WHETHER SELF HELP GROUPS BASED MICRO - CREDIT PROGRAM CAN SHRINK DEFICIENCY: A CASE STUDY IN MEHSANA DISTRICT OF GUJARAT

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ABSTRACT

In India, the organization of self-help groups, especially for microfinance and microenterprise development programmes constitute a widely accepted development strategy for poverty reduction. This strategy is equally shared by government, commercial banks and civil society. The authors argue that, thus far, SHGs have shown a limited effectiveness in terms of their impact on rural poverty and their long-term sustainability. Due to the lack of proper understanding of their potential, the implementers have followed a minimalist approach that has restricted the scope of functioning of SHGs to promoting enterprises, that are stereotypically considered feminine. The universal fascination with SHGs has also resulted in obscuring the potential roles of alternative institutions like co-operatives, private sectors, etc. in poverty removal. The possessiveness of some of the implementers has resulted in the development of SHGs as standalone organizations without having any meaningful interaction with other schemes or community based organizations like watershed user groups, village panchayats, etc. As a result of this, the SHG members have not been able to access substantial development funds, which could otherwise have been available to them. This study advocates that for SHGs to have a marked and sustained impact on poverty it is necessary for them to adopt a more encompassing approach with various community-based organizations & programmes by laying far greater focus on processes, capacity building, convergence with various on-going programmes, etc.

INTRODUCTION

Sunand Mitra, President for Agricultural and rural Banking, Axis Bank:

“Today, we are extremely worried about our exposure to the microfinance sector.” He said that banks are giving “unconditional support” to microfinance institutions, but the “banks, as lenders to microfinance institutions, have to call the shots and have to rate MFIs on a new paradigm". **(Beckett 2010)**

"If we can come up with a system which allows everybody access to credit while ensuring excellent repayment - I can give you a guarantee that poverty will not last long, - **Prof. Dr. Muhammad Yunus."**

It is generally agreed that microfinance institutions (MFIs) have the potential to empower women in rural areas through microcredit and related financial services. However, they also face a number of challenges in meeting this objective. This study argues for a more-sophisticated and nuanced analysis of culture for a deeper understanding of the relationship between MFIs and women's empowerment.

In recent weeks, the microfinance industry in the southern state of Andhra Pradesh has fallen into turmoil. Reporting of the views of various stakeholders – politicians, bureaucrats, banks and microlenders – and the awarding of a new grant from the Bill & Melinda Gates Foundation for the Microfinance Research Initiative have brought microfinancing and microcredit, which had captured the attention of academicians and policymakers some 25 years ago, to the centre of public discourse once again

Among the policies related to poverty alleviation, microfinance and microcredit programmes occupy a central position. Rural microfinancing is defined as "all financial services that are accessible to poor and low-income rural households and individuals" (IFAD 2009). Microfinance is advocated and promoted by policymakers, development agencies, government officials and politicians as an effective anti-poverty intervention, both through the functions it performs and for the potential it carries to improve the livelihoods of poor and vulnerable people. And herein lies the uniqueness of microfinance institutions (MFIs) compared with other financial institutions.

In contrast to the Grameen model of Bangladesh, the SHG based microfinance in India encourages SHG members to manage group's financial affairs like savings & loan recovery and funds are deposited in a local commercial bank in the name of the SHG. Members' savings are initially used to issue small loans to needy members. After gaining some experience of credit handling, SHG is issued bigger amount of loan by a commercial bank and members are free to decide the end use of this loan, its purpose, repayment instalment, etc. without any interference of the promoting NGO or the bank since SHG is responsible to the bank for repayment of the loan. NABARD has offered a basic framework to the nationalized commercial banks for this purpose which prohibits insistence on collateral and any direct subsidy. Since the SHG model is now well known, its basic principles, phasing, etc. will not be discussed in this article.

Women managed self-help groups have shown remarkable growth during the last decade in India. SHGs have proved to be very versatile and their members have successfully taken up both economic and community related interventions. SHGs provide poor women an opportunity to take decisions involving themselves, their groups and their lives. Savings and credit is normally used as an entry point for formation of SHGs since it gives the members a chance to participate in decision-making and satisfies their short-term credit needs. Realising that they can be a promising tool in capacity building of rural poor especially women, central and state governments have vigorously supported the SHG-centric models of development in India. Besides Swa-Shakti Project of Department of Women & Child Development (DWCD) which was launched in 1998, many other agencies have taken up programmes for supporting women's SHG movement. NABARD has launched a major initiative for accelerating credit linkage to SHGs and over 3,25,000 SHGs are now accessing bank credit. Rashtriya Mahila Kosh (RMK, an autonomous organisation promoted by DWCD), Swarnjayanti Gram Swa-rozgar Yojana (SGSY) and Watershed Development Projects of Ministry of Rural Development, Mahila Samakhya of Department of Education, Women in Agriculture, Swayamsiddha of DWCD, Jeevika Project of Government of Gujarat, Stree Shakti, Mission Shakti, SHG Missions in some other states are supporting formation and strengthening of SHGs in a big way.

After success of the initial pilot, this strategy was extended to every commercial and Regional Rural Bank. Some second-tier micro-finance institutions (MFIs) like RMK, Friends of Women World Banking (FWWB), Basix, Sanghmitra Rural Financial Services and SIDBI Micro-credit Foundation, etc. have emerged in the last decade. It is estimated that around 2.5 to 3 million borrowers, mostly women, are linked with this mechanism in India.

A shift in the conventional SHG-based approach was made through the Swa-Shakti Project, which started emphasizing the role of these institutions in tackling other forms of poverty which arise due to lack of confidence among the rural poor, illiteracy, poor health, inadequate access to various community institutions and government programmes, non-participation of poor women in decision making processes within the family and community, domestic violence, etc. It was perceived that women managed SHGs could be an affective tool for bringing about women's empowerment. This approach is now increasingly being recognized in designs of recent programmes like Hariyali, Shakti Samanvaya Yojana, etc.

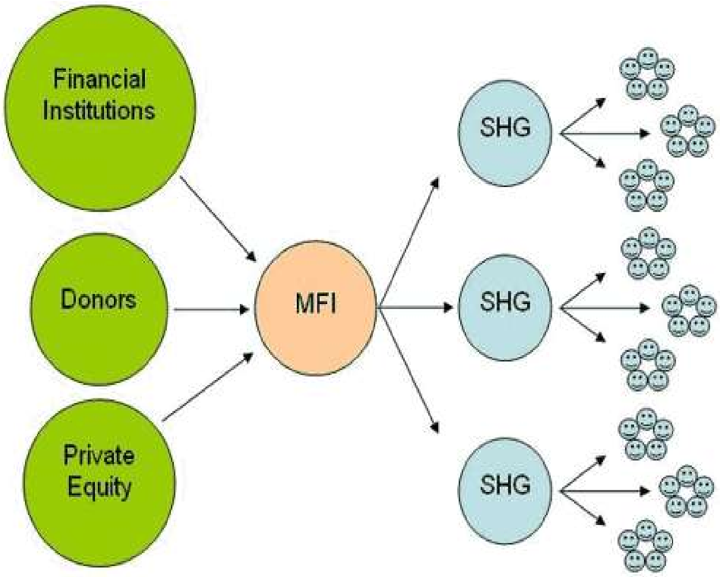
The SHG model, as of today, has become the preferred one for a variety of development programmes and especially for micro-credit and poverty reduction. They are simultaneously being perceived as powerful vehicles for promotion of women led micro-enterprises and thereby, for reduction of rural poverty. This paper seeks to examine the nature of impact that SHGs are having on poverty reduction, and also the key factors that can contribute to their improved functioning. An internal evaluation commissioned by the Rural Development Department pointed out that very few SHGs in the field are likely to survive after withdrawal of the implementing agencies. This finding led to the present study on the sustainability of some of the SHGs formed in Mehsana district where a variety of SHG based programmes are being simultaneously implemented.

After briefly reviewing the literature on related issues, it reviews the key programmes which are being implemented in Mehsana district and then analyses few self-help groups. In the second part, it analyses some of the alternative structures having potential for the poor.

Self –Help Groups (SHGs)

Women in rural India lived in virtual isolation, unable to access even the most basic of services. But, with the formation of Women's Self-Help Groups, these women are now achieving social and physical mobility. It is recognized that while the empowerment of women is a process that will not happen automatically, SHG is a suitable means for the empowerment of women. The impacts of SHGs on socio-economic status of women were found significant.

"The strength of this partnership lies in the huge community networks of the cooperative. Majority of these self-help group members or volunteers are from the tribal community and have deep understanding of the traditional practices, behaviours and attitudes and also share a great rapport with the community members and leaders," says Dr Prakash Gurnani, Chief, UNICEF Gujarat State Office.



Self-help Group concept has its origin in India. SHGs are now considered to be very important bodies in rural development and are therefore found in almost all parts of the country and their number is still rapidly growing. SHGs are formed by Non-Government Organisations as well as Government agencies and are used as channels for various development programmes.

A Self-Help Group is an association of generally up to 20 members (not exceeding 20 members), preferably from the same socio-economic background. SHGs are facilitated by Government agencies or NGOs for members to come together for discussing and solving their common problems either financial or social through mutual help. An SHG can be all-women group, all-men group, or even a mixed Group. However, it has been the experience that women's groups perform better in all the important activities of SHGs. Mixed group is not preferred in many of the places, due to the presence of conflicting interests.

Some of the distinct features of SHGs are

- Recognized by government: SHGs are well recognized and accepted by government, SHGs can open bank accounts in the name of SHG. They can also receive government grants and funds for development activities.
- SHGs are social intermediaries: SHGs do not restrict their functions only to financial transactions. SHGs are often involved in many social activities. There are example where SHGs have taken up social issues and fought against social evils like alcoholism, violence, against women, dowry, getting into village politics and being elected as Sarpanch.

- Books of accounts: SHGs maintain their own books of accounts. These are simple books to keep records of their savings, loans income and expenditures. Strong SHGs also make their Balance sheets and Income statements.
- Have office bearers: SHGs gave a structure where there is a Group President, Secretary and Treasure. They are elected by the group.
- SHGs are more autonomous as they decide their own rules and regulations.
- SHGs mobilize thrift and rotate it internally.
- SHGs can hold bank account and can also borrow from banks and other financial institutions.

Joint Liability Group – Grameen Model

Grameen model is based on the concept of joint liability. It is the brainchild of Prof.. Muhammad Yunus, founder of Grameen Bank in Bangladesh. Grameen model is the most accepted and prevalent micro-finance delivery model in the world today. Many MFIs have accepted the model as it has high focus on standardization and discipline

Grameen model, as mentioned, is a joint liability group model. Here five-member groups are formed and eight such groups form a Center. Hence, in a full-capacity Center there are 40 members (8 x 5). However, over the years people have experimented with Centers of different sizes and now there are variations of 5-8 groups within a Center. Center is the operational unit for the MFI, which means that MFI deals with a Center as a whole.

Meetings also take place only at the Central level and individual groups do not meet. Group meetings take place only in front of the Field staff of the MFI. A Grameen model is focused on financial transactions and other social issues are generally not discussed. The Group and Center are Joint liability Groups, which means that all members are jointly responsible ('liable') for the repayment. MFI recovers full money from Center, if any member has defaulted: the group members have to pool in money to repay to the MFI. If Group members are unable to do it, Center as whole has to contribute and share the responsibility.

The SHG bank linkage programme links a SHG group to banks, where the banks provide a loan to a mature group. The group places its savings in the group deposit account in the bank (at about 12% per annum), using its group savings and group guarantee as a collateral. Nabard provides subsidized refinancing support to banks to encourage such lending. However, the demand for such refinancing support to banks has fallen, as SHG lending is more profitable and has lower default rates (less than 1% as compared to 11-12% of their regular portfolios) (Basu and Srivastava, 2005). The NABARD SHG bank linkage programme has achieved only 1.4% of the potential demand, reaching out to seven million households with an average credit of Rs. 2,000 a household, as against the need to reach 100 million with Rs. 10,000 per household. The microfinance institutions (MFIs) on the other hand, have been able to meet only 0.25% of the demand (Mahajan, 2002).

India has 37% of the world's population earning less than $1 a day, of which 60% are women (Human Development Report, 2003). The Government of India, National Policy for the Empowerment of Women (2001), declared various measures aimed towards achieving greater equality between men and women. In 1993, the Indian government ratified the International Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW). The government's poverty alleviation programmes such as Swaranajayanti Grama Swarojgar Yojna (SGSY) and the Rashtriya Mahila Kosh implement their programmes through microfinance interventions of NABARD's Self Help Group bank linkage programme. Apart from the large numbers of households that this programme services, the following features make the Nabard SHG model unique:

We see that SHGs are groups, which are more autonomous. While they are involved in financial transactions, their role is not just restricted to it. SHGs are also involved in various social issues.

As more SHGs are formed they have started federating themselves into clusters and clusters in turn as SHG Federations. The Federations are able to channelise funds to the SHGs and also help in improving the managing and financial skills of SHGs.

Role of Microfinance In Rural Poverty Eradication

Enterprise promotion through microfinance

ADB groups microenterprises into low return survival activities and higher return entrepreneurial activities. Entrepreneurial microenterprises are larger, more highly capitalized, employ more labour and use more sophisticated technologies. They tend to operate continuously rather than intermittently, reinvest surpluses and have lower closure rates. They are usually primary household income sources and are mostly operated by men. These occupations operate without excessive pressure from competitors. They are also insulated from the seasonal fluctuations in input supplies.

Survival activities, on the other hand are usually secondary sources of income and are mostly operated by women. They are characterized by low barriers to entry, undifferentiated products, saturated markets and inefficiencies which limit their competitiveness. They often rely on inputs which their owners gather themselves from locally available sources and these supplies vary seasonally. Production processes in survival occupations are also prone to climatic fluctuations and as a result, very few of these enterprises earn income which is close to the poverty line. In the study, it was observed that the poorest clients in each occupation tend to own the weakest enterprises mainly consisting of survival activities.

Despite the euphoria of microfinance revolution, recent evidence suggests that microfinance alone does not automatically lead to the desired results of promoting enterprises. A clear obstacle to enterprise growth is not only the lack of capital but also rather lack of occupational skills. This is reflected by the fact that a large number of participants are engaged in survival level multiple income generating activities. Undertaking various occupations at the same time allowed them to develop a portfolio of income generating activities and to reduce the risk of income loss when the demand for services or goods of one profession suddenly declines (Lepenies, P. H., 2004). The occupational activities can change easily once market demand varied as long as the profession could be practiced with little investment and required only basic skills.

Whether micro-credit is an appropriate tool for poverty reduction efforts?

It is observed that microenterprise development has the potential to bring about considerable improvement in incomes of upper poor and non-poor borrowers who are close to the poverty lines (Hulme, D. and Mosley, P., 1996). The extreme poor are either less likely to participate in micro-finance programmes or such increases were too small and short-lived to enable sustainable poverty exit. The poor commonly face obstacles in the form of unfavourable market environments, inadequate financial infrastructure, location, market & infrastructure constraints. Poor transport infrastructure is the single most important impediment to rural microenterprise development, electricity, irrigation and lack of formal education being the other important factors. Low caste and social status may also inhibit entry into entrepreneurial occupations, reducing the range of activities open to extreme poor and some poor households. Some of the social problems being faced by the poor are alcohol abuse, engagement in petty crimes and family instability. Social restrictions on women also limit their economic activities. Interestingly, the female-headed household heads appeared to have more freedom than married women in project selection and mobility (Lepenies, P. H.,2004).

More than half of all women are still in agriculture in the developing world. In south Asia men are leaving agriculture faster than women, giving rise to increasing concentration of women on land. In India, 86% of rural women worker are in agriculture compared with 74% of rural mail workers. In addition, 20% of rural households are headed by females (World Survey on the Role of Women in Development, 1999). In micro-enterprises they own, women work longer hours for less remuneration compared to men. Women's enterprises were also more embedded within the family, relying on family networks for labour and credit. However, as mentioned earlier, in majority of the cases, such micro-enterprises were used more as a means of survival than as an instrument of empowering entrepreneurial activity.

In a study involving the women loanees of Grameen Bank of Bangladesh (Hussain M., 1984), it was observed that more than 80 percent of the women had no productive occupations before joining the Grameen Bank. Thus, the Bank had generated new employment for women which increased the labour force participation rate in the area of its operation. The women loanees were found to devote about 28 hours per week for income earning activities compared to about 44 hours for the male workers. The labour was employed mostly in activities financed through micro-credit. Another early study by Chen M. (1984) on BRAC's programme observed that those schemes which build on women's traditional skills and occupations have a greater chance of proving viable than those which require training in new skills. The importance of subsidising the experimental phase of many schemes, the phase that includes skills training and test production, was also highlighted in this study. It also observed that small amounts of working capital, taken on loan with formal terms of interest and repayment, could launch many economic schemes. In another study of ASA programmes, Bruntrup, M., *et. al*. (1997) have concluded that economic conditions of the household and women improve, income and assets increase over the period of programme membership but it takes a long time to get out of poverty.

Zaman, H. (1999), in a study of BRAC's programme has concluded that while micro-credit interventions can play an important role in reducing vulnerability through a number of channels, a significant impact on poverty reduction is achieved under more restrictive conditions. These conditions revolve around whether the borrower has crossed a cumulative loan threshold. It was shown that the largest effect on poverty arises when a moderate poor BRAC loanee borrows more than Tk. 10,000 in cumulative loan. Vulnerability is reduced by smoothing consumption, building assets, providing emergency assistance and contributing to female empowerment. It was also argued that micro-credit's impact is improved if it is provided jointly with other financial and non-financial interventions like savings, insurance, legal education and flood relief. However, as far as the impact on poverty is concerned, when the credit-financed investment does not generate a significant net profit then an asset is created which can reduce vulnerability but will not reduce poverty as the loan repayment takes place through a reduction in consumption and not from the returns to the investment.

This study can have a good influence on the designs of other micro-credit programmes. The practitioners can offer more flexible savings products since the savings can have greater impact on reducing vulnerability. Similarly, micro-credit instruments can be offered along with other interventions like food relief for extremely poor women, or health insurance. Such multiple instruments can prove to be very useful to the households facing greater risks of income fluctuations.

It can be concluded that the impact of micro-credit on poverty is not clear. McGuire P. B. and Conroy, J. D. (2000) suggest that access to credit has potential to significantly reduce poverty, but others argue that it has minimal impact on poverty reduction. There are studies showing that improvements in household incomes are greater for third time borrowers but these gains are small.

In most developing countries, opportunities for wage employment in formal sector are extremely limited and the vast majority of poor rely on self-employment. Lack of financial services is a critical constraint for them to establish their enterprise. However, it can be argued at the same time that since impact on poverty requires a critical threshold of investment and opportunities for making such a high level of investment are less for the poor women, the impact of micro-finance programmes is likely to be limited on a broader canvas.

Are microfinance programmes reaching the ultra poor?

While microfinance is meant to reach the poor there are almost universally acknowledged views that most programs, despite stated objectives, do not reach the poorest of the poor. One of the reasons is related to the fact that loans which are normally given for self-employment presuppose some degree of micro-enterprise and the long-term interest of every implementing agency is to see that members quickly start taking loans for income generation activities. Marguerite Robinson, the author of The Micro finance Revolution, has expressed her view succinctly when she wrote "I don't want to reach the poorest of the poor, I want to reach the poorest of the economically active . . . In general, I believe the poorest of the poor are the responsibility of the Ministry of Social Welfare, the Ministry of Labour, private charities and so forth." She has suggested their low confidence becomes even lower if they are unable to repay. In fact, realizing the fact that not all the poor want necessarily to be self-employed and that some of them prefer wage employment, Government of India is implementing parallel programmes for self-employment and wage-employment for the poor.

This then begs the question of how to reach the really poor. There are those that argue that there is greater decease in vulnerability than income-poverty (Montgomery) et al. Even if loans are used by the extremely poor, the tendency appears to be that they are used for consumption's purposes. In some case it is difficult for there to be a dent on poverty because repayment of loans are effected through a squeeze on current consumption rather than a return on an investment. For the poorest women, therefore, the issue is whether they can access loans and also what are the other interventions that are required so that they can be reached.

Other dimensions of poverty

Poverty is multidimensional and poor are characterized not only by low levels of income, but also by having no assets, poor assess to government services, vulnerability, isolation, dependence, a sense of powerlessness and fatalism. In addition to this, features such as illiteracy, ill health, gender inequality and environmental degradation are all aspects of being poor. Poverty is also linked to opportunities for employment, the nature of access to and provision of social services, the distribution of assets within society. A social understanding of poverty takes account of these other deficits that matter to people, sometimes more than money. Poor not only suffer from lack of income but from a failure in basic service delivery far greater than for those of the non-poor. According to Amartya Sen, the resources available to the poor people are not only income, land, credit, etc. but they would also include various other aspects of human capital such as nutrition, health, training, education and social networks, etc. which are available to poor to draw on in their search for survival, security and dignity (quoted in Kabeer, N., 2003). The exclusion of poor, and poor women in particular, from the formal financial services provided by the state can be analysed in terms of exclusions like constraints placed on poor women through relationships of caste, class and gender as well as by the discriminatory practices of state.

The focus is on women for two reasons. Firstly, poverty has a female face and the phenomenon of the feminisation of poverty is well established. Not only are there numerically more poor women than poor men, but women also experience poverty in more exacerbated forms than men do.

SHGs as an empowerment tool

Since SHG based micro finance programmes cover a large number of women, it is expected that such programmes will have an important bearing on women's empowerment. However, the historical involvement of banks and micro-finance institutions in India have ensured that these programmes adopt a minimalist approach and ignore non-financial inputs like literacy, health, awareness, capacity building and skill training. This approach has an impact on the long-term sustainability of such efforts.

Microfinance and Empowerment

A majority of microfinance programmes target women with the explicit goal of empowering them. There are varying underlying motivations for pursuing women empowerment. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority.

Hashemi et.al (1996) investigated whether women's access to credit has any impact on their lives, irrespective of who had the managerial control. Their results suggest that women's access to credit contributes significantly to the magnitude of the economic contributions reported by women, to the likelihood of an increase in asset holdings in their own names, to an increase in their exercise of purchasing power, and in their political and legal awareness as well as in composite empowerment index. They also found that access to credit was also associated with higher levels of mobility, political participation and involvement in 'major decision-making' for particular credit organizations.

Mayoux (1997) argues that the impact of microfinance programmes on women is not always positive. Women that have set up enterprises benefit not only from small increases in income at the cost of heavier workloads and repayment pressures. Sometimes their loans are used by men in the family to set up enterprises, or sometimes women end up being employed as unpaid family workers with little benefit. She further points that in some cases women's increased autonomy has been temporary and has led to the withdrawal of male support. It has also been observed that small increases in women's income are also leading to a decrease in male contribution to certain types of household expenditure.

The SHGs of rural women consists of members who are the poor, having low saving capacity and who depend on money lenders for meeting their consumption needs and social obligations. Formation of women into self help groups paved a way to develop their economic standards, thereby building self confidence. Women in SHGs have been encouraged by the government as well as NGOs to undertake self employment ventures with locally available resources. Availability of micro-credit helped SHG women a lot and many women came forward and established micro enterprises. At present a number of NGOs and financial institutions have been offering micro finance especially to rural women micro entrepreneurs. They also motivate training programmes to develop their entrepreneurial skills and capabilities. Specific trainings in manufacturing or service sector are available for the prospective rural women micro entrepreneurs. These institutions have been encouraging women to start micro enterprises. As a result micro entrepreneurship is gradually growing importance among the rural women.

1. The distinctive process of formation of the SHGs and the freedom that they have in deciding the terms of their lending and borrowings within the group, once they receive the loan.
2. The use of the existing and extensive infrastructure of rural bank branches for disbursing microfinance services.
3. Three distinctive ways of linking the SHGs to the banks, through NGOs, commercial and rural banks, with the NGOs playing a major role in promotion of the SHGs and their training.
4. The government's poverty alleviation programmes such as Swaranajayanti Grama Swarojgar Yojna (SGSY) and the Rashtriya Mahila Kosh implement their programmes through microfinance interventions.

The shift in approach to micro-credit coincided with a shift from a women in development approach which emphasized equality, efficiency and productive role of women, to a gender and development approach which analysed the underlying and structural causes for the persistent inequalities between men and women and focused on the power relations between men and women in the household, community, market and the state. This approach does focus on empowerment but there is no shared understanding of what is meant by empowerment and this is understood in many different ways. It can cover everything from welfare measures to interventions that cover participatory planning, decentralized forms of governance and the empowerment of women.

The Self-Help Group Bank Linkage Programme

Over the past decades, subsidised rural banking in India, despite its large network of rural bank branches has failed to reach the poorer sections of the society. By the early 1980s, the All India Debt and Investment Survey (Government of India, 1981) showed that the share of non-institutional agencies (informal lenders) in outstanding cash dues of the rural households was 38%. The main limiting factor in reaching formal finance to this group was the high transaction costs and lack of appropriate credit and saving products. A study conducted by NABARD in the mid-eighties revealed that financial services required by poor households are: safe-keeping of small surpluses in the form of thrift; access to consumption loans to meet emergency needs and financial services and products that did not require collateral (MYRADA, 2002). The Self Help Group Bank Linkage model evolved from the pioneering efforts of NABARD and two NGOs, MYRADA and PRADHAN.88 Starting with 500 groups in the early 1990s, the cumulative numbers of SHGs that have been financed have increased to 1,618,456, by March 2005. The expansion of the SHG bank linkage programme has seen acceleration in the past few years. It has reached an estimated 121.5 million people and disbursed more than Rs. 68 billion in cumulative bank loans up to March 2005, using a network of 41,082 bank branches and 4,323NGOs.

Information on Self Help Groups

A. Physical Achievements	
Number of poor families who have accessed bank credit up to March 2005	24.3 million
Estimated number of poor people assisted up to March 2005	121.5 million
Percentage of SHGs comprised of women	90
Cumulative number of SHGs financed by banks up to March 2005	1 ,618,456

B. Financial Results	
Cumulative bank loans disbursed to SHGs up to March 2005	More than Rs.68 billion**
Bank loans disbursed to new SHGs during 2004-2005	Rs. 17,266 million
Increase in credit flow to SHGs over the previous year	61%
On-time repayment reported by participating banks	Over 95 per cent

Partnerships	
Number of participating banks	573
Commercial banks	47
Regional Rural Bank	196
Cooperatives	330
Number of bank branches lending to SHGs	41.082
Number of participating NGO and other agencies	4323

Source: Progress of SHG – Bank Linkage in India, 2004-2005, microcredit Innovations Department, NABARD, Mumbai, 2005. ** 1USD = Rs. 43

Empowerment does imply transformed awareness. It is a complex process, which involves a change in the perception of the women and their relationships. For purposes of this paper, the vision of empowered women that we would like to use is of women who will:

1. Demand their rights from family, community and government;
2. Have increased access to and control over material, social and political resources;
3. Have self confidence, self-esteem and enhanced awareness; and
4. Be able to raise issues of common concern and take action through mobilisation and networking.

Analysis of Some of the Self Help Groups in Gujarat

The SHG-driven micro-finance movement has flourished in Gujarat also. Besides the State Government which is promoting these institutions in a big way, many NGOs are actively involved in formation and nurturing of SHGs. Although the overall focus of individual interventions vary, development of micro-finance and micro-enterprise appears to be a common theme in majority of these programmes. Besides the Government and other Public sector organizations like NABARD, a large number of NGOs, including few nationally recognized ones like Self Employed Women's Association (SEWA), Agha Khan Rural Support Programme (AKRSP), Sadguru and many other NGOs have formed women's SHGs with the support from various government programmes. The recent earthquake in Kutch and neighbouring districts motivated many NGOs from outside to start work in these areas and they also formed some women's SHGs. At a conservative estimate, more than 200,000 SHGs are functioning in the State, with Rural Development Department alone supporting over 100,000 SHGs. Of these, close to 60,000 SHGs have been linked with commercial banks that have extended credit of appx. Rs. 200 million. SGSY claims to have formed 23,000 Grades-I and II SHGs in the State.

However, large-scale involvement without adequate attention to creation of a trained cadre of implementers or a suitably tailored training strategy and even in some cases, lack of understanding of the potential of this versatile tool has led to a deterioration in the quality of SHGs. It is also felt that in the absence of a clear withdrawal plan of majority of programmes, it is difficult to sustain these structures over time.

Few well-known projects are nurturing women's SHGs in the Mehsana district of Gujarat. An effort was made to compare the processes of Swa-Shakti, Jeevika, SGSY and Watershed Development Projects in this district to evaluate their approaches and strategies for long-term sustainability of SHGs.

A. Swa - Shakti Project: Rural Women's Development & Empowerment (Swa-Shakti) Project, which is being implemented in the State by Gujarat Women's Economic Development Corporation, is a Rs. 1,910 million project assisted by The World Bank, International Fund for Agriculture Development and Government of India. This multi-state Project for development and empowerment of rural women depends on the formation of women's SHGs and emphasises on access to credit, promotion of micro-enterprises and encouraging institution - building at the grassroots. The project also stresses on processes that would ensure women's access to and control over socio-political resources and help resolve issues of common concern.

Training and capacity building requirements of SHGs are attended by implementing NGOs, whereas the district level project officers are expected to identify skill training and convergence requirements of the SHGs. An internal grading exercise of SHGs was completed last year

One of the SHGs formed under this project was selected for detailed analysis. Its members were saving Rs. 50 per month and more than 75% members were attending the group meetings regularly. It had started micro-credit activity since January 2003 and subsequently received a loan of Rs. 25,000 from a commercial bank. Members had saved Rs. 22,310 and rotated the funds as loans among them. By September 2004, the group had loaned Rs. 64,200, out of which Rs. 23,700 was still with the members. The repayment rate was 100%.

In order to ensure members' attendance during meetings, the group had started imposing a fine of Rs. 5 on the absentees. Savings were collected and loans issued in the group meeting. The group had not started any other long-term activity. Although this project aims at ensuring convergence with other programmes of the Government, not much progress had been made in this regard. An analysis of its loan portfolio shows an interesting picture: 12 members had obtained 22 loans with six members obtaining Rs. 18,000 for medical purposes, six members had obtained nine loans of Rs. 31,000 for animal husbandry, three members had got four loans worth Rs. 8,200 for service sector activities and remaining two members had obtained loans of Rs. 7,000 for other activities. Two of these members had taken loans of Rs. 9,000 and 5,500 respectively for animal husbandry. Interestingly, three members had taken multiple loans for small enterprises like animal husbandry, tea stall, utensil business, decoration work and agriculture. Overall, 40% members had started small enterprises after joining the SHG and an internal assessment of the Project revealed income enhancement of Rs. 200 to 1,000 per month for individual members.

B. Watershed Development Projects: These are jointly funded by Central and State Governments. Each of these projects aims at livelihood security through watershed development & community mobilization and has a provision of Rs. 30 lakh per micro-watershed of 500 hectares. Women's SHGs were earlier limited to savings and credit activities and usually did not play any other role in the Project. The DRDA, which is implementing these projects with the help of NGOs, is now focusing on the capacity building of SHGs in a systematic manner. It has decided to start a low cost training center for capacity building of SHGs. Discussions have been initiated with a major NGO for setting up a skill training centre for youth from poor families. Around 300 SHG members were recently trained in development of kitchen garden, rainwater harvesting and masonry. DRDA was involving women SHGs in implementation of its wage employment scheme and was considering to offer few cement bags to mature SHGs with the condition that the members should decide the end-use and they should leverage remaining funds from the community.

A SHG formed last year under the Watershed Development Project was taken up for further analysis. Each of its members was saving Rs. 30 per month and the group had started micro-credit activity after six months of its formation. Till September 2004, three members had obtained loans, out of which two members obtained Rs. 1,000 each for purchase of cattle feed and another member got Rs. 3,000 for starting a grocery shop. Repayments were regular and the first two loans had been re-paid fully. The third member had also paid Rs. 1,200 by the end of September, 2004. One member was trained in kitchen garden development, which motivated other SHG members to take up this activity. Members agreed that such activities have improved their self-confidence and status within the family. The demand for credit within the group was increasing and the SHG was examining various options for obtaining additional funds from the project and banks.

C. Swarnajayanti Gram Swa-Rojgar Yojana (SGSY): Programs like Swarnjayanti Gram Swarozgar Yojana come under the rubric of poverty alleviation programmes which adopt a self-help group approach for establishing micro-enterprises in rural areas. The ideology of SGSY stems from the realization that well targeted subsidies are still required by poor. DRDA, Mehsana implements SGSY, which also supports creation of self-employment opportunities in rural areas. This scheme supports both men’s and women’s SHGs which can be provided some revolving loan after grading of their performance. The village extension workers form and nurture these SHGs.

A men’s SHG was visited in Sabosan village. It was a mixed group formed with 13 members but presently it was working with 10 members, including a woman. Each member saved Rs. 100 per month and “bullet payment system” was followed for loan repayment under which the principal amount could be paid at the end of the loan period as long as interest amount was paid every month. Majority of the loans taken by members from group funds were for medical purposes. In addition to group savings, it had received

revolving fund of Rs. 10,000 in March 2001 from the DRDA and Rs. 3,25,000 from the local commercial bank for purchase of milch cattle. First loan of Rs. 1,62,500 was received in September 2001 and second loan of similar amount was received in the year 2002-03. Every member had purchased two milch cattle and joined village dairy co-operative. Bank instalments were deducted by the dairy co-operative and directly paid to the bank. Dairy records showed considerable earning by each member and at present, majority of them were out of poverty.

D. Jeevika Project: With the help of a government sponsored programme called Development of Women & Children in Rural Areas (DWCRA), Self Employed Women’s Association (SEWA) had organized women’s groups in few blocks of the district. These and other groups formed outside DWCRA were later linked with SEWA Bank, Ahmedabad through a district federation. Subsequently, State Government decided to launch a livelihood restoration project (later called Jeevika) with the support of International Fund for Agricultural Development as a response to the earthquake of 2001 and these groups were linked with the Jeevika Project. SHGs are nurtured and trained by spearhead teams which consist of few vocal members showing some initiative. SEWA Bank also organises training on savings and loan management.

A group in Shergadh village was taken up for further study. This group was appx. 4 years old with cumulative savings of Rs. 30,380. Some of the members had also joined SEWA Insurance scheme which arranges medical treatment through Government hospitals and also takes care of serious emergencies. Of the 10 members who took loans from the group, some of them used it to retire high interest bearing loans taken from money lenders, few purchased milch cattle, one member purchased a transport vehicle and another started a brick kiln. The group also obtained a loan of Rs. 45,000 from SEWA Bank. Majority of members were very confident during the interactions and few have visited other states while one of them has visited abroad.

Issues Affecting Long Term Sustainability of SHGs

Considering that the SHG movement is two decades old, not much information on the processes supporting their long-term sustainability is available. It was earlier considered that once SHGs become part of a bigger federation and transform their role, they will last for a long time. Dhan Foundation, Madurai promoted such “nested organizations” on a large scale which were involved in financial intermediation. However, with a large number of members withdrawing after few years, SHG members not growing beyond weak survival enterprises and substantial attrition rate after withdrawal of the promoting organization, the role of SHG networks in ensuring sustainability needed a re-examination.

MYRADA followed a different route for sustaining the community-based organizations (including SHGs) by establishing a loose and informal network of SHGs which became part of a larger organization at sub-block level. These Resource Centers have membership of 120-150 Community Based Organisations (CBOs) and are providing many services to member on full cost recovery basis. Resource Centers are not involved in financial intermediation or dealing with the village panchayats, these roles being the preserve of CBOs.

Experience of few other projects has shown that a SHG has to fulfill following six criteria for its long term sustainability: it should establish proper processes, be financially viable, there should be a critical mass of SHGs in the village, it should become part of a larger federation, its members should be involved in some community action and the SHG should be able to access few regular schemes of the Government. The SHGs of Mehsana have been tested against these parameters.

A. Establishing Proper SHG Process: Some of the basic and immutable principles of SHG formation are their voluntary nature, members coming from similar socio-economic background and their formation for a specific purpose. It is also acknowledged that it is easier to mobilize poor women. Once a group is formed, it should meet regularly, members should attend group meetings and they should participate in the decision-making process. To ensure involvement of every member, strategies like rotation of leadership, training of members, decisions taken only in group meetings, maintenance of records by group members themselves, etc. are adopted. Quality of SHGs can be improved with systematic provision of various inputs during their formation stage. Group meetings of the SHGs studied dealt with savings and credit issues only without discussing other matters like awareness generation, literacy, health, sanitation, and issues affecting the lives of poor rural women. In such a situation, meetings became just a ritual without any significance and responsibility of maintaining records, collection of savings and repayments, etc. fell on their leaders. It also leads to withdrawal of members after the first year As could be seen from the Table-1, the SHGs are likely to face problems due to lack of training and audit of SHG accounts.

Table 1. Group Processes among Mehsana SHGs

Project	Swa-Shakti	Watershed Project	SGSY men's SHG	Jeevika
Age of SHG	27 months	15 months	50 months	Around 4 years
Meetings	Regular	Regular	Regular	Regular
Attendance	Over 75%	Around 100%	Over 75%	Over 75%
Savings	Regular	Regular	Regular	Regular
Internal loans	After 8 months of formation	After 6 months	After 33 months	--
Records	Maintained by members	Maintained by members	Maintained by extension worker	Maintained by members
Capacity building	Nominal	Nominal	None	Nominal
Skill Training	None	Nominal	None	None
Rotation of leadership	No	No	No	No
% of Members in Income generation activities	40%	10%	100%	20%

Rotation of leadership was not practiced by any SHG in Mehsana. This may partially be attributed to lack of literacy & numeracy skills among members and lack of proper capacity building inputs provided to the members.

B. Financial Viability of SHGs: Financial viability does not only consist of generation of surplus of income over expenditure, but also requires putting in place a very good system of audit of group accounts, fast rotation of group funds, mixing "Warm" money with "cold" money control over loan defaults, access to external funds and ensuring credit availability to majority of members. Although, the group accounts of SGSY men's group were not maintained properly, as could be seen from Table-2, this SHG rotated funds and arranged adequate credit to its members. Swa-Shakti SHG also showed satisfactory fund management practices. However, except the SEWA SHGs, no programme had established reasonable audit mechanism.

Micro-finance analysts are more concerned with assessment of loan default rate. However, tiny loans even if repaid fully, cannot help members to come out of poverty and such loans may be fully repaid since members can afford it. It is time to develop few effective financial ratios to assess the potential impact of micro-finance on the income of the family, fund management practices of the group, etc.

Table 2. Fund Management among Mehsana SHGs

Project	Swa-Shakti	Watershed Project	SGSY men's SHG	Jeevika
% of members who received loans	65	27	100	25
Credit-savings ratio	0.50	0.36	1.60	n.a.
Total loans-savings ratio	2.88	1	6.82	1.78
Average credit per loanee	4,938	1,667	30,967	5,400
Loan repayment rate	100%	100%	100%	100%
SHG audit system	no	No	no	Organised by SEWA

It can be seen that Swa-Shakti and SGSY SHGs were able to provide micro-credit to a large number of members, whereas the SHGs formed by SEWA could cover comparatively fewer members. Watershed Project SHG was the youngest but has commenced inter-loaning after 6 months of their formation, which is a good sign. SHGs of every programme were able to rotate their savings at least once but the performance of SGSY was best since it was able to leverage substantial institutional finance. However, in every case, considerable group funds remained idle.

With increasing financial transactions in SHGs of every programme in the district, the issue of setting up proper audit systems becomes important and none of the projects in Mehsana district could put into place a reliable audit system. SEWA routinely gets all the group records to its district federation office to update the entries but this practice makes SHGs perpetually dependent on the promoting NGO. MYRADA has trained active SHG members as community level auditors who audit the SHG accounts regularly by charging a nominal fee. Dhan has also developed a trained cadre of SHG auditors. SHGs formed under SGSY and Swa-Shakti have started handling sizeable funds without a reliable audit mechanism.

Majority of the first-time income generating activities started by the women members of SHGs are marked by very low investment enterprises which can be started with existing skills and involve minimal risks. The returns are also low due to tough competition. These activities also involve very little mobility and are basically part-time occupations which can be terminated at short notice. The first few enterprise related loans to SHG members are in the range of Rs. 1,000 per member. With the most optimistic scenario, they can not expect their daily earnings to exceed Rs. 25-30 per day 3-4 hours of labour. As a result, such earnings can only supplement the family income and cannot become the main source of their livelihood.

Income generation activities started by the women SHGs in all the four cases remained typically "feminine" showing low investment-low risk-low return cycle. This can be explained as the limitations of the promoting organizations in skill enhancement of members leading to limited credit absorption capacity of their members and low total loans to savings ratio in these SHGs.

Any impact on rural poverty with this level of investment is doubtful. In contrast to this, the SGSY men's SHG was able to obtain two doses of credit from banks and promoted animal husbandry with per capita credit of Rs. 30,720 and it was the only SHG which could show a significant increase in the income levels of its members. The presence of village dairy co-operative helped them in organizing forward linkages successfully.

The second dose of credit, which is normally available after 2-3 years, is likely to improve the situation further but the real dent in their poverty can be made around the third cycle of investment, when they have sufficient experience and courage to undertake more skill and capital-intensive enterprises which are having less competition. At this stage returns are higher but the capital requirement is significant.

It is normally assumed that rural Women face following difficulties in starting a non-farm activity (World Bank, 1997):

1. Credit is not easily available;
2. Most of them are uneducated and face difficulty in organising their business and maintaining accounts;
3. Line agencies have rigid mind set and lack gender sensitivity;
4. Due to their limited mobility, they have little knowledge of better opportunities outside their village; and
5. They lack confidence in dealing with officials.

Although above assumptions are largely correct, majority of the SHG promoting agencies have failed to take any meaningful steps to reduce the disadvantages being faced by rural women. It was seen in case of Swa-Shakti SHG in Mehsana that few members cleverly initiated multiple activities having small capital requirements. However, except the men's SGSY SHG in Mehsana, members of other SHGs could not reach a level of enterprise growth which can lift them above poverty.

C. Involvement in Community Based Acitivities: SHGs mature faster with awareness generation of members and lively meetings where various non-financial issues affecting women are also discussed. In fact restricting the SHG members to savings and credit activities for a long time appears to be under utilization of the potential of women's SHGs. Women's groups have proved to be very effective in tackling community level issues like alcoholism, getting work done through government system, enforcing implementation of basic large, sanitation, water supply management, etc. However, initiating them into such activities requires considerable efforts by highly trained field workers and as Table-3 shows, none of these SHGs had played any worthwhile role in handling issues affecting the community.

D. Convergence with Other Schemes: Since the Project and NGO based interventions are for a fixed duration, for the SHGs to survive beyond the project cycle, it is necessary that they get linked with existing schemes of the Government for being able to keep on accessing other sources of funds and support in future. Swa-Shakti Project actively encourages convergence by inviting various Government officials to the SHG meetings and organizing exposure visits to Government offices. Watershed Development Project in Malsund village has involved the village panchayat in developing a common village micro-plan by linking other scheme like Sampoorna Grameen Rojgar Yojana, Gokul Gram Yojana, Finance Commission Grant, etc. No convergence was tried by SGSY SHGs.

E. Saturation of SHGs: A large number of SHGs in the same village will help to promote project philosophy, create a sense of solidarity among members, create a larger forum for taking up community level issues and ultimately safeguard the project from disturbing influences of weaker SHG based programmes. This will also reduce the implementation cost of such programmes. Jeevika and Watershed Development Projects have formed a large number of SHGs in their programme villages.

Table 3. Other Parameters for Sustainability of SHGs

	Swa-Shakti	Watershed Project	SGSY men's SHG	Jeevika
Networking with other SHGs	No	No	No	Yes
Community action	No	Started	No	No
Convergence with other programmes	No	Started	With village dairy co-operative	Started
Members-BPL families ratio (Saturation of SHGs)	0.75	1.23	0.75	1.98

It can be seen from Table-3 that the Mehsana Projects have not taken up majority of the above components which can ensure long term sustainability of their SHGs. Although they have done reasonably well in promoting micro-finance among their members, political and social aspects of empowerment have been completely neglected in all these projects. Moreover, none of them have developed an appropriate strategy for training and capacity building of their members. Watershed development Projects are making an attempt to develop a strategy involving regular informal training of members through the WDT members, formal trainings through low cost district-level training centre and systematic exposure visits of members. It is also in the process of developing some high quality SatCom based distance education modules covering group processes, entrepreneurship development, animal husbandry, goatry, horticulture development, post-harvest technology, handling of Gram sabhas, etc.

All the four projects have engaged external monitoring and evaluation agencies for concurrent evaluation and monitoring of the projects. Swa-Shakti Project is able to use the findings of such an agency in effecting continuous improvements in the programme delivery.

The Rural Development Department of Government of Gujarat is nurturing SHGs under programmes like SGSY, Watershed Development Projects and Convergence (Shakti Samanvay) Project. It has so far formed 62,000 SHGs, out of which 22,739 (consisting of approximately 3,18,346 members) have been graded to be of acceptable quality. These programmes provide considerable space to community based organizations (CBO). So far the quality of partner CBOs was highly indifferent which was due to general lack of understanding of implementers, very little emphasis on capacity building and lack of suitable mechanism for monitoring the quality of output. It has now developed a training strategy for CBOs, started to involve professional in promotion of CBOs and engaged external agencies for concurrent monitoring and evaluation of all its programmes.

In order to support the CBOs, it has set up seven district level capacity building centers. Each of these centers has a capacity to provide regular residential training to members from 600 SHGs in a year. In addition to this, it has recently set up three specialized skill training centers with the help of commercial banks. These centers identify viable and bankable opportunities for poor, train poor youth, get loans sanctioned for them and follow up every trainee for three years. For synchronized training of large number of participants through satellite based statewide classrooms it relays training programmes for 3,000 to 4,000 participants simultaneously. This involves identification of 150-200 training rooms equipped with direct receiving systems, television sets and telecommunication facilities spread over the State, training of a large number of master trainers who can deliver part of the module directly and developing user friendly modules and training material. So far, modules for animal husbandry, watershed project management by the community, SHG processes, Panchayati raj system, entrepreneurship development, goat rearing, etc. have been developed and some of them have been successfully telecasted.

Alternative Approaches for Poverty Reduction

Although, the micro-finance activities promoted by women's SHGs had shown considerable potential in the beginning of the last decade, present analysis shows that we are unable to reap the full benefits of this marvelous tool of social engineering. Majority of the SHGs could not address the gender concerns of members, could not succeed in reducing their poverty and could not empower them socially and politically. This was probably due to the fact that implementers treated SHGs as a "stand alone" organization literally owned by them and resisted their converge them with other on-going programmes for wage and self employment, watershed development, village panchayat funds, health, literacy, etc. This failure is now leading to withdrawal of the members and also stagnating the SHGs.

With a view to utilize the potential of SHGs and link them actively with livelihood, employment generation and other opportunities, the Rural Development Department, in Gujarat, has started few interesting initiatives. It is also actively involving alternate structures like women's co-operatives in its efforts to address the needs of the poor and ultra poor. Few such initiatives are described in the subsequent paragraphs.

A. Shramyogi Project: With a view to reach the poorest of the poor families in rural areas, Govt. of Gujarat is implementing this scheme since July, 2003. Under this project, 5 poorest families are identified in each village by the village panchayat. The heads from these families are organized into Shramyogi groups consisting of 5 members each. Capacity building training is provided by the village extension worker and members are motivated to start internal savings. Groups open a bank account and start loaning the savings among members. State Government has guaranteed 150 days of employment, subsidized house, skill training to a family member, five horticultural saplings and loan for purchase of a small cattle. These guarantees, however, can be fulfilled only if the shramyogi family ensures schooling of its children, member is free from addictions like alcohol and tobacco follows small family norms and attends every gram sabha meetings. During the first year of scheme's operation approximately 90,000 families were identified and a large number of families were linked with subsidized housing, wage employment and were provided saplings. The project envisages provision of remaining guarantees after evaluation of individual families.

A review of eight districts of Gujarat covering 26,311 families shows that appx. 10% of the family members were over 60 years age and only 22% members were under 30 years age. Out of the total members, 6390 are suffering from some physical handicap. During the first year of its operation, 68% Shramyogi members attended the gram sabha meetings, 45% members ensured schooling of their children, 52% children were immunized and 34% families opted for small family norms. The project ensured wage employment of 145,000 man days to these families, 63% saplings survived, 33% families were provided with subsidized houses, 21 % of families were covered under various skill up gradation programmes and 72% families were covered in other programmes like subsidized credit, various pensions from the Government, Balika Samruddhi Yojana and BPL Ration Cards. Out of the total groups formed, 42 % were meeting regularly, 80% of these groups had started savings activity and 689 families had got themselves ensured under Janshree Insurance Scheme. DRDAs had received 89 complaints for provision of wage employment and 242 complaints were received for housing. Progress of individual families is being monitored and DRDAs have plans to link these families with village sanitation programme, micro credit, kitchen gardening, skill up gradation, exposure visits, etc. in the second year.

Although the State Government has launched this ambitious scheme for bringing these poorest families above the poverty line in a time bound manner, the implementers are facing certain unique problems that a large number of Sramyogi families were very old and 24% families had at least one member who was suffering from some serious handicap. The standard approach of linking them with wage or self employment programmes will not work in these cases and a different approach for linking them with existing pension schemes, handicrafts production, horticulture and rearing of small cattle is being tried. This approach is based on the assumption that it is better to ensure small incremental incomes from a variety of interventions for each family.

B. Shakti Samanvay Project: With a view to converge the resources and schemes of various development departments for improving overall quality of life indicators in rural areas, an ambitious convergence project was launched in March, 2004 in seven development blocks of the state. No separate funds have been provided for the project and it is expected that participating departments will leverage their existing schemes to implement it.

By dove-tailing existing schemes of health, education, industries, women & child development, panchayati raj and rural development this scheme aims to bring about 50% improvement in infant mortality rate, school dropout rate, per capita income of poor rural families, access to safe drinking water, safe delivery and malnutrition rates. Women's self help groups and village panchayats will be used as platforms for convergence of individual schemes by emphasizing awareness generation and creating demand for these schemes & services through CBO members.

After formation of SHGs and capacity building of panchayati raj members, the project will encourage creation of resource centers at sub taluka levels which will provide inputs on health, literacy, skill up gradation and enterprise counseling to member SHGs. These resource centers will also link their member SHGs with various development departments. The SHG members will be encouraged to participate in gram sabha meetings. Since the gram sabhas currently decide the works under wage employment programme, identify beneficiaries for self-employment and housing programmes, implement Haryali, Gokul Gram and finance commission grant, this forum will be used by SHG members for fulfilling their felt-needs.

C. Animal Husbandry Project in Kheda District: This Rs. 380 million project, being jointly implemented by Amul and DRDA Kheda, aims at eliminating poverty in two most backward Virpur and Balasinor talukas of Kheda district. Kheda is the operational area of world famous Kheda District Cooperative Milk Producers Union (Amul). Although the farmers in this district prospered due to dairy development efforts of Amul, it has, so far, not focused on the poor families. A project was jointly developed by the local DRDA and Amul which aims to leverage the expertise of Amul through SGSY funds to cover 7,500 poor families. In order to convert animal husbandry into full time activity for the poor, it was planned to arrange at least three cattle for each family. For the first cattle they will get cash subsidy of Rs. 7,500, second cattle will be financed through bank credit and the third one will be cross bred, reared by the beneficiary himself. Govt. of India agreed to provide grant of Rs. 11.50 crore, State Government will provide Rs. 3.50 crore and commercial banks will provide loan of Rs. 23 crore to identified poor families.

DRDA and Amul agreed to jointly identify suitable families which were to be trained by Amul. Village level milk cooperative societies will be promoted and strengthened in these talukas and procurement of milch cattle will be made jointly. The project will also support construction of cattle shed, development of fodder plot, installation of bulk chillers and bore wells, creation of doorsteps artificial insemination facilities, mobile diagnostic laboratory and strengthen a training centre.

The Memorandum of Understanding signed between Amul and DRDA states that Amul will guarantee repayment of bank loans, it will be responsible for purchase of good quality milk animals, will guarantee an incremental monthly earning of Rs. 1,994 from each cattle and replace the dead cattle within two months. Moreover it guaranteed timely veterinary services and agreed to up grade quality of milk to Codex standards. This is a unique project in which Amul agreed to pay a penalty of 5% of the project cost if any of the above parameters are not met. At the same time an incentive @ 2% of project cost will be allowed to Amul if all the parameters are timely met.

The project has covered 915 families during the preparatory phase with over 95% repayment rate on bank credit of Rs. 11.67 million. By the end of September 2004, project procured 2,149 cattle with bank credit of Rs. 21.87 million. It has supported construction of 132 cattle sheds and trained 856 individuals. So far, the poor families are earning more than the guaranteed amount from each cattle. This might be the only project involving poor where bankers are competing to get the business by reducing the interest rate from 9.5% to 7.5%.

CONCLUSION

Although none of the programmes in Mehsana district are following all the six parameters which are necessary for the long term sustainability of SHGs, groups formed by Watershed Development Projects appear to be the most promising. Although they were relatively young, watershed development SHGs followed the standard processes, were managing their funds properly, ensuring saturation of SHGs in the village which helped the members in better leveraging of resources & involvement in community affairs. With better focus on audit, systematic training and active converge with other schemes of the government these groups have better chance of long term sustainability.

SGSY is the biggest programme of its kind in the world and the average size of assistance available to the borrower under this programme is much larger than those of the normal micro-credit initiatives in India. It can be said that if implemented in a more process-oriented manner, this scheme has the best potential to remove poverty. The Special Projects component of this scheme, which supports the animal husbandry project in Kheda district, provides an avenue for experimentation and ensuring better linkages for long term sustainability of the enterprises.

However, implementation of SGSY suffers from many of the same constraints and limitations of the earlier poverty alleviation programs, and sometimes in the field vitiates the culture of self-help that has already been developed. Aspects such as changing the mindset of the functionaries who were earlier delivering target oriented programs have not yet been tackled. It is either riding piggy back on groups that already have been set up be existing NGOs, or is unable to go through the process that is required for the establishment of new groups. In spite of these deficiencies, as could be seen in the present study, the members of SGSY groups benefited the most from the microfinance programme as this is the only programme which is able to provide support for SHG formation & nurturing, capacity building of members, entrepreneurship training, revolving fund loans and leveraged formal loans for the SHGs. Members in this case were further supported from the fact that they were able to select an appropriate activity, received required dosage of credit in time and were linked with another existing institutional structure. At the same time, this group raises few interesting questions. What should be the life of a SHG? If it was for the sole purpose of helping members to improve their economic status, then since majority of the members had crossed the poverty line, should it not be wound up or can it survive in this form in the future? Considering the fact that they could not successfully convert animal husbandry into a full time activity, should not the SHG now provide input delivery like training, cattle feed, veterinary services, increasing size of the cattle unit, etc. A view on these issues can be made only after studying the performance of some of such SHGs for some more time.

The rationale for working with SHGs varies from institution to institution, and also from project to project. For some, SHGs are viewed as a way to reduce transaction costs and enhance outreach, for others interested in poverty reduction it constitutes part of a mandated poverty reduction strategy or it is only an entry point for the broader goal of empowerment and transformation of power relations within society. In the latter case while emphasizing the need for sustainable institutions, the focus is on social intermediation through a combination of interventions which could include gender awareness, health, education and legal literacy basically so that social, political and economic empowerment takes place. Mayoux's typology of the three contrasting paradigms in micro-finance and gender viz. of financial self-sustainability, poverty reduction and feminist empowerment is useful. It highlights that the rationale for targeting women also varies – at one end of the spectrum is the efficiency oriented view that women have high repayment rates, while at the other is the more feminist orientation that women need to be socially and politically empowered. Somewhere in between is the recognition of the need to target women as there are higher levels of female poverty. It is evident from the objectives of the various initiatives that empowerment does not necessarily form part of the stated objectives. If it is used to explain the nature of outcomes, the understanding of the word is so diverse that it can mean anything from simply covering notions of enhanced well-being and expansion of individual choice to the broader notion of transforming gender relations., etc. Moreover, there is no "one way of doing things" and the implementers will have to keep n experimenting with various models.

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