

✽ SELF HELP GROUPS - A CREDIT PLUS INSTITUTION ✽

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1. The Concept:

The basis of the self-help group exists prior to any intervention. The members are linked by a common bond like caste, sub-caste, blood, community, place of origin or activity. The intervenors, whether from the NGO, Bank, or Government must have the experience to identify these natural groups which are commonly called "affinity groups". What links together the group members, therefore, is not primarily the need for credit, but a "capital stock" of relationships built on mutual trust and confidence, on mutual interests of the group members, on a degree of social and economic homogeneity and on the gut feeling of its members that the group offers the best opportunity to realise their latent and often suppressed aspirations to develop economically and socially without creating social tensions locally, with which they cannot cope.

A recent survey in villages where self help groups of the poor are working well, indicates that the well to do to have a deep sense of respect for these groups of the poor because they have succeeded both in improving their livelihoods as well as in initiating programmes for the public good, even in settling long outstanding disputes. For example during a recent visit to a village which was some distance away from the main road, one had to walk through the fields. A group of masons were constructing an arch over the path that wound through the fields. They explained that the arch was donated by a person who had taken a vow at the village temple. The women's SHG in the village was a vibrant and truly empowered institution. At the end of the meeting they stressed the village need for a link road to the main highway; they had made an attempt to build it but failed they said "due to lack of funds". On closer study of the path on our return, it was discovered that it wound through several fields; we suspected that the real reason was not the lack of money but the tension over the land required for the road that the plan had created. We placed this suspicion before the masons constructing the arch. They agreed. When asked how they could solve the problem, they replied: "There is only one group that can solve this; the women's group that you just visited".

As a result of several similar experiences, MYRADA has adopted the self help group as the appropriate people's institution which provides the poor with the space and support necessary to take effective steps towards greater control of their lives in private and in

society. These small groups later link up together in smaller and larger associations depending on the objectives and on the roles with which the SHGs invest these apex associations.

The self-help group is not a static institution it grows on the resources and management skills of its members and their increasing confidence to get involved in issues and programmes that require their involvement in the public and private spheres.

Studies conducted periodically both by MYRADA and by outside institutions and evaluators indicate that SHGs have several positive features which are listed briefly below:

- They provide a cost effective credit delivery system, as the transaction costs of lending decrease sharply both to the banks and the borrowers; Banks which have advanced lines of credit report that the repayment rates are high ranging above 95%.
- They provide a forum for collective learning which rural people find more "friendly" and which is consequently more effective than the individual or classroom approach that is commonly adopted. The intervenor, must realise and make use of this potential.
- They promote a genuine democratic culture where rights and responsibilities are equally valued and internalised; and where sanctions are imposed and accepted.
- They provide the members with opportunities to imbibe norms of behaviour that are based on mutual respect and which can be recognised by the society.
- They foster an " intrapreneurial" ¹ culture where members realise that while they need the support of the group to achieve personal objectives, their personal interests cannot be promoted at the expense of the group.
- They provide a firm and stable base for dialogue and cooperation in programmes with other institutions like Government departments, cooperatives, financial and Panchayat Raj institutions; if the groups are functioning well, they have the credibility and the power to ensure their participation in identifying, planning, budgeting, and implementing Panchayat Raj programmes for the empowerment of the poor.
- They provide the individual member with the support required to exercise control over the pace, timing, size and schedules of loans and programmes, to broaden the pattern of asset provision, to include a package which would help the individual to cover risk rather than to provide a single asset;

¹ As distinct from "entrepreneurial" which implies a strong element of competition.

- They help to assess the individual member's management capacity which may fall short of what a "viable" investment package requires for optimum returns, as prescribed under regular IRDP norms, but which is manageable by a particular member.

The strategy therefore evolves around (i) the potential of the SHG to provide space and support so that each of its members can identify and use opportunities for her/his empowerment both in private and public life, and (ii) the capacity of the SHG to relate effectively with other institutions. Briefly this is what MYRADA means by describing SHGs as credit plus institutions.

It is, therefore, necessary that SHGs are promoted in a way that facilitates the development of a participatory and empowering culture. This in turn makes it crucial for all intervenors to empathise and be familiar with participatory management practices in their own organisations before using participatory methods to identify and form SHGs.

2. How to identify an SHG:

The means used by the intervenors to identify these affinity groups are several; a few popular ones are:

- regular visits to the village, meeting with informal groups gathered around tea shops, temples, water spots, markets, provision shops, milk collection centres; special care is given to visit and interact in areas where the poor, scheduled castes and tribes live and where women tend to gather;
- involvement in a common action like desilting a pond, or building a road also helps to identify these groups, provided people organise the action themselves; it is noticed that when encouraged to plan such projects they tend to work in affinity groups; for example when people decided to dig a trench around their fields to protect them from grazing, they were encouraged to organise into groups and to divide the work; they completed a 60 km. trench in 5 months; besides each group build up a common fund by savings from daily wages which provided adequate credit for further investments.
- participatory appraisal exercises; these are useful provided care is taken to involve all the people in various exercises which helps to identify the various groups in the village, the assets and resources of each family, the people's perceptions of who is poor, their credit needs and seasonal variations in the requirement of credit, etc.
- in recent years, several groups outside our project areas who have experienced good SHGs functioning or where families from old SHGs have migrated or married, have approached our staff; they have already identified members among whom there is strong affinity and come to MYRADA to request for group training.

3. Constraints in forming SHGs:

When MYRADA was invited to spread the strategy of "credit-plus" on the basis of self help groups, we found the following constraints:

3.1. Constraints arising from groups already formed under various other programmes:

- several programmes fostered by Government and private institutions had established groups which were used to implement prescribed programmes; there was no effort to foster a process of self help and to build sustainable institutions on the basis of "affinity". Most of these groups were based on eligible beneficiaries - the eligibility criteria was decided by those who formulated the "scheme". Other groups, especially those fostered by NGOs who used group pressure as a primary strategy for change, were large - with over 50 members. These groups began to be called "self help groups" since this title was considered official; no effort was made to understand the structure of a SHG and the process required to foster one. In many cases these groups are fulfilling the role entrusted to them under a particular programme; for example, those organised by NGOs are well suited to mobilise joint action on a particular issue, but they are not self help groups as described above. Those formed under Government programmes were "implementers" of a prescribed programme. Examples of such programmes where "groups" are organised as the final link in the delivery chain are DWCRA (Development of Women and Children in Rural Areas), groups organised under the Literacy and Mahila Samakhya programmes and Milk Societies which were being entrusted with micro finance functions. A brief description of groups formed under these programmes and their potential (or lack of it) to become SHGs follows:
- Groups formed under DWCRA: are functioning well in several cases and fulfilling the roles assigned to them, but have several constraints in becoming SHGs, for example:
 - in many cases women in DWCRA groups have to conform to eligibility criteria; they are brought together from several neighbouring hamlets or villages; there is no common underlying bond on which trust can be built; selection through political patronage results in similar group configurations.
 - there is a strong, almost exclusive, focus on economic activity; those groups which are described as functioning are those which are engaged in an economic activity; the most common feature of a functioning group is a common activity in which all the members are engaged, though at times in various segments of the production process. Those groups which are functioning usually produce a product which is purchased by the Government; where this is not the case, marketing is a major problem

leaving goods unsold, with members losing confidence. In very few cases is the group taking the initiative to tap the open market; as a result, self help and self reliance is not the guiding culture of these groups;

- there is no initiative to foster regular savings , lending and repayments; this exercise helps to build confidence and a degree of self help.
- there is no provision for regular meetings to discuss credit needs, to establish priorities and to acquire the skills necessary to build and manage an institution.
- many women leave the DW CRA group due to several reasons, many of them personal; no one, however, is asked to leave by the group because she is not abiding by its norms and culture; in a word, there are no effective sanctions operating within the group. In general, the groups have not developed a culture of their own; those norms that guide the group derive from and are limited to an activity, and are imposed from without.

The question raised repeatedly is whether a DW CRA group can become a SHG; it can, provided the DW CRA group which has normally around 20 members is an affinity group, and is willing to start discussing common problems, finding solutions, encouraging regular savings, providing loans and ensuring repayments. Further each member must be free to borrow according to her individual needs whether they be consumption, trading or asset creation. Unfortunately several of the DW CRA groups have already taken loans and most have failed to repay. In such cases, if they are affinity groups, the NGO involved could turn them around, but it will take considerable time and effort. If they are less than 20 members in the group, Banks will be willing to extend a line of credit to groups that are functioning like genuine SHGs. If they are not genuine SHGs or have been formed on the basis of political patronage or merely to serve as channels for benefits which have really gone to others, then it is suggested that they be left alone; attempting to revive such groups or to make them into SHGs will be futile

- 3.2. Groups formed under the Literacy and Mahila Samakhya programmes: these groups can be considered together, though they may not have the same objectives; they are similar to the extent that the groups are large, often heterogeneous, including members from different castes and economic strata and even from different hamlets and villages; these are major constraints to their emergence as SHGs. On the other hand, they provide the opportunity for women to improve the skills they require to manage and maintain an institution like an SHG; examples of such skills are literacy and numeracy which they need in order to read the Minutes of their SHG meetings and the figures in their pass books. These programmes also build the confidence of women by organising them to lobby for their rights and to acquire the confidence to organise common action. These are all qualities that members of the SHGs require for the SHGs to develop into an institution.

However, these large groups need to make special efforts to enable every member to participate effectively in the proceedings.

It was reported in many areas that attendance in these large groups tends to fall in programmes which focus only on literacy and awareness raising. The reasons are many but the main ones that emerge from discussions with groups are: (i) People want to go beyond literacy to programmes from which they derive some immediate benefit; "after all" they ask - "what is the point in being literate, if one cannot earn a livelihood?" (ii) It is often assumed that those who fail to attend are not interested; enquiries have shown that in many cases absentees are willing to participate in the programme but not with the members of the existing group; they do not feel comfortable to relate and work with them; they prefer to form another group of their own; in most cases this is an "affinity group".

The skills of literacy and numeracy together with the self confidence that grows through common action especially in some of the Mahila Samakhya groups are good building blocks for SHGs. SHGs therefore can emerge from these groups provided the women are allowed to form small affinity groups after the concept of the SHG is explained and discussed thoroughly; exposure visits to functioning SHGs have proved to be very effective. Discussions with such groups indicate that women are quick to see the benefits of building up a common fund in each SHG over which they have control and ready access. The major motivating factors are: the desire to go beyond "literacy" and to use literacy to open opportunities for sustainable livelihoods and the opportunity to meet their need for quick loans for consumption trading and asset creation; they realise that the SHG gives them an opportunity to decrease their dependence on money lenders and on other families who have traditionally exploited their vulnerability.

- 3.3. Milk Societies: these societies at the village level are examples of a group structure which is appropriate for the collection and handling of milk but is inappropriate for the management of credit. The milk society requires the larger producer to make the route viable; the small supplier (normally belonging to the poorer sections of society) rides on the back of the large farmer; it is this heterogeneity that makes the system viable. In an SHG, on the contrary, if larger farmers and members of rich families are included with the poor, their interests will collide. Often the families of the richer women are the very money lenders against whose interests the SHG now operates both in terms of loans as well as in other areas like the demand for fair wages and payment for services which the poor sectors have traditionally rendered below market rates to the dominant families in the village. It is, however, quite feasible for the poor members of a milk society, if they have affinity linkages and are homogeneous in terms of incomes, to form an SHG. Experience with such groups of the smaller farmers and landless people owning dairy animals has shown that these members can borrow from the SHGs to meet expenses on animal health care, breeding and feed.

3.4. A feature that is common to all Government anti-poverty programmes which provide an asset to the beneficiary is the criteria that comes along with the scheme to identify the beneficiary. When the scheme was targeted to individuals this method of targeting did not meet with any obstacle; but of late Government has adopted the "group approach"; all the eligible beneficiaries are therefore required to form groups which are then conveniently called self help groups. MYRADA calls these groups: Groups of "eligible beneficiaries". This strategy to link the direct targeting on the basis of predetermined criteria with group formation creates several problems when the NGO insists that the groups must be genuine "affinity groups". In the IFAD project in Tamilnadu several groups were formed of "eligible" beneficiaries; the criteria for eligibility was set by Government and covered age (17 years), gender (women) and previous performance in repaying loans from Banks. The Banks went a step further and considered women un-eligible if their fathers, brothers or husbands had defaulted. MYRADA, however formed groups on the basis of affinity. Several of the members of these groups were not eligible according to the Bank's norms. As a result, in order to target 10,000 beneficiaries in the District as planned under the IFAD project over 20,000 members had to be organised into SHGs. This was considered to be a waste of time and effort by Government officials; it also called for extra staff and resulted in the failure to meet with annual beneficiary targets. Therefore, the solution imposed was to organise groups of only "eligible" women. A similar situation arises in PLAN projects where families become eligible on the basis of a child suitable for sponsorship; these families are then formed into a group. Members of groups formed in this manner remained in the group only because they considered that their membership was a pre condition to get some money from the Banks and from Government. As soon as loans were extended many groups tended to disintegrate; this in turn increased the work of the NGOs concerned who had to put in considerable effort to organise meetings and motivate repayments. Briefly, it was the NGO that managed the groups. If, on the contrary, the groups are genuine SHGs they will function not because the members have joined a group as a condition to receive loans but because women have taken the initiative to build an institution on the basis of their own efforts. In a genuine SHG, the group continues to grow and function even after the project period is over. If groups are to sustain their efforts, they need to be affinity groups as well as small and homogeneous; besides, they must have the freedom to develop their own rules and regulations and to include and exclude members according to norms which they lay down. Women who are brought together because they are eligible for loans perceive the formation of a group as a precondition to receiving loans; seldom do they go any further either in terms of increasing self confidence or empowerment in social and private life.

PART II

THE PROCESS OF FORMING SHGs

The process of SHG formation has features which could be separated into three phases for the sake of clarity. Who intervenes in each phase, how, and where, are questions which do not elicit answers which are common to all project areas; they cannot be standardised. A few guidelines, however, are useful, together with a few indicators regarding the features of the SHGs at the end of each phase which will help to provide a backdrop against which their progress can be assessed.

Phase I - Identification and Formation of SHGs: 0 - 4 months

This is a critical function on which depends all further progress of the group. MYRADA staff with experience in these areas have to take the lead in identifying an affinity group which develops into an SHG; inexperienced staff will not be equipped to perform the role of group identification. Care should be taken to ensure that MYRADA places experienced staff at middle management level to play a key role during this phase.

Identification and formation of SHGs involves collection of information regarding credit needs, incomes and their seasonality, the availability of natural resources, skills and markets, people's perceptions of poverty and of intervenors, and the identification of social groupings in society. Participatory Rural Appraisal methods have been useful in this area. The people are involved in collecting and correcting data in a manner in which all can participate using instruments to which they are accustomed like sticks, stones, seeds and coloured powders.

During this phase, if the SHGs are entirely composed by women, it has been found necessary to meet with men and to explain what is going on, especially the benefits that will accrue to the family through SHGs.

Group formation is not complete with the first meeting. It takes several meetings over a period of 2 to 4 months for the group to have definite membership. During this period members may leave and others may join if the group agrees.

The meetings held during this period are not only social gatherings; the members also raise issues concerning the family and the village. Matters regarding savings and lending are also debated thoroughly as this is the major common function of the group. Agreement to save and to lend and the willingness to abide by group decisions without breaking bonds and confidence in the group indicate a degree of trust in one another; these are the building blocks of effective SHGs.

Critical Features of the SHG at the End of Phase I

The group is identifiable; it is not a place where people can walk in and out at will. The members have agreed to save regularly, to create a habit of thrift and to establish a culture of self help. Some groups may have started savings. Basic records like (i) Attendance Register; (ii) Minutes Book; and (iii) Members Savings Ledgers and Individual Savings Pass books -if savings have started - should be maintained.

The date, time and place of meetings must be decided on by the members and meetings held regularly according to the schedule. Two members of the group should be elected/selected who function as chairman and secretary. Many groups prefer to call them representatives since the titles of Chairman and Secretary tend to be interpreted as positions of power. The groups are encouraged by the intervenors to change the representatives every year and to elect/select the following year's representatives six months in advance so that they can be adequately prepared and trained. The group has given itself a name. If savings have begun, the group opens an account in the nearest Bank or Post Office. The account has two signatories, either one from the SHG and the other from the NGO intervenor or both from the SHG.

Phase II - Group Stabilisation: From 4 months to 15 months

MYRADA continues to play a key role in this phase as well; our staff attend all meetings and ensure that adequate support is provided so that:

- Savings are regular and lending operations gather strength. This provides the members of the SHG with an opportunity to acquire the skills to manage its resources. The group decides on the rate of savings, on the timing of the loans, on the schedule of payments and repayments, and on the interest rates; it assesses when and whether the member needs a loan and whether she/he is able to use the loan effectively and to repay according to the schedule decided on.
- Meetings are held regularly, preferably every week; attendance is maintained and averages over 80% and repayments over 90%; sanctions for default on repayment and for deviant behaviour (smoking at meetings, arriving late for meetings, etc.) are imposed and accepted.
- The following books are maintained either by a literate member of the group or by the NGO staff or preferably by someone from the village who is paid for such services. (Admission Book, Attendance Register, Minutes Book, Members Savings Ledger, Members Pass Book, Receipt Voucher, Payment Voucher, Cash Book, General Ledger, Loan Ledger, Stock Book.)
- Gender issues concerning women in private and public life are raised and discussed.
- Literacy and numeracy classes are conducted and attended by all members.
- Common Action programmes are organised by the group.
- They begin to interact with other groups, Government and private institutions.

Group training is held regularly - at least 3 modules each of 2 days - during this phase to enable all to participate effectively, especially the weaker members (in some cases special modules may have to be conducted for them), to build group culture and to raise the level

of commitment to mutual support and acceptance of group decisions, to develop self confidence in private and public life, to help members acquire the skills of conflict resolution, etc.

Training of SHG Representatives: The two representatives who have been elected need to be trained to conduct meetings, to help the group to establish a supportive culture, to establish priorities in lending, and to impose and accept sanctions. They need to equip themselves with the skills of numeracy and literacy to enable them to keep a check on what is recorded in the Minutes and pass books. They need to develop leadership qualities and the confidence to relate with institutions like Government Departments and Banks as well as to provide leadership in organising common action programmes. It is important that the group selects/elects the representatives for the following year at least six months in advance to enable them to build up these skills and confidence. If the group representatives are not changed every year, there is a danger that power will accumulate in the hands of a few which will in turn prevent the effective participation of all members. Rotation of representatives provides all the members with an opportunity to acquire the skills of group leadership. Once the first set of representatives have handed over responsibilities they could play the role of group animators, after the groups have been in operation for 12 - 15 months, provided they have had at least 3-4 modules of training and exposure to operating SHGs.

Experience in several MYRADA projects proves that there is no need to have animators at the village level. The responsibilities of conducting a group meeting, relating with the banks and with MYRADA can be carried out by the group representatives provided they receive training. Other group maintenance activities like keeping of accounts and records can be done by local people who are paid by the group on a job-by-job basis. The funds can come initially from MYRADA, but the group should select the person and fix the amount; it should be made clear to the group from the very beginning that MYRADA will only reimburse this amount for a period of 1-1/2 to 2 years.

Training of bare foot specialists in animal husbandry, agriculture and horticulture should be carried out intensively by MYRADA's Subject Matter Specialists or by contract services during Phase II. This will build up a cadre of field technicians. Training in animal care and breeding should also be given to women who own and manage animals.

Common Action: One or two small common action programmes in the village are planned and implemented preferably in collaboration with other SHGs if they exist in the village.

Gender Issues: Gender issues concerning women and the girl child are raised at meetings and form an important part of training. Men are invited to participate in common action programmes and occasionally to SHG meetings.

Negative reactions from men to women's absence from home when they attend meetings or are involved in common action or even to the increasing presence and profile of women in public life is a common feature during this period. MYRADA has to play a direct role to

cope with this problem, even offering counselling services at the family level when the problem threatens to escalate.

Support to the Common Fund of the SHG: After 6 - 9 months, if the SHG is progressing according to the indicators mentioned above, grants in installments matching the savings or in a higher ratio depending on the performance of the group are credited directly to the common fund. This helps to build up available capital, enabling members to access larger loans for business, trading and other small income generating activities.

Features of the SHGs at the End of Phase II

All the members are engaged in savings. Loans are provided to all. All transactions are supported with documentation; a summary of loans and recoveries is posted in a public place and regularly updated. The common fund is steadily increasing through interest, savings and fund raising by the group. The common fund is revolving; bank balance is low or nil. The recovery rate is consistently over 90%; attendance is consistently over 80%. The members have acquired the skills to conduct meetings and to resolve conflicts; perhaps, they have acquired skills in literacy and numeracy as well. Their confidence to act in public life has increased; they are able to relate with other institutions and Government as a group. Initial steps are taken to relate with the Bank and to negotiate a loan to the group. The group has the experience of organising and being involved in one or two common action programmes and in conflict resolution. The members of women groups have begun to address gender issues and to take small though significant actions both in public and at home.

To summarise: in Phase II, MYRADA plays a key role in training of groups and group representatives, as well as in gender sensitisation. However, MYRADA moves away from direct intervention, to support the process of group growth by attending all meetings of SHGs and intervening when required. The Subject Matter Specialists play a direct role in training asset owners and village technicians.

Phase III - Withdrawal: from 15 to 36 months

Though intervenors need to integrate withdrawal in their strategy from the beginning of the process in order that interventions will support the growth of self-reliant people's institutions and not increase their dependency, yet withdrawal becomes more tangible and acceptable after the major interventions required to build up the groups taper off.

MYRADA expects withdrawal to be visible 15 months after the groups exhibit the features listed at the end of Phase II, which is about 15 to 20 months after the groups are identified. As the groups take on the major role in organisational maintenance, the intervenors gradually withdraw. To begin with, the intervenors reduce their attendance at weekly group meetings. Next the groups begin to pay for those maintenance services which they require. For example, a group would pay one person for writing the Minutes and for keeping accounts. MYRADA would still have to provide the services of its accountants for an annual audit, towards which service the group should be asked to contribute until it is capable of hiring these services on its own. The NGO also responds to requests to intervene in the event of a crisis situation which the group on its own cannot resolve.

Major interventions during this period would be technical services for asset management and productivity, all round support for off-farm activities, especially for design, quality and marketing. These services could be provided partly by trained local bare foot specialists as in the case of animal husbandry, agriculture, sericulture and horticulture (for whose services the members of the group have capacity to pay either from their savings or by taking loans from the group) and partly by MYRADA staff or consultants.

During this period MYRADA and the SHGs could also foster the emergence of apex bodies but the need for such bodies and their functions should be decided by the group. Experience with apex bodies has also shown that they are vulnerable to political influences or are used as steps towards political positions. Politicisation of apex bodies weakens and eventually destroys the self help groups. Care should be taken that the groups are strong enough to control the functioning of the Apex bodies before they are formed. In some projects, groups have restricted the roles of apex bodies to supervising the groups and to assist in problem solving; they have refused to give apex bodies any funds or the power to control resources. Where the Apex bodies have funds, care should be taken to audit them regularly.

During this period the supportive role of MYRADA decreases. We need, however, to ensure that regular feedback and analysis of data is available in order to identify trends in financial management of the SHGs. The guidelines given in the "Blue Book" relating to the management of savings, the group's common fund, loans, book-keeping and audit help to identify important indicators of the SHGs' performance and should be applied regularly to groups in all MYRADA projects in order to assess over all performance of each group and to focus on those that are weak.



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