related to quality and sustainability of SHGs in the country.
- At the national level APMAS is recognized as a leading resource agency in the area of SHG federation promotion.
- Piloting the process of self regulation by SHG federations.
- A monthly magazine on "women empowerment" in Telugu.

Microfinance Focus: AP being a leader in SHG promotion, what lessons would you like to share to other states, which have just started expanding the SHGs program.

Mr. Reddy: Starting from 1995, Andhra Pradesh has played a pivotal role in the promotion of SHGs and has emerged as a leader both in the number of SHGs in the state as well as the total amount of bank linkage under the linkage banking model. The following are the reasons for the exponential growth and also for some of the key lessons learnt:

- High quality & sustainable SHG promoted by some of the NGOs in the state.
- State Government through the projects funded by the UNDP, World Bank and others has up-scaled the model to cover every village of Andhra Pradesh.
- NABARD played a significant role in motivating and training bankers to provide loans to SHGs under the SHG – bank linkage program.
- A large number of SHG federations have been promoted which have been working on improving the quality of SHGs.
- SHGs and SHG federations have taken up the role to delivering government services and managing various anti-poverty schemes.
- Where there is political will and bureaucratic commitment, scale is possible and can become sustainable. A total SHG – Bank linkage of Rs.7,000 crores in 2007-08 is just an example of continued growth in the linkage banking volume.
- While SHG federations are very attractive to be treated as delivery channels for government schemes, they might affect their autonomy and sustainability.
- Large-scale SHG movement supported by the state Government run the risk of political interference, undermining the realization of the full potential of such institutions.
- While strong SHGs would make a strong SHG federation, the AP model has proved that nascent SHG federations could taken on the responsibility of strengthening the SHGs.
- SHG movement may get overburdened by the multiple agendas the federations have.
- Unless there is a deliberate focus on issues like gender, rights & entitlements of women, health and education, the SHGs be reduced to savings and credit groups.
- To have strong SHGs and SHG federations, there is a need for a developing a large base of social capital in the form of book keepers, trainers, auditors and marketing specialist emerging from the SHGs.
- For the SHG federations to meet the member's needs, interface with the government is very important and critical.

Microfinance Focus: SHGs in AP are involved in most of the development initiatives of the Govt, so as to make it a really empowering process. How you have built up the capacity of SHGs to shoulder such larger responsibilities?

Mr. Reddy: First let me clarify that APMAS is not the only agency that is involved in capacity building. In fact, Government of AP promoted SERP plays a major role. APMAS is one of the resource agencies involved in the capacity building work. The following seems to be the key inputs for them to take on many responsibilities:

- strong group dynamics and book keeping system at the SHG level
- Adequate loan size for the SHGs to meet the credit needs of the SHG members.
- Formation of the SHG federations at the village, mandal and district level. These federations have sub-committees for different functions – microfinance, marketing, food security, insurance, social aspects, disability, etc.
- All the staff & the Executive Committee members and Office Bearers of the federations are trained and have also given an opportunity to go on exposure visits.
- Initial pilots were done before up scaling any initiative. For example, Village Organizations (Village level federation of SHGs) distribute pensions in Andhra Pradesh. This was initially tried out in a few places before the model was fine-tuned and up-scaled.
- There is several staff that supports the federations who receive specialized training in managing bulk milk cooling centers, procurement centers, marketing, pension distribution, etc.
- SHG federations taken on such responsibility in the hope to earn profits and to earn a fee by providing those services. It is important for SHG federations to get involved in those activities that benefit a large number of their members.

Microfinance Focus: How do you account the successes and challenges of SHGs - Bank linkages model in India?

Mr. Reddy: The SHG – Bank linkage is the largest microfinance program in the world. The uniqueness of the model is the involvement of the promoter of the SHGs, Government and the Banks. It has worked very well and due credit must go to NABARD for playing a pivotal role. While NABARD helped in the initial years of SHG – Bank linkage, full credit must go to the SHG promoters and the Banks for taking it forward. One of the major challenges of the model is the target-oriented approach. In many states of India, still the quantity of bank loan to an SHG is not enough and it is in many cases not timely. Quality of SHGs is another issue which hinders the growth. Almost 50% of the SHGs are not having adequate book keeping system making it difficult for the bankers to lend to such SHGs. Inadequate promotional costs provided to the SHPIs is another issue. A large number of SHG promoted under SGSY are only formed to access the subsidy component affecting the entire movement. The collaboration between NGOs and Government needs to be further strengthened and improved. Livelihood promotion is a major challenge to ensure optimum utilization of the loans obtained by the SHG members.

Microfinance Focus: What are the Learnings outcomes you would like to mention from your & institutional experiences about SHGs methodology within the context of financial inclusion or promotion of Microfinance?

Mr. Reddy:

- SHG model is scalable and most suited for women empowerment and poverty reduction.
- For sustaining the SHG movement there is need for the social capital to emerge from the SHGs. While promoters can play a facilitating role, the must have the ability to self manage their affairs.
- Simple and user-friendly book keeping system is needed.
- SHGs model has considerable potential to facilitate financial inclusion & inclusive growth.
- Using smart card technology, we could reach all the un-reached with the full range of financial services.

- SHG federations could be partners (or business correspondents) for the banks to provide the last mile connectivity.
- SHG federations have the potential to manage micro-insurance program.

Microfinance Focus: In many areas, bookkeeping in SHGs remains a grey area and looked after by a few, which create a power centre with in the group. How do you ensure the SHGs to overcome that weakness?

Mr. Reddy: Book keeping is an area that definitely requires further work. However, it is the firm belief and conviction of APMAS that the women are able to manage and can manage it very well if adequate support and guidance is provided. For the SHPIs it is important to have full faith in the women and their capacities. Also, it is very important for the promoters not to complicate the bookkeeping system to serve their own needs. We must have a large number of trained book keepers in the SHGs. We must also train some of the SHG members to be SHG auditors. If there is effective mechanism of monitoring SHG book keeping and also period rating, the book keeping would improve. Also, the SHG federations have a system of seeking monthly reports from the member SHGs it would make them more responsible. It is highly desirable for the SHGs to have their accounts audited annually.

Microfinance Focus: Some SHGs retain the same leader for years together leading to a dependency on a single individual. What are all measures should take up by promoting institutions to nurture new leaders?

Mr. Reddy: Many SHGs practice rotational leadership. It must be a part of their norms for change of leadership. There are some practical difficulties as the bankers do not want the leaders to change as they require changing the same in their books. Also, the initial leaders think it is a privilege to be a SHG leader and are not interest in having new leaders take over the responsibility. In some of the SHGs there members are not willing to take the responsibility of being a leader which leads to existing leader continuing. A large number of SHG members need to be trained on leadership, particularly on book keeping. The monitoring system must ensure following their own numbers. Every effort should be made to ensure that the SHG leader is not seen as mediator.

Microfinance Focus: When up scaling the SHG program in a faster way, often the quality suffers. How we can sustain the quality of the SHG program over the years. What needs to be done and by whom.

Mr. Reddy: In many parts of the country, there is no need to promote SHGs now. As there is considerable awareness, new SHGs are formed on their own. It is very important to make adequate investments in the promotion of SHGs. It costs approximately Rs.10, 000 over a three year period to promote a good SHG, only a portion of that amount is invested in SHG promotion leaving those groups as weak and at time dormant. Governments must cut down on the subsidies for the SHGs and spend more money on capacity building. Also, any subsidy or grant that the government wants to give to the SHGs could be given to their federation as a seed capital.

Microfinance Focus: Capacity building institutions are limited in number and quality trainers are not available in the market. Do you intend starting any accreditation program to develop new CB institutions and trainers in unreached/underserved areas.

Mr. Reddy: We are already doing, in AP we trained and certified more than 300 professionals to be trainers of trainers. Unfortunately or fortunately many of them have become fulltime employees of various projects or organizations. There is an urgent need to train and certify professionals to train others. Also there is a need to have collaboration with Academic institutions to offer certificate courses, short-term courses and diploma course in SHG promotion.

APMAS is anchoring a national network of resource organizations with Centre for Microfinance (CMF) based in Jaipur, Chaitanya based in Pune, Indian school of microfinance for women (ISMW) based in Ahmedabad and Reach India in Kolkata as members. We hope to network with many other resource organizations and individuals to ensure availability of capacity at different levels and locations. We need to have short-term, medium-term and long-term strategies to build capacities. From our own experience, the good practitioners in the SHGs are the best trainers.

Microfinance Focus: The bill on MF is pending. How would it help of strengthening and development of the SHGs movement? What kind of changes you would like to have in the proposed bill so that all sections of the sector benefit.

Mr. Reddy: The bill in its current form is not helpful to the SHG movement. In fact it can hinder the growth and sustainability of the SHG movement. We would like to propose a self-regulation mechanism recognized by the regulator as the way forward.

Microfinance Focus: Five years from now, where our SHG movement will lead us to? What proactive steps need to be taken to face those evolving challenges?

Mr. Reddy: By 2013, most of the poor would have joined as SHG making the number of SHGs in the country close to ten million. The linkage banking (outstanding) through SHGs and SHG federations and other forms of community based microfinance would have reached 50,000 crores with a number of women engaged in the SHG movement nearing 100 million.

There is a need for much greater focus on livelihood promotion, particularly in food processing, dairy service sector, agriculture and other emerging sectors. There is a need to focus on use of technology and a large effort in the area of public-private-partnerships (PPP). The banking sector will have to rise to the occasion and the Governments will have to play a more proactive role.

Thank you very much!

Microfinance News

➡ CAB-NABARD organizes Exposure Programme in association with Bandhan

CAB-NABARD is organizing a collaborative Exposure Programme on SHG Bank Linkage for Senior and Middle Level Executives of Banks during February 06-08, 2008 at Kolkata in association with Bandhan SHG movement in India has gained momentum and banks are eager to carry forward the programme to the far corners of the country.

Read More about it: http://www.bandhanmf.com/events.html

➡ India Committee on Financial Inclusion Recommends Compulsory Targets for Banks

Indian banks should be given a compulsory target of adding 250 new accounts per branch per year, in order to increase penetration of financial services in rural and semi-urban areas. That is the recent recommendation of the Committee on Financial Inclusion headed by Dr. C Rangarajan, Economic Advisor to the Prime Minister and former Governor of the Reserve Bank of India (RBI). The committee added that banks should emphasize financing marginal farmers and poor non-cultivator households.

Source: http://sify.com/finance/fullstory.php?id=14600407
To read the report: http://www.nabard.org/report_comfinancial.asp

➡ SKS Microfinance of India Raises Third Round of Equity Investment

India-based SKS Microfinance has raised INR1.47 billion (US$37.5Mln) through a third round of equity infusion. The strategic investors include two new US-based entities, Silicon Valley Bank and Columbia Pacific, as well as existing players including Sequoia Capital, Vinod Khosla and Odyssey Capital. The transaction was completed in December 2007 and the funds will be used to finance the MFI's expansion plans in 2008.

To read the complete article,
http://economictimes.indiatimes.com/News/News_By_Industry/Banking_Finance_/Finance/SKS_Microfinance_raises_Rs_147_cr_via_equity_sale/articleshow/2747002.cms

➡ Grameen Capital India to Provide Investment Banking Services to MFIs

Grameen Foundation, Citicorp Finance and IFMR Trust have launched Grameen Capital India Limited (GCI) to increase the outreach of MFIs and number of livelihoods finance providers in India by integrating them into the formal financial markets. GCI will develop capital markets, primarily the domestic capital markets, for MFI issued paper, including straight bonds, Micro Finance Asset-Backed Securities (MFABS) and equity. ..Read more

To read more: http://www.grameenfoundation.org/resource_center/newsroom/news_releases/~story=278

➡ US-Based P2P Payment, Remittance Service Provider Enters India

US-based peer-to-peer (P2P) payment and remittance service provider Obopay has announced its entry into India. Obopay, which has been present in the US for the past two years, plans to provide a variety of services on the mobile platform in India, including money transfers, mobile bill payments and microcredit payments. Aditya Menon, Executive Director of Obopay, differentiated the two markets, saying "In US it is social money. In India it is need based."

To read more: http://www.ciol.com/content/8108102687.aspx

➡ DFID Invites EOI for Management of Financial Education Fund

The Department for International Development (DFID) has invited expressions of interest for the running and management of the £4 million (US$7.9 million) Financial Education Fund (FEF). DFID had recently launched the FEF to increase financial know-how amongst the worlds poorest.

To read more: http://www.dfid.gov.uk/procurement/files/ojec8328.asp

➡ Afghanistan's First Mobile Money Transfer Service Launched

Vodafone and Roshan, a telecommunications operator in Afghanistan, have announced the launch of Afghanistan's first mobile money transfer system. M-Paisa is a mobile technology platform that provides financial services for those without access to banking and aims to facilitate economic activity in the region. The system builds on Vodafone's highly successful M-PESA mobile money transfer service in Kenya which has seen 1.6 million people register as customers since its launch in March 2007.

To read more:
http://www.vodafone.com/start/media_relations/news/group_press_releases/2007/vodafone_and_roshan.html

➡ Gates Grant of US$24.2Mln to Develop Micro insurance for 21 Million Poor

Micro Insurance Agency, a subsidiary of Opportunity International has received a US$24.2 million grant from the Bill & Melinda Gates Foundation. The funding will help Micro Insurance Agency expand its insurance products to the poor in Africa, Asia and Latin America. It will also enable the Agency to enter 11 new countries and provide life, health and crop insurance to 21 million poor people by 2012.

To read more: http://www.opportunity.org/NETCOMMUNITY/Page.aspx?pid=458&srcid=265

➡ Standard & Poor's to Develop Global Ratings for MFIs

The Inter-American Development Bank's (IDB) Multilateral Investment Fund (MIF) will sponsor a Standard & Poor's pilot ratings program in the Latin American region to promote the development of sound global and national capital market infrastructure for MFIs.

To read more: http://www.prnewswire.com/cgi-bin/stories.pl?ACCT=109&STORY=/www/story/02-06-2008/0004750914&EDATE

Focus: Resource links

SHGs resource links

Website

SHG Gateway is designed to provide the ample information to the community who are striving for Sustainable Self Help Movement in India and the stake holders. The SHG Gateway will be the majority wide-ranging resource of information for the inhabitants striving for Sustainable Self Help Movement in India. The community can contribute News, Highlights, Publications, Events, and Queries to the Discussion Groups, CVs of Consultants and Job vacancies.

Visit the site for SHGs related resources: http://www.shggateway.in

Publication on SHGs related

Hand Book on SHGs by NABARD
The handbook enumerates the required rules and training areas for SHGs. It also enlists the books to be maintained by the SHGs- Minutes book, Savings and Loan register, Weekly register and Pass books. It also includes the most important functions of SHGs viz. savings and thrift, internal lending and discussing problems.

Download the Hand Book:
http://www.microfinancegateway.com/redirect.php?mode=link&id=35017

Other Various SHGs related Publication by NABARD's,
Visit at - http://www.nabard.org/departments/publications.asp

Research Study

New CGAP Study on Self-Help Groups in India

http://www.microfinancegateway.org/resource_centers/savings/practitioners/_self_help_india

Self Help Groups in India: A Study of Lights and Shades

http://www.apmas.org/pdf%5Cm.pdf

Recommended website

APMAS: www.apmas.org

PRADAN : www.pradan.net

[List is just indicative, not exhaustive]

About Microfinance Focus

Microfinance Focus is unique kind of initiative for the microfinance sector. We are Passionate about using microfinance as a tool for promoting sustainable and holistic growth. Microfinance Focus is fortunate to have some of the most talented people assisting spread ness of microfinance knowledge and awareness. Our team includes specialist researchers, livelihood expert, operation and project veteran experts, trainers and facilitators. The Advisory Board is a national group of experts specializing in various aspects of microfinance, micro enterprise and development sector. Our advisory board consist a group of experts in Micro insurance, Risk management, SHGs, livelihood promotion, micro enterprise development and management information system. The Advisory Board provides ongoing assistance to the Team on issues of policy, management, quality up gradation of our publication "Microfinance Focus" and leadership guidance.

Vision

To evolve as aknowledge and communication hub with a major focus on Micro finance for holistic and sustainable development in India.

Mission

To promote microfinance and micro enterprise development and its sound practices in India.

Objectives

- The purpose of the "MICROFINANCE FOCUS" is to address the social and business aspects of microfinance development, and to play a promotional role for fulfilling the larger goal of poverty reduction and livelihood enhancement.
- The communication channel (MICROFINANCE FOCUS) will play a catalyst role to attaining targets of millennium development goal (MDG) of UN.
- The purpose of this monthly is to inform about various developments from the field of microfinance world and engage in an open dialogue with different stakeholders of this sector.
- The magazine will seek to further an integrated approach to the work with various microfinance, micro enterprises development institutions, educational institutions, government departments, international body, company and research organizations whose primary focus is on microfinance development.

Focus issues

- Micro, Small and medium enterprise development
- Management aspects in microfinance
- Capacity building and training
- Microfinance research
- Micro franchising
- Micro insurance
- Livelihood finance
- Advocacy on policy issue
- Technical assistance and computer application in microfinance operation

FOCUS : Acknowledgements

We wish to pay our heartiest thanks to all the writers of this issue of newsletter .we would like to thanks to all sources, from we collected news and other information for this issue.

How to access previous issues

You may download its special issue

- **Special Issue on Livelihood: http://community.eldis.org/.59946b6e**
  Special Issue on Urban Microfinance: http://community.eldis.org/.59947011

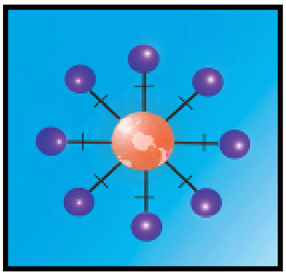
- If you are Member of **Solution Exchange's MF community**, you can directly download our previous issue from its community update.
  Link to solution exchange community:
  http://www.solutionexchange-un.net.in/subscribe/index.php?comm=MF

- Alternatively you can download it from the website of "**Microfinance gateway**".

Issue 10 http://www.microfinancegateway.org/redirect.php?mode=link&id=41586
Issue 9 http://www.microfinancegateway.org/content/article/detail/40219
Issue 8 http://www.microfinancegateway.org/content/article/detail/39225
Issue 7 http://www.microfinancegateway.org/content/article/detail/39450
Issue 6 http://www.microfinancegateway.org/content/article/detail/39449
Issue 5 http://www.microfinancegateway.org/content/article/detail/37769

- Or you can write us at : vikashkumar12@gmail.com

Disclaimer:
Views expressed in the article/s are author's own views. Readers are free to use the info contained in the **MICROFINANCE FOCUS** in any way for educating the stakeholders in the micro finance sector. But you should acknowledge **MICROFINANCE FOCUS** and original source for the same.



.........Together we learn..........