

MYRADA

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**‘The Role of CMRCs in the SHG-Bank Linkage Programme’
A Case Study of
MYRADA Challakere CMRC
Challakere Taluk - Chitradurga District**

Introduction and Process :

Myrada piloted an integrated rural development program in Chitradurga District, Karnataka, based on poor peoples institutions promoting empowerment, livelihoods and integration. It took off in 1992-1993 and gradually extended to cover around 400 villages out of the 1000 in the District. Throughout, Myrada endeavoured to work in collaboration with other institutions promoting poverty alleviation programs, and continued to focus on building institutions at the base which were managed by the poor and second level institutions like federations to expand the scope for empowerment, lobbying and sustainable livelihoods. It also promoted services like skills training, health and education for marginalised groups including sex workers. This collaboration between development supporting institutions took a more organised form in 1999 and was finally registered in 2002. It was called SPIN (SHG Promoting Institutions’ Network) Though Myrada played a lead role in organising and supporting SPIN it was managed by a Board comprising representatives from NGOs and invitees from Banks and relevant Government Departments. The Community Managed Resource Centres emerged as part of the strategy to promote local level institutions enabling Myrada to focus on other areas.

The focus of Myrada’s intervention in the 80s and 90s was to promote first level institutions of the poor which were designed and managed by them. These were membership institutions. The SAGs ¹ and Watershed management institutions are early examples; later the Soukhya groups (sex workers) emerged. Federations of these CBOs covering about 10 to 15 CBOs also emerged in the mid 90s. In order to develop a broad base of peoples

¹ When the large Cooperatives which Myrada was promoting broke down between 1983-84, the poorer members formed small groups which were called Credit management Groups – with a focus on management. The members self selected themselves on the basis of affinity which was based on relations of mutual trust and support. When NABARD provided a grant to Myrada in 1987 to match the groups savings and to provide institutional capacity building (ICB) the name was changed to Self Help Groups (SHGs). When the SHGs became part of the national policy to mitigate poverty in 2000 and as a result were promoted rapidly by government based on external criteria without adequate institutional building support, Myrada changed the name of the groups it promoted to Self Help Affinity Groups (SAGs) to stress the relationship of affinity among the members which existed even before Myrada intervened. This was an strength on which Myrada built the group through ICB which comprised at least 12 modules for all the members of each group together

institutions and civil society groups in the District as well as to introduce a benchmark related to the level of quality across similar programs, Myrada took the initiative to promote SPIN. The objective was to focus more effectively on improving the quality of peoples institutions, improve the technical inputs in watershed management, promote on and off farm skills training and to lobby for rights and entitlements of the poor and marginalised. SPIN also helped to improve the organisational and financial management systems of NGOs in the District.

Since 2000 Myrada took a step further. Having laid a sound foundation of CBOs, their Federations and the District level institution SPIN, it focused on evolving a strategy with the SAGs that it had promoted which would enable Myrada to withdraw from directly managing programs to one where it would play a mentoring role, but only when required. . After several rounds of discussions, interactions and meetings with grassroots level organizations it was agreed that the well functioning SAGs were the most appropriate institutions to take the lead role in evolving and grounding a suitable withdrawal strategy. This decision was based on the evidence that the SAGs had managed their institution well, settled problems when they arose, lobbied for change as well as for their rights and entitlements. Also the SAGs had the experience of forming and managing federations and establishing networking and linkages with Banks, MFIs, and Line departments. These were some of the major functions which the CMRCs were expected to perform.

What emerged finally was a *institution which could provide demand led quality services to its member institutions and the community and empower them to grow as sustainable institutions responding to emerging needs and new challenges.* **This institution was subsequently called a Community Managed Resource Centre (CMRC).** *There are 99 in Myrada and most have been registered under the Societies Act.* Each CMRCs evolves its own mission statement and strategies to implement it. This allowed Myrada the space to move its resources into other areas which had been neglected like vulnerable groups which had been left out from the growth process and who did not join SAGs for several reasons; it also gave Myrada the opportunity to focus on skills training and supporting non-farm livelihoods which did not really take off till 2000.

This case study focuses on the role of the CMRCs in one particular field, namely the role

The formation of Federations was mentioned above and needs further explanation since they are often confused with the CMRCs. In Myrada the CMRCs and Federations are different and perform different functions. The Federations emerged in the early 1990s and covered 10 to 15 SAGs. They are not registered bodies. The Federations perform the following roles, which have been given to them by the SAGs. They assist the SAGs to update their books and to resolve conflict; they support the SAGs in their efforts to address social issues like domestic violence, public sanitation, education of the girl child and to report regularly and finally they act as a bridge between the SAGs and the CMRC; they help the CMRC to assess the SAG and, to disseminate information .In Chitradurga the Federations are not registered, do not have staff but they have volunteers; they also collect a small subscription from the SAGs. In all other Myrada Projects the Federations do not collect or manage funds and do not have offices, staff or volunteers.

However the Federations were not found by the SAGs to be appropriate institutions to take over major responsibilities which require full time staff. These staff have to be paid and the Federations were found to be too small to generate adequate income to support the staff and office establishment; they found it difficult to become financially viable They also were numerically too small to attract the attention of the Gram Panchayats and Taluq Panchayats. They required larger representation to be able to access funds from the Gram/Taluq Panchayat, to lobby for entitlements and rights, to influence policy decisions in the GP, to promote livelihood programs etc. Elections to the Board of the CMRCs are held at the Federation level with each Federation electing two representatives

they are playing in the SHG-Bank Linkage Program initiated by NABARD - a role which was formerly played by Myrada.

The critical role of the Donor:

Myrada, SPIN and the CMRCs have been supported consistently till 2011 to achieve their objectives by DWH (Deutsche Welthungerhilfe) or German Agro Action (GAA). Several programs of integrated rural development, empowerment and gender were undertaken in the context of natural resource management, micro-enterprise activities both off and on farm, skills training and health. As Myrada withdrew and focused on vulnerable groups, DWH supported programmes targeted to the vulnerable sections like migrants, widows, marginalised groups and physically challenged.

DWH has shared the mission and risks of Myrada like a genuine partner. Promoting people's institutions at the first and second level. Which are sustainable in the medium to long term. They need to stabilise both organisationally and financially in order to take the lead to support a livelihood base and to lobby for change (in oppressive relations related to gender, class and caste) in the family and society; to reach this stage takes time and does not attract the media. It is slow and requires a long term commitment from the donor. If it was not for this long term and consistent support from DWH the institutions of the poor and their networks which are today taking the lead in all activities would not have emerged.

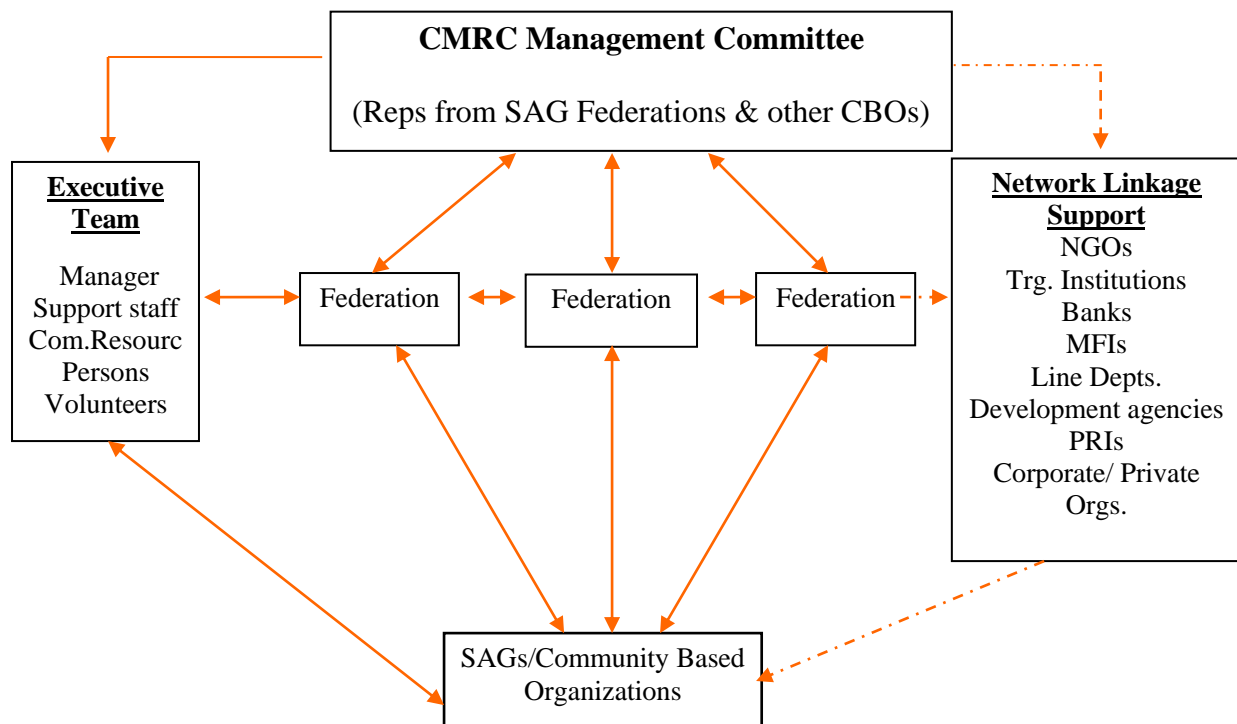
The Challakere CMRC: Organisational and Financial management:

Challakere CMRC emerged in 2002; 49 groups opted to be members of this CMRC. Over a period, the number increased to 150 SHGs. As the Board of management of this CMRC felt that the membership had become too large, it decided to spin off those groups in Karikere and Sanikere to form a new CMRC. The Challakere CMRC now covers 109 groups from Challakere town, 11 wards/slums and 16 adjacent villages.

A difference between the approach in Chitradurga and that adopted in other projects of Myrada must be mentioned here. In Chitradurga there are eleven CMRCs but they are not registered bodies though each has Management Committee and maintains accounts etc like an independent body. These 11 CMRCs however have federated at a Taluq level where they have registered a society. There are two registered Taluq level societies which cover all 11 CMRC. In other Myrada projects, each CMRC is a registered Body.

The organisational structure of the Challakere CMRC is depicted below:

Organizational Structure of the Challakere CMRC:



Organisational training for the Board of management is provided by Myrada. Initial infrastructure is provided by Myrada/Government/Gram Panchayat.

Financial viability: A major decision taken by the members of the CMRC and the Board of Management was that the CMRC should become financial viable as soon as possible. To achieve this they decided on the following measures:

- i. Each SAG would pay a monthly subscription to the CMRC. This subscription would entitle the CMRC to certain services like an annual audit. The CMRC would also assess the SAG annually. If the group did not perform well, it would lose membership of the CMRC; but the CMRC would invest in training the group or restructuring it if asked for. Membership of the CMRC is open to groups formed by any NGO or under any Government. Program provided the group was assessed to be performing well.
- ii. All services other than audit and assessment would be paid for as a service charge; the amount is decided by the CMRC and SAG. Services would also be provided to non SAG members but at higher rates.

Brief overview of Challakere CMRC

1.	Name of the CMRC	Challakere Sampanmula Kendra
2.	Date of Inception	17-05-2002
3.	Bank Account Number & Bank Name	S.B. Account Number 7414. Pragathi Gramin Bank, Challakere
3.	Operating Location	Challakere Taluk, Chitradurga District
4.	Nos. of villages covered	Chall.Town, 16 Villages and 11 wards/Slums
5.	Nos. of CBO and Families Covered	109 SAGs with 1865 Families. Average 17 Members per SAG.
6.	Age wise SAGs details	Below 1 year – 3 1-2 years – 15 3-4 years- 27 5-6 years – 34 7-8 years – 14 9-10 years – 5 Above 10 years – 10
7.	No. of board members and frequency of meeting	12 members – Monthly meeting on every 7 th
8.	Total Savings of the member SAGs	Rs. 1,22,81,575 - Average savings per group is Rs. 1,12,675
9.	Total Common Fund excluding savings and expenditures	Rs. 73,62,696. - Average common fund per group – Rs. 67,548

What services does the Challakere CMRC provide?

These services can be divided into three categories for the purpose of this case study which focuses on the role the CMRC plays to promote the SHG Bank Linkage program.

Category 1: Services which help to improve the organisational and financial management of the Sags; this improvement in quality provides the basis for the SAGs to manage savings and credit effectively. Though these services do not strictly promote the SHG-Bank Linkage program, they build the organisational and financial strengths of the SAG which makes it eligible to access loans from the Banks. Examples of these services are:

- Strengthening and monitoring the existing SAGs/CBOs and supporting the promotion of new SAGs/CBOs to cover the left behind poor and vulnerable families.
- Grading and Training the SAGs/CBOs enrolled in to the CMRC and the CBOs promoted by other development organisations in the area.

- Facilitating book keeping, auditing and other documentary/reports/ requirements of SAGs/CBOs.
- Assessing and grading of SAGs to enable them to establish formal credit linkages with Banks and MFIs.

Note: In Chitradurga the CMRCs take the help of the federations to perform these functions. In other projects the CMRCs do them directly through the Community Resource persons.

Category 2. The CMRC also decided - in respond to demand from its member institutions - to promote programs to support livelihoods, access entitlements, conduct health camps, establish linkages etc. the CMRC is alive to the emerging needs of the CBOs and tries to respond to them as they emerge. Examples of such activities which the CMRC supports are:

- Mobilizing development programmes for the benefit of member institutions and to the community.
- Organizing the Skill Development Trainings in response to demand
- Directing and counselling unemployed youth and dropouts for job placement and self employment.
- Lobbying for entitlements and rights particularly for the vulnerable, physically challenged, aged, deserted, widows and chronically ill.
- Disseminating development/market information on a regular basis to member CBOs/Community.
- Networking with formal and informal institutions to build a large base to lobby for change in policies and to support development institutions to work in a cohesive and co-operative manner.

CMRC's role in SHG-Bank Linkage Program

Category 3: Establishing linkages with Banks, Cooperatives and Financial Institutions: This refers directly to the case study on the role that the CMRC plays to promote the SHG-Bank Linkage Program. The CMRC responded to the demand from SAGs to assist them in establishing linkages with banks under the SHG-Bank Linkage Program. The support of the CMRC also was welcomed by the Banks especially the Pragathi Grameena Bank, Challakere branch which is operational in the area. The Bank recognized the important role that the Challakere CMRC could play in facilitating the SHG- Bank credit linkage programme. The Bank and the CMRC identified the functions that the CMRC would undertake to facilitate the SHG bank Linkage program. These were the following:

1. Each SAG will assess the loan requirement put forward by its members; the final list will be supported by a group resolution and submitted to the Federation which will review the functioning of the group specially in the following areas: Is the group a member of the CMRC? Did the group have: weekly meetings, regular savings, internal lending, good repayment, book-keeping and auditing? Did the group's representatives attend Federation and CMRC meetings regularly? Were there previous loans from banks, how they were used and whether they were cleared? If the federation is satisfied, it passes a resolution and forwards the application to the CMRC.

2. The CMRC Board reviews the requests in the presence of CMRC staff of the concerned area/federation and satisfies itself that the criteria set by the CMRC are also met. If required the CMRC asks one of its staff or CRPs to visit the SAG and to ensure that all documents required by the Bank are in order and to counter check areas where there are doubts. If the CMRC is satisfied, it forwards the request to the Bank.
3. The Bank directs the field officers to appraise the respective group and to prepare the documents as per the Bank/MFI requirements. The field officer does this along with the CMRC/Federation staff.
4. The final documents with a covering letter from the CMRC is submitted to the Bank.
5. The CMRC follows up the application and provides clarifications and information if required.
6. After linkage, the CMRC continues its monitoring & follow-up support to the SAGs through the Federation & CMRC staff with regard to bookkeeping, auditing, training, utilization & recovery.

Cumulative amount mobilised from Banks/MFIs:

Note: the CMRC was not involved in mobilising all these loans since some of the SAGs were linked to Banks even before the CMRCs emerged; in their case Myrada performed the functions required by the Banks.:

1.		
2.	Total No.of SAGs linked to Bank/Sanghamithra	109
3.	Cumulative amount under Credit linkage with Bank/Sanghamithra	Bank : Rs. 1,47,25000 Sanghamithra : Rs. 32,80000 Total : Rs. 1,80,05000
4.	The major Bank and MFI of the Area	Pragathi Grameena Bank & Sanghamithra
5.	Service Cost collected by CMRCs from SAGs towards credit linkage facility (After the emergence of CMRC)	Rs 1,67,830/
6.	Present number of groups with outstanding loans to bank and Sanghamithra and amount	P.G.B. - 28, Amount: Rs 23,66400 Sanghamithra : 6, Amount : Rs 5,32563

Total loan amount disbursed by the SAGs to its members	Rs 3,05,34,687/ (Inclusive of Bank/Sanghamithra linkage)
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Year wise Credit Linkage:

Sl #	Period	Source	No. of Groups	Loan Amount	Service Cost
1	Up to 2004	Bank	14	342000.00	0.00
2.	2004-05	Bank	48	2285000.00	22850.00
		Sanghamithra	8	625000.00	6000.00
3.	2005-06	Bank	41	2245000.00	22450.00
		Sanghamithra	5	250000.00	3750.00
4.	2006-07	Bank	28	1596000.00	15960.00
		Sanghamithra	6	675000.00	4500.00
5.	2007-08	Bank	36	2150000.00	21500.00
		Sanghamithra	5	450000.00	3750.00
6	2008-09	Bank	37	2260000.00	22600.00
		Sanghamithra	4	480000.00	3000.00
7.	2009-10	Bank	9	832000.00	8320.00
		Sanghamithra	4	800000.00	3000.00
8.	2010-11	Bank	23	3015000.00	30150.00
		Sanghamithra	0	0.00	0.00
TOTAL				18005000.00	167830.00

No. of groups linked once for credit	No. of group linked twice for credit	No. of groups linked 3 times for credit	No. of groups linked 4 times for credit	No of groups linked 5 times for credit	No of group linked 6 time for credit
46	37	19	3	3	1

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