

# Streamline Federations and Reinforce their Capacity for Financial Management Including Credit Distribution Capacity Building of SHGs and Loan Tracking

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**Abstract:** The Research has been conducted in Odisha by a post-facto and secondary research to know about Streamline of Federations by inculcating Financial Management System to SHGs. The PhD Student try to reflect some research with the support of Research Committee members. The Study is a student's project with some implication too highlight the research and findings by TRIPTI Project through Odisha Livelihoods Mission.

## Streamline of the current SHG model in Orissa

**Limited outreach** - The GoO as formed SHGs under the ICDS line departments, and the anganwadi worker is charged with group formation and support in addition to various other activities (managing anganwadi, safe motherhood etc).

Shift of dependency from non-institutional credit to institutional credit is definitely an advantage for the bank as well as the members of the groups. **But in almost all the cases, they still have not stopped taking money from the moneylenders.**

**Poor information and lack of handhold support** has made many groups vulnerable to the banks or other agents. *In the case of Hasina 'B' village two SC saving groups had requested a loan of 2.5 Lakhs from the bank, half of which was subsidized by a SGSY grant. There is a common practice of rural banks to retain subsidy amount as security. As a result, the groups only received 1.25L. They had requested the loan for poultry but the manager had told them that he would only finance goats and arranged for them to receive a highbred type ofgoat that was not suitable to the local conditions. Within months, all but three goats had died and the groups are left with repayments that they cannot match.*

**Limited productivity of loans** - Members have utilized loans for improvements in creation of assets, the quality and quantity of food and clothing, attending to the sick from emergencies loan taken contributes in preventive health care. While these consumption loans are fulfilling important needs to the group members, the potential for improve livelihood options has been limited due to lack of support.

**Low levels of credit access** - It is seen that the group members are usually poor and their ability to save is in small amounts or tit bits. These results in a small fund, which cannot be, utilized for productive purposes where a minimum investment is required which cannot be met from the fund available to each member.

**Grant oriented group formation** - While it was surprising to see that, even in poor and remote villages SHG had arisen with very little invention from external agencies, the major incentive for this was to avail grant fund from SGSY.

**Male influence over women's groups** - Many of the women we spoke to say that men continue to control the household finances and, when pressed, told us that their husbands had used the loans they had availed from the group. *In a village in Nayagarh, we found that the SHG has lent money to a contractor who was building the bridge on the main village access road. After borrowing the money, the contractor has disappears, leaving the group with no funds and the village without a completed bridge.*

Reasons for individuals withdrawing their membership	Reasons for groups disbanding
<ul style="list-style-type: none"> <li>• Unable to give time for the group</li> <li>• Splitting of larger groups into smaller ones (following RBI limit of 20 members)</li> <li>• Differences in opinion among the members</li> <li>• Due to transfer of habitation to other villages</li> <li>• Due to incapability keeping up monthly payments</li> <li>• Considered untrustworthy by group</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Mismanagement</li> <li>• Failed income generation activity</li> <li>• Unwillingness to wait for loans to be sanctioned</li> <li>• Lack of support from local financial institutions</li> </ul>

Of the total number of dropouts met 17, who had left groups in the last two years. Among these, over two thirds said their economics status was worse than before after being dropped out from the group.

**The Ever Present Moneylender:** Access to credit is in a very critical state in rural Orissa. The poor have no access to lending to formal institutions, and most of their credit needs are met through informal sources. Credit availability through SHGs was found to be very limited, as most did not have more than Rs 30,000 total saving and very few had banked linked finance. One of the major reasons for this was that SHGs were formed

**Table No. 15 Sources of Credit**

Sources	Interest rates Pm	Repayment period
Banks	9%	Depends on the quantum of loan
SHGs	18-36%	Depends on the quantum of loan
Money lenders with Mortgage	5%	No specified period
Money lenders without mortgage	8-10%	No specified period
Shop Keepers	5-8%	No specified period
Friends and Relatives	5%	No specified period
Contractors	5-8%	Up to the end of the contract

Individual’s reliance on moneylenders is very high, but this was a difficult subject to broach during focus group discussions. While we were able to ascertain that the majority of SHG members continued to use moneylenders

**Traditional Saving Practices**

Mostly in tribal areas, it is still possible to find traditional saving groups in use. Normally grain is used as savings, especially after the harvesting season. The saving collective owns a traditional storage unit, commonly made of hay ropes. As and when, families required help from the ‘grain golas’ (grain banks) they are able to take grain and sell this for cash. Normally borrowing take place during the sowing season and returned back after harvest.

*During the field study, villagers told us of the existence of these grain golas in Angul district, and it may be possible to also find them in Nayagarh.*

Despite the fact that the SHGs in the sample villages have not been found to be very sound and credit worthy, there are evidences in the coastal districts where SHGs (mostly women SHGs) were very instrumental in not only contributing in raising

income levels of the families of its members but also empowering themselves in mitigating social issues revolving around their families and the community. This has occurred over a period of time, which initially started with great opposition from the males of the family followed gradually by acceptance of the women's role in the family and society. It has been observed that wherever successful SHGs have emerged, the pace of socio economic and to some extent political development has been faster.

### SHG Federations

The Sample Areas did not visibly show any signs of SHGs into Federations. However, through secondary data, it was found that their Federations exist in the 10 coastal districts. These federations have been promoted under the SGSY Scheme.

### SHG Cooperatives – casestudy

The Welcomes cooperative, in **Astarang Block of Puri District**, is totally client-owned, controlled but managed by professionals. A local based NGO been guiding and providing capacity building inputs to the cooperative by way of promoting, strengthening women SHGs, and providing technical inputs as & when required, conducting financial & social audit, arranging external funds & framing broad policies for them. Apart from this, enhancement of leadership quality, enabling the poor women to address the local issues, the trained, committed & dedicated personnel are imparting entrepreneurial skill development through capacity building training and exposure. It has taken around 6 years bringing the cooperative to a stage where the members manage the activities which are not only confined to economic activities but also the social aspects.

#### Story of Maa Nageswari Mahila SHG, Gudmani Village, Patalada Gram Panchayat

Maa Nageswari SHG of Gudamani village is a part of the Welcomes Co-operative. 14 members came together to form this SHG with an intention to undertake Income Generating Programs. They are now involved in mushroom cultivation, mechanized paddy husking and a government contract for mid day meal for school children. They have taken 3 loans from the cooperative to the tune of Rs. 16,000. The earnings from these activities are Rs. 12,600/-, 16,000/- and 44,000/- respectively. The internal loan turnover amounts to Rs. 87,000. Increased income has resulted in sending children to school; some of them have constructed houses and have started consuming nutritious food. Saving habit has increased drastically.

Sanjukta Rout belongs to Maa Durga SHG. She is around 40 years and lives with a family of 4 members. Since she joined The SHG her earnings has increased to Rs. 3000 from Beetel cultivation

During the discussions with the members of cooperative, they categorically mentioned that they did need additional financial resources to the tune of about 10 lakhs. However, they declined to take support in the form of grants but were willing to take it even at 0% interest or very low rates of interest. The reason they quoted was that; grant money may disintegrate the cooperative.

### Addressing Social Issues through Self-help

The potential for SHG to empower women social, as well as economically, has become apparent in some of the most progressive cases in India over recent years. In a discussion with the directors and other leaders of the Welcome's cooperative in Puri District, we asked the women who SHGs had changed their lives.

The following issues were mentioned, which highlight the importance of a self-sustained SHG institution in promoting confidence, leadership and positive social values among its members.

- Reduced role of money lenders
- Accessing 'formal institutions' including government departments and gram panchayats all women said that they now regularly attend the pali sabha meeting and participate
- Ability to send child to school and avail institutional health care as a result of access to local, affordable credit Women attributed an increase in school enrollment as improve health to the success of the self-help co-operative

- Stopping men's drinking through collective action (see box – Dealing with alcoholism)
- Awareness of polio and other social issues

**Dealing with alcoholism:** Men were normally addicted to drinking, which caused unrest in the domestic front. Members of the cooperative after deliberations, stop brewing of liquor in the area. When the men found that alcohol was no more available, they started bringing alcohol from outside in the dead end of the night and store it hidden places. The women came to know about this and one night some of them climbed up the trees and as soon as the men came with the cans of liquor, all of them jumped down and caught all of them. The women also told us that they have the telephone numbers of the local police station and inform the police as and when they catch such culprits.

### Implications for the Project:

**Targeting the Poorest of the Poor:** The project considers the BPL list as the main monitoring system for the inclusion of the poorest of the poor in the project. However, the “BPL” is not a homogeneous category because it includes the “moderately poor” and the “very poor” people too. Given the common trend in the micro finance industry to increase the spread of their geographic outreach by targeting more and more the “vulnerable non-poor” and at best the “moderate poor” (through *screening* rather than *targeting*), the project has to give special care to increase its depth of the outreach geared towards reaching the “poorest of the poor” such as the landless, the women headed households, the socially vulnerable and excluded groups etc. whose income is half way in the poverty line level.. These are the people who are often excluded from the SHG fold, either by design or through self-exclusion. Even where they join the SHG, they soon dropout as they can not afford the time and the money (for regular savings). Therefore, effective coverage involves increasing the *depth* of poverty outreach through the following ways:

- ② Designing appropriate products & services and options for leverage for the poorest of the poor so as to involve them actively till (or at least) they graduate and move out of the poverty line. In order to achieve this people managed mechanism develops which is more inclusive in nature.
- ② Special efforts need to be made to reach out to the poorest of the poor, who have been excluded from the SHG fold, or who have dropped out, by forming separate groups for them and gradually, building in linkages with the mainstream SHGs.
- ② Designing appropriate products and services for the poor members and the very poor in particular with options available for micro insurance, safety net programs, a platter of savings services as well as loan products, and a range of other supportive activities at different levels to strengthen capacity of such SHGs and the impact of the credit in building up sustainable livelihoods.
- ② It is therefore very prudent to structure this program to be the *nucleus* for pulling together the various other the government and Non Governmental schemes at the village level (such as the food security, wage employment, the WATSAN, health and literacy etc.) and establishing institutional linkages with the delivery system like the, PRIs, Banks/MFIs, NGOs, and other key stakeholders.
- ② Flow of funds from the CLF and the PLF needs to be gradual and incremental on the basis of ratings of SHGs and the panchayat level Federations. To meet such a congenial environment for the improvement of the SHGs, the capacities of the service providers is in tune with the service absorbers. Key issues to be addressed to mitigate this could be the following subject to a mutual understanding and acceptance of the ownership of the process.
- ② Looking at the complex “web” of poverty on the ground, any poverty alleviation program requires a holistic intervention and a coordinated policy framework. It has to be integrated with other processes aiming at the same goal so as to enhance its impact through a synergy. Non-credit instruments of poverty alleviation are equally, or in some situations even more important than credit.

### Organizational Capacity Development and Institution Building:

One key message, which emerged from this assessment, is that, though a large number of SHGs have been formed at the village level, the techno-managerial and organizational capacities of these groups were found to be very weak. Overcoming this will require intensive inputs in terms of training and handholding support. Networking with other schemes like that Mission Shakti, SC & ST Finance Corporation, Small Industries Development Bank of India, NABARD, and Rajiv Gandhi Foundation etc. would certainly be catalytically customized to enhance this objective, subject to giving in patience to the time involved in attaining this during the project implementation period.

Replication of the AP model with modifications and deletions according to Orissa situation could be a strategy to meet the desired objectives. And just like the MACS, SHGC (Self Help Group Cooperatives), wherever existing, would prove to be an alternative model (wherever they exist) to the Panchayat Level Federations. The factor to be considered is that, as it happened in Andhra Pradesh or Tamil Nadu, it has been a long term process of SHG mobilizing and strengthening through Capacity Building basically in the areas of management and credit absorption of money. Tracking this process, based on experience, has significant potential in terms of accelerating the formation of viable, self-sustaining, people institutions in Orissa. However, there are a number of risks that need to be accounted for in the project design.

#### Key Risks Identified

- Low capacity of SHG is a hindrance to the success of the federation
- Rapid formation of federation on the basis of the existing SHG base will result in 'capture' of project benefits by the upper caste, not poor and dominant groups in the village.
- Re-formation of federation – either revival of existing PLFs or improvement of newly formed groups – could be challenging, as vested interests may be unwilling to surrender power to a new structure.
- Achieving Bank linkages for federation may be hard to achieve in the first few years of the project, as presently rural banks or scheduled banks located in rural areas, not willing to lend to such bodies until they have a proven track record of revolving savings and credit. The SHGs do have a tremendous potential as community-based institutions of the poor women to provide them with the needed space for democratic participation and voice, for building new solidarities and a sense of new identity, for a new social learning and personal transformation, apart from their functions in economic intermediation (Dash, 2003). Thus, they foster a range of collective community activities, which are extremely important for developmental goals. There is a real danger that this socio-political aspect of SHG building may be undermined/lost by giving exclusive attention to its economic role. Therefore, training and capacity building programs should be designed and oriented towards the bi-focal nature of the SHGs – social as well as economic. SHG monitoring tools developed by the project to track changes over time should be designed with economic as well as social indicators.

Therefore an extremely important key to the success of this program in realizing its goal is to strengthen these groups with a whole range of training, capacity building, handholding and credit support for these groups to emerge as strong, sustainable, efficient and empowered organizations of the poor (women) in the process of an inclusive and democratic development. The scope therefore lies in:

- The SHGs, their federations, and the other community organizations at different levels to be nurtured through capacity building support which is flexible in customizing the intervention even at the Panchayat to Panchayat level of inter or intra regional situations within the project area based on demand rather than supply. This approach would facilitate the evolution of strong, efficient, and sustainable institutions of the poor at different stages of their life cycle as they evolve in different local-specific situations. The scope for **public-private partnerships** is also kept open to develop and identify the various training needs for different organizations at different stages of their life cycles. Building in elasticity and acceptance through participative methods would enable the SHGs of the poorest and their representation in the federation along with the more developed ones.
- This makes it necessary to invest in research and training consultancy services to provide support around areas like techno-managerial capacity, institutional development, business planning and development, market analysis and planning, sustainable livelihoods planning (in both farm and non-farm sectors), financial analysis and management, fraud control, community resource planning and management, risk management, coping with disasters, gender planning,

analysis and audits, new leadership building, democratic governance, conflict management, micro planning, network management, stakeholder negotiations, information management, local poverty monitoring, participative impact assessment etc

- It is important that this project is made a basis of the wider village development plan. This will not only establish synergy with other development programs and activities, but also with other community groups (such as the village development committee, forest management committees, pani panchayat, education committee, disaster committee etc.), organizations (e.g., youth clubs, CBOs etc.) and institutions (both traditional and modern) as part of a broader strategy of village development plan. This means, focusing on building capacities of the whole range of these actors and organizations apart from the capacity enhancement of the SHGs and their federations.

### Access to Institutions

The basic village level institutions like the PDS and Anganwadi centers were existent in all the villages. Except for Nuagaon in Angul district, all other villages are covered under their respective gram panchayats. Gram sabhas and palli sabhas although present, were found to be very inactive. Line departments also exist and operate their schemes through the panchayat. Where there are forests, people based forest protection committees are functioning. SHGs have been formed in all the sample villages. ICDS programs have been implemented through the Anganwadi centers.

District	Name of Village	Institutions
Nayagarh	1. Sorada	PDS and Anganwadi center at the village level. Joint Forest Committee.
	2. Mudaranga	PDS is situated at the panchayat level. PHC is situated at the Block level Joint Forest Committee
	3. Mahitama	PDS, Anganwadi center (mid day meals and Annapurna Rice). PHC is at the Panchayat Level. Joint Forest Committee Puri Gramya Bank is in the village. <i>Not many schemes have been availed from the panchayat mainly due to lack of awareness and ignorance. Even the old age pension applications are pending in the panchayat office</i>
	4. Kapagadu	Anganwadi Center where mid day meals are given, Annapurna Rice is also given. Ashram school for Tribals (under construction), PDS exists but villagers are deprived from availing services because the BPL cards have been taken by the Dealer of PDS. Bank is located at the panchayat level (Nuagaon). Joint Forest Committee exists because of which the forest is still protected.
Jagatsinghpur	1. Samagol	PDS, Anganwadi center (for mid day meals, Annapurna Rice and SGSY), School. Excluding ICDS schemes, the villagers have not got support from the different line departments. Since the village has a high concentration of General caste population, they avail most of the schemes of the different line departments.
	2. Hasina	PDS, Anganwadi Center (Mid day meals and SGSY), School. The Scheduled caste hamlets are severely neglected to the extent that they are not even allowed in the Panchayat.
	3. Bogai	PDS, Anganwadi Center (Mid day meals)
Angul	1. Kardakhmam	PDS, Anganwadi Center (Mid day meals and SGSY), School. The village is a rehabilitated village due to displacement because of Rengali Dam project. At the panchayat level they are considered as outsiders and therefore are deprived from most of the schemes.

	2. Ranjana	PDS, Anganwadi Center (Mid day meals and SGSY), School.
	3. Nuagaon	PDS, Anganwadi Center (Mid day meals and SGSY), School. Predominantly a tribal village but is yet to receive any tribal development schemes. The panchayat is not locationalized due to division of the villages on political party lines.
	4. Jamardih	PDS, Anganwadi Center (Mid day meals and SGSY), School. Despite have a large Tribal population, no tribal development programs have reached the village.

Schemes under the ICDS program seem to operational in all the Villages. Primary schools also seem to have a good coverage, however, absenteeism by the teacher seemed to be very high except in the district of Jagatsinghpur (which it seems is because of the close proximity to Block office and Kujang town).

Despite some villages having more than 50% tribal population, the study did not reveal any tribal development institutions. Even TDCC was not to be found.

Low level of Education among Tribals as well as the Scheduled Castes seemed to be one of reasons for not availing the schemes of the different line departments.

#### Case Study: Accesses to resources

Samagol village in Jagatsingpur district is dominated by the upper caste Hindus, especially the Brahmins. The Scheduled caste and Scheduled tribe population constitute 8.5% of the total population. The Taladandi canal no. 15 was constructed to provide water for irrigation to the adjacent areas. In the summer season when water is scarce, those who have land near the canal (mostly owned by the upper castes) stop water from flowing to the low lands (owned by Scheduled Castes) by creating obstructions in order to irrigate their land. Due the caste division and the power structure resting with the upper castes, the benefit of sharing water is confined to the upper castes.

Accesses to many of the poverty-focused schemes are denied to the poor either because of the power structure, which rests with the upper castes or due to caste and ethnic discrimination. There are also cases of villagers (in Angul) where resettlement has occurred due to construction of dams. Despite being compensated with land, these villagers are denied access even at the panchayat level by the rest of population and are considered as outsiders. They are kept at bay just due to the reason that they have come from some other place. Banks are mostly located at the panchayat and Block level. SHGs have bank accounts but only few SHGs have been able to avail loans. Again the tribals by nature shy away from the various government departments. **Poor or lack of information, awareness, ignorance and low level of education** seemed to be the main cause for accessing the development institutions. Understanding on the ownership of village assets was also found to be very poor.

An example of not having collective ownership was seen in Kapagadu village of Nayagarh. Each of 3 hamlets in this village has Hand pumps. One of the pumps is not in operation. On probing it was found that the washer of the pump had eroded and needed replacement. This would require expenditure not exceeding more than Rs. 50/-. Villagers mentioned that the complaint has been given to the Block office and they are yet to repair it. A situation where they could have done it by contributing a minimum of Rs. 5/- per family, but are not willing repair it. Since women carry drinking water to their homes, they have to walk to the next pump

### Social Exclusion and Conflict

The main axis of exclusion in rural Orissa is forged along the lines of caste and ethnicity. As we have highlighted in chapter 2, caste based exclusion is manifest in the developmental status of different social groups. In terms of key variables like literacy and landownership, the higher caste have fare considerably better than the SC and the status of the tribals is considerably lower than any other social group.

**Caste based exclusion is vibrant in coastal Orissa.** Unlike the tribal and southern belts, most villages are mix caste rather than being homogenous groups. As a result, the incidence of caste based conflict and exploitation of the lower castes is one of the major issues for development in the project districts. To the greater extent, caste based exclusion between general and OBCs is less apparent than that between the lower caste and non-Hindus. OCs and OBC will share food, but will not inter marry. In addition to common forms of exclusion relating to pollution (temple enter, marriage and food), OC/OBC observe a range of strict rules regarding their relations to SC and non-Hindus that have particular relevance for this project.

#### Forms of caste based exclusion

- **Private Space** – lower caste are not allowed to enter into the houses of the upper castes. Meals are not shared between higher and low castes. *In village feasts, SCs do not sit together with the upper castes until they have finished eating. In village teashops, the practice of separate glasses for SCs is still widely observed. SCs are not allowed access to the inside of upper caste houses, and are made to meet on the outside veranda, standing or sitting on the floor.*
- **Public Spaces** – in village meetings, lower caste are allotted a separate space to sit, apart from the main body of the OBC and general castes. SCs are not allowed to use public utilities used by the upper castes including wells, bathing ghats and temples. *In Keradagada village, SCs were refused entry to the temple resulting in serious conflict. In most villages, the SCs houses are located on the outskirts of the upper caste settlement.*
- **Resource Allocation** – depending on the political representation of the lower castes, village resources like schools and *pucca* roads tend to be located in parts of the villages where they will benefit the higher caste the most.
- **Collective Action** – partly due to the habitation pattern, SHGs where predominantly homogenous in terms of caste. In cases where mix groups where groups (OBC/SC or



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