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RURAL DEVELOPMENT

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Development Programmes for Women

Unit – I

SHG and Micro-finance; Savings and Credit as an Instrument of Self-help promotion among rural Women

Unit – II

Experiences of GRAMEEN; SEWA; MYRADA



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RURAL DEVELOPMENT

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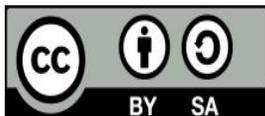
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Unit – I

SHG and Micro-finance; Savings and Credit as an Instrument of Self-help promotion among rural Women

Learning Objectives:

After completion of this unit, you should be able to:

- *Clarify the basic concept of SHGs*
- *Understand the characteristics of the SHGs*
- *Explain the functions of the SHGs*

Structure:

- 1.1 Introduction to Self Help Groups (SHGs)
- 1.2 The Concept of SHG
- 1.3 Characteristics of SHG
- 1.4 Functions of SHG
- 1.5 Benefits of SHG
- 1.6 Basics of Micro-Finance
- 1.7 Let Us Sum Up
- 1.8 References

1.1 Introduction to Self-Help Groups (SHGs)

All over the world there is realization that the best way to tackle poverty and enable the community to improve its quality of life is through social mobilization of poor, especially women into Self help Groups. Ever since Independence, a number of innovative scheme have been launched for the upliftment of women in our country. Indian government has taken lot of initiatives to strengthen the institutional rural credit system and development programmes. However, formal sector credit agencies find it difficult to reach vast majority of rural people. The problem required a complete paradigm shift where the flexible and responsive system meets the needs of the rural poor. Viewing it in the welfare programmes of ninth five year plan and shifting the concept of “development to empowerment” the Indian Government adopted the approach of ‘Self Help Groups (SHGs) to uplift the rural poor.

The empowerment of women through Self Help Groups (SHGs) would lead to benefits not only to the individual women and women groups but also for the families and community as a whole through collective action for development. Empowering women

not just for meeting their economic needs but also through more holistic social development.



The SHG concept has taken roots in Bangladesh where the SHGs have set up their own Bank by name Bangladesh Gramya Bank. Based on the studies and the results of action research conducted, NABARD developed the SHG – Bank linkage approach as the core strategy that could be used by the Banking System in India for increasing their outreach to the poor. At present, there are over 16 lakhs SHGs operating all over the country. In Orissa “Mission Shakti” has been launched on 8th March, 2001 by the Chief Minister to give microfinance to one lakh SHGs by March, 2005 for empowerment of women in Orissa. The Govt./NABARD and Mission Shakti Directorate are working hand in hand to ensure participation of poor women in the process of development resulting in creation of a socially vibrant society.

1.2 The Concept of SHG :

A SHG is a group of about 20 people from a homogenous class, who came together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use this pooled resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial intermediation including prioritization of needs, setting terms and conditions and accounts keeping. This gradually builds financial discipline and credit history for them, as the money involved in the lending operations is their own hand earned money saved over time with great difficulty. This is ‘warm money’. They also learn to handle resource of a size that is much beyond their individual capacities. The SHG members begin to appreciate that resources are limited and have a cost. Once the groups show this nature financial behaviour, banks are encouraged to make loan to the SHG in certain multiples of the accumulated savings of the SHG. The Bank loans are given without any collateral and at market interest rates. Banks find it easier to lend money to the groups as the members have developed a credit history. ‘Cold (outside) money’ gets added to the own ‘warm money’ in the hands of the groups, which have become structures, which are able to enforce credit discipline among the members. The members have experienced the benefits of credit discipline by being able to save and borrow regularly to decide the terms of loans to their own members. The peer pressure ensures timely repayments and replaces the “collateral” for the bank loans.

1.3 Characteristics of SHGs:

- ❖ The ideal size of an SHG is 10 to 20 members.
- ❖ The group need not be registered.
- ❖ From one family, only one member.
- ❖ The group consists of either only men or of only women.
- ❖ Women’s groups are generally found to perform better.
- ❖ Members have the same social and financial background.

- ❖ The group should meet regularly.
- ❖ Compulsory attendance.

The SHG selects from among its members a leader called animator. The animator conducts two or three meetings every month. After the group stabilises in management of funds, it gives loan to the members.



Book keeping by the SHG :

It is required that simple and clear books for all transactions is to be maintained.

If no member is able to maintain the books, someone to be engaged by the group for the purpose.

In addition to it, animator can also help.

Minutes Book :

The proceedings of meetings, the rules of the group, names of the members etc. recorded in this group.

Savings and Loan Register :

Shows the savings of members separately and of the group as a whole. Details of individual loans, repayments, interest collected, balance etc. are entered here.

Weekly Register :

Summary of receipts and payments on a weekly basis. Updated every meeting.

Members' Passbooks :

Individual member's passbooks encourage regular savings.

1.4 Functions of SHGs :

(a) Savings and Thrift :

The amount may be small, but savings have to be regular and continuous habit with all the members.

“Savings first – Credit later” should be the motto of every group member.

Group members learn how to handle large amounts of cash through savings. This is useful when they use bank loans.

(b) Internal Lending :

The savings to be used as loans for members.

The purpose, amount, rate of interest, etc. to be decided by the group itself.

Proper accounts to be kept by the SHG.

Opening Savings Bank Account with bank.

Enabling SHG members to obtain loans from banks and repaying the same.

(c) Discussing Problems :

Every meeting, the group will discuss and try to find solutions to the problems faced by the members of the group.



1.5 Benefits of SHGs :

Promotion of thrift and savings :

Most SHG programmes insist on regular savings – a fixed small amount. Such compulsory savings lead to accumulation of big funds.

Improved Loan recoveries :

The peer pressure based on joint liability brings about a remarkable improvement in loan recoveries, leading to improved loan recycling and continued access to borrowings.

Cost efficiency, better access to institutional credit :

SHG can help rural women gaining better access to formal institutions of credit.

Besides, there credit related benefits there are other benefits, which help the larger society. They can be summarised in brief as follows:-

SHGs, being people centered organisations, can take up various development activities in the area of education, water supply, environment, sanitation, road access, electric power and so on.

As most SHGs are women centered, they can help ensure gender equality. The women's empowerment through SHGs would lead to benefits not only for the women but also for the family and the larger community.

SHGs can help implement income generation programmes by collectively addressing entrepreneurial problems such as providing funds, improving production and marketing facilities and in obtaining better terms through their collective bargaining strength etc.

1.6 Basics of Micro-Finance:

The Indian state has been conceptualised as a 'Welfare State' implying that it understands providing a good life to all its citizens as its responsibility. Also recognising the fact that the Indian population largely inhabits rural areas, special measures have been undertaken to ensure a proper development of these. Microfinance provides credit support in small doses along with training and other related services to people who are resources – poor but who are able to undertake economic activities.

Microfinance is defined as the provision of thrift, financial services, primarily savings and credit to poor households that would fail to provide collateral required for getting a loan from a formal banking system. Microfinance operates on the principle of joint responsibility and liability for loans enhance accountability among members of a group formed for the purpose of microfinance. The Bangladesh Grameen Bank (BGB), founded by Prof. Muhammad Yunus is responsible for popularising the concept of microfinance.

Several models of microfinance exist based on the mode of operation as adopted by a programme. The SHG model is the basic model that includes organising people into

small groups of 15 – 25 and is generally promoted among women. Microfinance programmes that include lending credit to poor women, SHGs have come to the forefront of women's empowerment. There is worldwide enthusiasm regarding microfinance through SHGs for women's empowerment and reducing poverty among the poor women.



Banks have accepted microfinance as normal and sustainable banking business operated at market rates of interest. Based on the study findings, NABARD launched the SHG – Bank linkage programme on pilot basis in Feb, 1992. The RBI based on its working group recommendations in 1994, issued a policy circular to banks to adopt this innovative approach. The SHG Bank linkage involves having the group save, and then linking it to a bank. Both the leader and the members are responsible for repayments. When bank officers are satisfied with the SHG loan performance members could get 4 times the funds collected through SHG deposits.

Microfinance scheme has made steady progress. At present, 560 banks, including 48 commercial banks, 196 RRBs and 716 cooperative banks are actively involved in the operation of the programme.

Microfinance is facing some problems. Measures should therefore be initiated to strengthen it. Projects and programmes should be made economically viable. What is more, we have to increase the credit absorptive capacity of the rural areas. Provision of marketing facilities is also important. Need based training and exposure for the bank personnel is important.

Strict repayment requirements may not be desirable. There should be flexibility in the repayment of individual loans from banks. A well conceived scheme like microfinance needs to be effectively implemented by banks.

1.7 Let Us Sum Up:

The positive impact of SHGs on poor in providing them access to resources, economic choices, social strength, and control over their own lives, functional literacy and an empowering climate is obvious. What is not so obvious is the fact that there are limitations to up scaling the process to reach more poor. The process of formation of groups, stabilising them and linking them is time and cost consuming and painstaking. Dedicated voluntary organisations, with motivated and skilled manpower are a dire necessity in this effort. Dealing with poverty alleviation the SHG linkage model would demand mobilisation of massive resources, both financial and human. But when the numbers go up substantially, quality of group could suffer.

SHGs in themselves are not free from discrimination against the poor. The upper strata of poor could prevent those in the lower strata from joining their groups, deny access to credit prevent participation in the decision – making process and exploit the groups

strength for the benefit of a few stronger members. Vigilance among all the members, inculcation of proper group process practices at the formation stage, periodic self-monitoring by the groups and rotation of leadership responsibilities would go a long way in avoiding occurrence of problems of the types referred to.



In spite of the apparent success of the concept, still many bankers are yet to whole – heartedly support the groups with credit. The deep rooted traditional mindset of banks which views poor, as credit risks, is difficult to change. Considerable efforts aimed at attitudinal change in bankers are necessary. Thus a critical element in expanding SHG movement is that of resources from the banking sector and hence changing the banker’s attitude should be a matter of priority.

SHGs are held in high esteem on account of what they have so far successfully demonstrated. They are sought to be invested with magical properties of changing the face of the country. This is largely euphoria born out of initial success. The potential of this movement to usher in higher order change in the lives of poor must be recognised. SHGs would be effective to the extent the stake holders allow it to be. SHGs could not be more effective than the people who are behind it. Emphasis must be focused in various programmes to change the patriarchal system which still control and keep the women away from involvement and decision making.

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Unit – II

Experiences of GRAMEEN; SEWA; MYRADA

Learning Objectives:

After completion of this unit, you should be able to:

- Clarify the basic concept of Grameen Bank, Micro Credit, SEWA and MYRADA
- Understand the applications of Grameen Bank, Micro Credit, etc.
- Explain the economic advantages of Grameen Bank

Structure:

- 2.1. Introduction to Grameen Bank
- 2.2 History of Grameen Bank
- 2.3 Funding
- 2.4 Application of Micro-Credit
- 2.5 Grameen Bank Building in Dhaka
- 2.6 Village Phone Programme
- 2.7 Grameen Bank's perception of people with economic disadvantages
- 2.8 Related ventures
- 2.9 Criticism
- 2.10 Representation in other media
- 2.11 SEWA (Self Employed Women's Association)
- 2.12 MYRADA
- 2.13 Let Us Sum Up
- 2.14 Suggested Readings and References

2.1. Introduction to Grameen Bank:

The **Grameen Bank** is a microfinance organisation and community development bank founded in Bangladesh. It makes small loans (known as microcredit or "grameen credit")^[5] to the impoverished without requiring collateral.

Grameen Bank originated in 1976, in the work of Professor Muhammad Yunus at University of Chittagong, who launched a research project to study how to design a credit delivery system to provide banking services to the rural poor. In October 1983 the Grameen Bank was authorised by national legislation to operate as an independent bank. In 1998 the Bank's "Low-cost Housing Program" won a World Habitat Award. In 2006, the bank and its founder, Muhammad Yunus, were jointly awarded the Nobel Peace Prize.^[6]

2.2 History of Grameen Bank:

Muhammad Yunus was inspired during the Bangladesh famine of 1974 to make a small loan of US\$27 to a group of 42 families as start-up money so that they could make items for sale, without the burdens of high interest under predatory lending.^[7] Yunus believed that making such loans available to a larger population could stimulate businesses and reduce the widespread rural poverty in Bangladesh.



Nobel Laureate & the bank's founder, Muhammad Yunus, developed the principles of the Grameen Bank from his research and experience. *Grameen Bank* is for "Rural" or "Village" Bank.^[8] He began to expand microcredit as a research project together with the Rural Economics Project at Bangladesh's University of Chittagong to test his method for providing credit and banking services to the rural poor. In 1976, the village of Jobra and other villages near the University of Chittagong became the first areas eligible for service from Grameen Bank.^[9] Proving successful, the Bank project, with support from Bangladesh Bank, was extended in 1979 to the Tangail District (to the north of the capital, Dhaka).^[9] The bank's success continued and its services were extended to other districts of Bangladesh.

By a Bangladeshi government ordinance on 2 October 1983, the project was authorised and established as an independent bank.^[9] Bankers Ron Grzywinski and Mary Houghton of Shore Bank, a community development bank in Chicago, helped Yunus with the official incorporation of the bank under a grant from the Ford Foundation.^[10] The bank's repayment rate suffered from the economic disruption following the 1998 flood in Bangladesh, but it recovered in the subsequent years. By the beginning of 2005, the bank had loaned over USD 4.7 billion^[11] and by the end of 2008, USD 7.6 billion^[12] to the poor.

In 2011, the Bangladesh Government forced Yunus to resign from Grameen Bank, saying that at age 72, he was years beyond the legal limit for the position.^[13]

As of 2017, the Bank had about 2,600 branches and nine million borrowers, with a repayment rate of 99.6%. 97% of the borrowers were women. The Bank has been active in 97% of the villages of Bangladesh.^{[14][15]} Its success has inspired similar projects in more than 40 countries around the world, including a World Bank initiative to finance Grameen-type schemes.^[16]

Grameen Bank is now expanding into wealthy countries, as well. As of 2017, Grameen America had 19 branches in eleven US cities. Its nearly 100,000 borrowers were all women.^[14]



2.3 Funding:

The bank has gained its funding from different sources, and the main contributors have shifted over time. In the initial years, donor agencies used to provide the bulk of capital at low rates. By the mid-1990s, the bank started to get most of its funding from the central bank of Bangladesh. More recently, Grameen has started bond sales as a source of finance. The bonds are implicitly subsidised, as they are guaranteed by the Government of Bangladesh, and still they are sold above the bank rate.^[17] In 2013, Bangladesh parliament passed 'Grameen Bank Act' which replaces the Grameen Bank Ordinance, 1983, authorising the government to make rules for any aspect of the running of the bank.^[1]

2.4 Application of Micro-Credit:

Grameen Bank is founded on the principle that loans are better than charity to interrupt poverty: they offer people the opportunity to take initiatives in business or agriculture, which provide earnings and enable them to pay off the debt.

The bank is founded on the belief that people have endless potential, and unleashing their creativity and initiative helps them end poverty.^[5] Grameen has offered credit to classes of people formerly underserved: the poor, women, illiterate, and unemployed people. Access to credit is based on reasonable terms, such as the group lending system and weekly-installment payments, with reasonably long terms of loans, enabling the poor to build on their existing skills to earn better income in each cycle of loans.^[5]

Grameen's objective has been to promote financial independence among the poor. Yunus encourages all borrowers to become savers, so that their local capital can be converted into new loans to others. Since 1995, Grameen has funded 90 percent of its loans with interest income and deposits collected, aligning the interests of its new borrowers and depositor-shareholders. Grameen converts deposits made in villages into loans for the more needy in the villages (Yunus and Jolis 1998).^[18]

It targets the poorest of the poor, with a particular emphasis on women, who receive 95 percent of the bank's loans. Women traditionally had less access to financial alternatives of ordinary credit lines and incomes. They were seen to have an inequitable share of power in household decision making. Yunus and others have found that lending to women generates considerable secondary effects, including empowerment of a marginalised segment of society (Yunus and Jolis 1998), who share betterment of income with their children, unlike many men. Yunus claims that in 2004, women still have difficulty getting loans; they comprise less than 1 percent of borrowers from commercial banks (Yunus 2004). The interest rates charged by microfinance institutes including Grameen Bank is high compared to that of traditional banks; Grameen's interest (reducing balance basis) on its main credit product is about 20%.^[19]

Grameen has diversified the types of loans it makes. It supports hand-powered wells and loans to support the enterprises of Grameen members' immediate relatives. It has found that seasonal agricultural loans and lease-to-own agreements for equipment and livestock help the poor establish better agriculture. The bank has set a new goal: to make each of its branch locations free of poverty, as defined by benchmarks such as having adequate food and access to clean water and latrines.



From Wikipedia, the free encyclopedia

Decisions^[20]

1. We shall follow and advance the four principles of Grameen Bank: Discipline, Unity, Courage and Hard work – in all walks of our lives.
2. Prosperity we shall bring to our families.
3. We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.
4. We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.
5. During the planting seasons, we shall plant as many seedlings as possible.
6. We shall plan to keep our families small. We shall minimise our expenditures. We shall look after our health.
7. We shall educate our children and ensure that they can earn to pay for their education.
8. We shall always keep our children and the environment clean.
9. We shall build and use pit-latrines.
10. We shall drink water from tubewells. If it is not available, we shall boil water or use alum.
11. We shall not take any dowry at our sons' weddings, neither shall we give any dowry at our daughters' weddings. We shall keep our centre free from the curse of dowry. We shall not practice child marriage.
12. We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.
13. We shall collectively undertake bigger investments for higher incomes.
14. We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.
15. If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.
16. We shall take part in all social activities collectively.



2.5 Grameen Bank Building in Dhaka:

Grameen Bank is best known for its system of [solidarity lending](#).^[16] The Bank also incorporates a set of values embodied in [Bangladesh](#) by the *Sixteen Decisions*.^[21] At every branch of Grameen Bank, the borrowers recite these Decisions and vow to follow them. As a result of the Sixteen Decisions, Grameen borrowers have been encouraged to adopt positive social habits. One such habit includes educating children by sending them to school. Since the Grameen Bank embraced the Sixteen Decisions, almost all Grameen borrowers have their school-age children enrolled in regular classes. This in turn helps bring about social change, and educate the next generation.

Solidarity lending is a cornerstone of microcredit, and the system is now used in more than 43 countries. Although each borrower must belong to a five-member group, the group is not required to give any guarantee for a loan to its members. Repayment responsibility rests solely on the individual borrower. The group and the centre oversee that everyone behaves responsibly and none gets into a repayment problem. No formal joint liability exists, i.e. group members are not obliged to pay on behalf of a defaulting member. But, in practice the group members often contribute the defaulted amount with an intention to collect the money from the defaulted member at a later time. Such behaviour is encouraged because Grameen does not extend further credit to a group in which a member defaults.^[22]

No [legal instrument](#) (i.e. no written contract) is made between Grameen Bank and its borrowers; the system works based on trust.^[23] To supplement the lending, Grameen Bank requires the borrowing members to save very small amounts regularly in a number of funds, designated for emergency, the group, etc. These savings help serve as an insurance against contingencies.^[16]

In a country in which few women may take out loans from large commercial banks, Grameen has focused on women borrowers; 97% of its members are women.^[24] While a [World Bank](#) study has concluded that women's access to microcredit empowers them through greater access to resources and control over decision making, some other

economists argue that the relationship between microcredit and women-empowerment is less straightforward.^[25]



In other areas, Grameen has had very high payback rates—over 98 percent. However, according to the *Wall Street Journal*, in 2001 a fifth of the bank's loans were more than a year overdue.^[26] Grameen says that more than half of its borrowers in Bangladesh (close to 50 million) have risen out of acute poverty thanks to their loan, as measured by such standards as having all children of school age in school, all household members eating three meals a day, a sanitary toilet, a rainproof house, clean drinking water, and the ability to repay a 300 taka-a-week (around 4 USD) loan.^[27]

The bank is also engaged in social business and entrepreneurship fields. In 2009, the Grameen Creative Lab collaborated with the Yunus Centre to create the Global Social Business Summit. The meeting has become the main platform for social businesses worldwide to foster discussions, actions and collaborations to develop effective solutions to the most pressing problems plaguing the world.^[28]

2.6 Village Phone Programme:

The bank has diversified among different applications of microcredit. In the Village Phone program, women entrepreneurs can start businesses to provide wireless payphone service in rural areas. This program earned the bank the 2004 Petersburg Prize worth EUR 100,000, for its contribution of Technology to Development.^[29] In the press release announcing the prize, the Development Gateway Foundation noted that through this program:

Grameen has created a new class of women entrepreneurs who have raised themselves from poverty. Moreover, it has improved the livelihoods of farmers and others who are provided access to critical market information and lifeline communications previously unattainable in some 28,000 villages of Bangladesh. More than 55,000 phones are currently in operation, with more than 80 million people benefiting from access to market information, news from relatives, and more.^[29]

Struggling members program

In 2003, Grameen Bank started a new program, different from its traditional group-based lending, exclusively targeted to the beggars in Bangladesh.^[30] This program is focused on distributing small loans to beggars. The loans are completely interest-free, the repayment period can be arbitrarily long, and the borrower is covered under life insurance free of cost. For example, a beggar taking a small loan of around 100 taka (about US\$1.50) may pay back only 2.00 taka (about 3.4 US cents) per week.^[31]

Housing loans



In 1984, Grameen applied to the Central Bank for help setting up a housing loan program for its borrowers. Their application was rejected on the grounds that the \$125 suggested loan could not possibly build a suitable living structure.^[32] So Grameen instead proposed the idea of "shelter loans". They were again rejected, this time on the grounds that their borrowers could not afford non-income generating loans. Grameen changed tactics and applied a third time, this time to make "factory loans", the explanation being that borrowers worked from home, so the home was also a factory that made it possible for borrowers to earn income. Grameen was rejected for a third time.^[33]

After this third rejection, Yunus, the bank's founder, met personally with the Central Bank governor to plead for their application. When asked if he thought the borrowers would repay the loans, he replied, "Yes, they will. They do. Unlike the rich, the poor cannot risk not repaying. This is the only chance they have." Grameen was then allowed to add housing loans to their range of services.^[34]

As of 1999, Grameen has made housing loans totalling \$190 million to build over 560,000 homes with near-perfect repayment. By 1989, their average housing loan had grown to \$300. That year, the Grameen housing program received the Aga Khan International Award for Architecture.^[35]

2.7 Grameen Bank's perception of people with economic disadvantages:

When Muhammad Yunus took the first steps toward establishing Grameen Bank in Bangladesh and began to provide micro-credit loans to those living in abject poverty in the rural area surrounding Jobra, he adopted and maintained two basic premises. First, that credit is a human right; second, that the poor are those who know best how to better their own situation.^[36]

In his book *Banker to the Poor: Micro-lending and the Battle Against World Poverty*, Muhammad Yunus shows the outlook behind why Grameen Bank runs the way it does, saying, "When you hold the world in your palm and inspect it only from a birds eye view, you tend to become arrogant, you do not realize things become blurred when viewed from an enormous distance. I opted instead for the" worms eye view." ... The poor taught me an entirely new economics. I learned about the problems they face from their own perspective."^[37] Here we see his willingness to immerse himself with the people he is aiming to help. We get our first look at Muhammad Yunus's perception of the absolute poor when he meets Sufiya Begum, a bamboo stool maker who was trapped in poverty's vicious cycle due to a lack of 27 cents.^[38] That is where we find that what will become Grameen bank, is founded upon one man's heart for those that society and big corporations could or would not help. Taking productive action, Yunus worked with the banks and community around to empower people like Sufiya to be able to apply for credit, and use it in the best and most productive way that she knows how

in her unique situation. Grameen Bank would need to be a bank of unusual standards. It would have to be, as Yunus put it, "an institution that would lend to those that had nothing."^[39] Later, as time progressed, more situations would arise, such as battling for those who were landless, or small-time farmers such as those in Jobra who could not use a deep tube-well that was available to them.



As Grameen bank has developed and expanded in the years since its beginning, it continues to operate on those same two principles. Today, Grameen bank still assumes that when individuals are provided credit, they will be able to initiate upward social mobility for themselves through entrepreneurial endeavours.^[40] As a result, Grameen differs from many other social justice efforts in that it does not include intensive rehabilitation training programs for the disadvantaged persons it serves. Instead, Grameen gives its borrowers freedom to pursue a better future using the skills they already possess in the best way they can with membership in a five-person support group being the only requirement.^[36]

The Grameen Bank encourages its members to create a positive impact by becoming actively involved in the politics of their country. According to Muhammad Yunus's book, *Banker to the Poor*, Yunus commissioned his bank staff to encourage Grameen borrowers to vote; however, the staff were not to influence the voters' decisions on which political party to support. While all Grameen groups are required to exhibit a form of democracy (such as electing a chairperson and secretary), the Grameen staff were surprised to find that borrowers were thrilled with the opportunity to display their voting rights as citizens of Bangladesh in the 1991 national election. The work of the Grameen staff initiated a sharp increase in political activity which continued into the 1992, 1996, and 1997 elections. Since the Grameen Bank caters to women, the 1996 elections received more women voting than men, which led to the removal of political parties opposing women's rights. Not only did more women participate in political activism, but over 1,750 Grameen members, 268 male and 1,485 female, were elected to local offices in 1997.^[36]

In an interview with PBS in 2006, (after sixteen years of experience with Grameen Bank as a social business) Yunus expressed satisfaction in the micro-credit system of Grameen bank as a motivation and an opportunity for the poor to improve their own situations. He stressed that he has observed that Grameen's borrowers attain a sense of confidence and self-sufficiency when they pay back their loans from Grameen bank. While being careful not to criticise charity's rightful place, he added that the recipient of a charitable gift does not experience these long-term emotional benefits in the same way.^[41]

Operational statistics



Grameen Bank is owned by the borrowers of the bank, most of whom are poor women. Of the total equity of the bank, the borrowers own 94%, and the remaining 6% is owned by the Bangladesh government.^[24]

The bank grew significantly between 2003 and 2007. As of January 2011, the total borrowers of the bank number 8.4 million, and 97% of those are women.^[24] The number of borrowers has more than doubled since 2003, when the bank had 3.12 million members.^[42] Similar growth can be observed in the number of villages covered. As of October 2007, the Bank has a staff of more than 24,703 employees; its 2,468 branches provide services to 80,257 villages,^[24] up from the 43,681 villages covered in 2003.^[42]

The bank has distributed BDT 1.437 trillion (USD 20.92 billion) in loans, out of which BDT 1.317 trillion (USD 19.02 billion) has been repaid.^{[43][44]} The bank claims a loan recovery rate of 96.67%,^[45] up from the 95% recovery rate claimed in 1998.^[45] David Roodman has critiqued the accounting practices that Grameen used to determine this rate.^[26]

The global number of potential micro-borrowers is estimated to be 1 billion, with a total loan demand of \$250 billion. The present microfinance model is serving 100 million people with \$25 billion of loans.^[46] The Grameen Bank is 95% owned by the local poor and 5% by the government.^[47]

Staff training

The Grameen Bank staff often work in difficult conditions.^[36] Employees receive 6 months of on-the-job training while shadowing qualified and experienced individuals from various branches of Grameen. The goal of this training is for the trainee to "appreciate the unexplored potential of the destitute" and to discover new ways to solve problems that arise within the Grameen branch. After completing the 6-month period, trainees return to Dhaka headquarters for review and critique before appointment to a bank branch.

Honours

- 1994, Grameen Bank received the **Independence Day Award** in 1994, which is the highest government award.
- 13 October 2006, the Nobel Committee awarded Grameen Bank and its founder, Muhammad Yunus, the 2006 **Nobel Peace Prize** "for their efforts to create

economic and social development from below."^[48] The award announcement also mentions that:



From modest beginnings three decades ago, Yunus has, first and foremost through Grameen Bank, developed micro-credit into an ever more important instrument in the struggle against poverty. Grameen Bank has been a source of ideas and models for the many institutions in the field of micro-credit that have sprung up around the world.^[48]

On December 10, 2006, Mosammat Taslima Begum, who used her first 16-euro (20-dollar) loan from the bank in 1992 to buy a goat and subsequently became a successful entrepreneur and one of the elected board members of the bank, accepted the Nobel Prize on behalf of Grameen Bank's investors and borrowers at the prize awarding ceremony held at Oslo City Hall.^[49]

Grameen Bank is the only business corporation to have won a Nobel Prize. Professor Ole Danbolt Mjøs, Chairman of the Norwegian Nobel Committee, in his speech said that, by giving the prize to Grameen Bank and Muhammad Yunus, the Norwegian Nobel Committee wanted to encourage attention on achievements of the Muslim world, on the women's perspective, and on the fight against poverty.^[50]

Citizens of Bangladesh celebrated the prize.^[51] Some critics said that the award affirms neoliberalism.^[25]

2.8 Related ventures:

Main article: Grameen family of organizations

The Grameen Bank has grown into over two dozen enterprises of the Grameen Family of Enterprises. These organisations include Grameen Trust, Grameen Fund, Grameen Communications, Grameen Shakti (Grameen Energy), Grameen Telecom, Grameen Shikha (Grameen Education), Grameen Motsho (Grameen Fisheries), Grameen Baybosa Bikash (Grameen Business Development), Grameen Phone, Grameen Software Limited, Grameen CyberNet Limited, Grameen Knitwear Limited, and Grameen Uddog (owner of the brand Grameen Check).^[52]

On July 11, 2005 the Grameen Mutual Fund One (GMFO), approved by the Securities and Exchange Commission of Bangladesh, was listed as an Initial Public Offering. One of the first mutual funds of its kind, GMFO will allow the more than four million Grameen bank members, as well as non-members, to buy into Bangladesh's capital markets. The Bank and its constituents are together worth over USD 7.4 billion.^[53]

The Grameen Foundation was developed to share the Grameen philosophy and expand the benefits of microfinance for the world's poorest people.^[54] Grameen Foundation, which has an A-rating from [Charity Watch],^[55] provides microloans in the USA (the

only developed country where this is done), and supports microfinance institutions worldwide with loan guarantees, training, and technology transfer.^[56] As of 2008, Grameen Foundation supports microfinance institutions in the following regions.^[57]



- **Asia-Pacific:** Bangladesh, China, East Timor, Indonesia, India, Lebanon, Pakistan, Philippines, Saudi Arabia, Yemen
- **Americas:** Bolivia, Dominican Republic, El-Salvador, Haiti, Honduras, Mexico, Peru, US
- **Africa:** Cameroon, Egypt, Ethiopia, Ghana, Morocco, Nigeria, Rwanda, Tunisia, Uganda

2.9 Criticism:

Some analysts have suggested that microcredit can bring communities into debt from which they cannot escape.^{[58][59][60]} Researchers have noted instances when microloans from the Grameen Bank were linked to exploitation and pressures on poor families to sell their belongings, leading in extreme cases to humiliation and ultimately suicides.^[61]

The Mises Institute's Jeffrey Tucker suggests that microcredit banks depend on subsidies to operate, thus acting as another example of welfare.^[62] Yunus believes that he is working against the subsidised economy, giving borrowers the opportunity to create businesses. Some of Tucker's criticism is based on his interpretation of Grameen's "16 decisions," seen as indoctrination, without considering what they mean in the context of poor, illiterate peasants.^[63]

The Norwegian documentary, *Caught in Micro debt*, said that Grameen evaded taxes. The Spanish documentary, *Microcredit*, also suggested this. The accusation is based on the unauthorised transfer of approximately US\$100 million, donated by The Norwegian Agency for Development Cooperation (NORAD), from one Grameen entity to another in 1996, before the expiry of the Grameen Bank's tax exemption. However, NORAD published a statement in December 2010 clearing Yunus and the Bank of any wrongdoing on this point, following a comprehensive review of NORAD's support commissioned by the Minister of International Development.^[65]

Yunus denies that this is tax evasion:

There is no question of tax evasion here. The Government has provided organisations with opportunities; we have made use of these opportunities with aim of benefitting our shareholders who are the rural poor women of Bangladesh.^[66]

David Roodman^[67] and Jonathan Morduch^[68] question the statistical validity of studies of microcredit's effects on poverty, noting the complexity of the situations

involved.^[69] Yoolim Lee and Ruth David discuss how microfinance and the Grameen model in South India have in recent years been distorted by venture capitalism and profit-makers. In some cases, poor rural families have suffered debt spirals, harassment by microfinance debt collectors, and in some cases suicide.



2.10 Representation in other media:

- The film *To Catch a Dollar* (2010) documents the process of establishing Grameen America programs in Queens, New York in 2008. It premiered at the 2010 Sundance Film Festival.
- The documentary film *Living on One Dollar* (2010) includes Grameen Bank providing microcredit to start small home businesses in a rural Guatemalan village. The documentary is available directly from the organisation "Living on One" [2], and on Netflix [3].

2.11 SEWA (Self Employed Women's Association):

Self-Employed Women's Association (SEWA) has made significant contribution to the empowerment of women. It has strived to integrate self-employed poor women with the mainstream economy through the twin strategies of struggle and development. In this section, we will acquaint you with the nature and significance of SEWA with particular reference to financial support furnished to self-employed women for improving their socio-economic condition.

3.31.1 Nature and Significance of SEWA Women are the worst victims of poverty. Poor women generally experience a variety of socio-economic and cultural deprivation in society. The root cause of women's plight has been unemployment, lack of income and economic dependency in family or community. Hence, creation of income generating opportunities is increasingly considered as an effective means of empowering women and improving their socio economic condition in society. In fact, poverty reduction by way of income generating activities has emerged as the major concern of state and most NGOs working with VOs: Some Successful poor women. Experiences In the absence of regular salaried jobs, poor women mostly venture into self-employed activities such as vendors, hawkers, home based craft workers, or garment makers, domestic workers, and service providers. These self-employed women workers are generally prone to insecurity inherent in the nature of this vocation. They usually have low-incomes, limited or negligible capital, and assets to support them Without direct access to mainstream markets or institutional support their productivity tends to be low and they remain trapped in the vicious cycle of poverty and uncertain existence. Furthermore, it is extremely difficult for them to have access to financial institutions for seeking any kind of support for their self-employed activities. In order to overcome the above discussed limitations, the self-employed women of Ahmedabad, organised and formed the Self Employed Women's Association (SEWA) in 1972. The motivation and guidance was furnished by the leadership Ela Bhatt, who was later honoured by the Ramon Magasaysay Award. SEWA has strived to create conditions of full employment and self-reliance for all its



members. The concept of full employed is related to the 'employment for every single family' so as to ensure food security, income security and social security (health care, child care and shelter). The notion of self-reliance envisaged economic independence of members, while simultaneously enabling them for making their own decisions. The issues and priorities are discussed in an open and democratic forum by the members. The activities undertaken by SEWA pertain to the issues and realities confronted by its members in real life situations. Keeping in view the concerns of all the members, group leaders, the executive committee and staff, SEWA has strived to achieve the following objectives: creating conditions of full employment for its members; effecting an increase in incomes of members; enhancing adequate food and nutrition; making suitable revisions for safeguarding health; facilitating the care of children of its members; improving the living housing conditions; motivating individual members to create their own assets; enhancing the organisational strength of workers; encouraging the workers for leadership; and promoting collective and individual self-reliance among members. The central concern of SEWA has been to secure the existence of its members by furnishing financial support in the form of micro-credit to self-employed women. The above mentioned objectives have also remained crucial in the functioning of SEWA Bank. Poor self-employed women associated with SEWA used to face two major financial problems: lack of working capital and non-ownership of assets, which may be used as collateral for credit. Most of their small incomes were spent on payment of interest on working capital and rent for trade equipment. In 1973, SEWA devised a solution to free its members from this vicious cycle by making an arrangement with nationalised banks. Because of illiteracy, lack of familiarity with banking procedures, work requirements not conducive with bank timings, and attitude of bank employees, the arrangement did not work. SEWA members decided to set up their own bank with an initial contribution (a share capital of Rs. 10 each) made by 4000 self-employed women. The Shri Mahila SEWA Sahakari Bank Ltd. was registered in 1974. SEWA Bank has been providing micro-credit facilities to poor, illiterate, self-employed in Rural Development women and has emerged as a successful financial venture in the cause of women's development. SEWA Bank adopted a flexible approach and assigned high priority to savings. It realized that members are ready to save but financial services must be designed to suit their requirements. Hence, SEWA Bank made the following innovations: collection of savings from homes or market place; passbook with a photograph rather than a signature as means of identification; keeping the accounts confidential from male members of the family; designing of flexible loan rules and procedures, keeping in mind the economic condition of members; floating innovative savings and credit schemes; and furnishing training and assistance in banking procedures. The experience of SEWA bank has demonstrated that small savings play a crucial role in furnishing social and economic security to poor women. Small savings nurtured financial discipline among poor women. It resulted in the expansion of resource base available to poor women. Savings helped to bring the growth of economic activities under the control of self-employed women, since bank balance guaranteed an

easy and flexible access to loans. Savings also raised their social status as breadwinners in the family and community.



Integrated Approach to Micro-Credit Availability of credit or access to financial services in itself is not a sufficient condition for generating sustained employment among self-employed poor women. It may not necessarily transform the economic activities into profitable enterprises. The integrated approach to micro-credit adopted by SEWA Bank helped to build up sizeable incomes, assets and ensured livelihoods among self-employed women. The distinctive feature of SEWA Bank's approach is that, in addition to micro-credit, poor need an access to: information related to linkages with the market; mechanisms and technological inputs as may enhance productivity; adequate infrastructure for operational markets; facilities pertaining to health and social security services; information related to entrepreneurial ability and competencies; and participation in the process of decision making. The SEWA Bank works closely with SEWA, the trade union and its other economic organisations. Creation of assets owned by women is a priority of the SEWA Bank. It encourages transfer of agricultural land, houses or other properties in the name of women. The board of directors is constituted by elected representatives drawn from the members of SEWA Bank. The board sanctions all the loans and makes decisions regarding the interest to be charged for different categories of loans. SEWA Bank has gradually grown and developed into a viable financial unit.

3.3.4 Rural Banking Initially SEWA Bank started functioning in urban areas; later on it extended its operations to rural areas. SEWA began its activities in rural areas in 1975. It made efforts to organise a union of agricultural labourers. SEWA realised that expansion of development activities was a greater need in rural areas. Women needed credit for development activities but they had no access to banks. Private money-lenders charged exorbitant rate of interest. The Reserve Bank of India rules did not permit SEWA Bank to extend micro-credit facilities to its rural members of SEWA. SEWA continued to organise rural women in the form of cooperatives, producer groups and unions. However, their activities could not be supported by granting credit to them. At last Marathe Committee Report (1992) created the conditions for rural banking; SEWA Bank in 1994 was able to extend its micro-credit facilities to selected five rural areas. Further expansion materialised through village level groups, which are unregistered but have formed district level registered savings and credit association. SEWA Bank has extended its operations to the rural areas, serving the growing rural population of self-employed women.

3.3.5 Innovative Methodology SEWA Bank begins its lending activities by motivating and encouraging women to save. It furnishes various facilities to them. SEWA Bank provides credit to individuals as well as to groups. The group approach is employed in rural areas, while the individual approach is mostly used in urban areas. A savings group of women is formed in each village. The size of group may vary between 10 to 50 women. Each woman is given a passbook while two or three group leaders maintain the group passbook. Women are given training in banking procedures, and group leader is usually the interface between the



group and SEWA Bank. Group leader motivates, creates awareness among members, and deposits their periodic saving in the Bank. SEWA Bank makes no distinction between consumption and a productive loan. It believes that consumption expenditure incurred on food, health, nutrition etc. helps the poor to preserve their key productive asset i.e., 'labour'. In regard to the poorest, micro banking should not make any distinction between consumption and productive credit. SEWA Bank learned and evolved through experience. There were no ready-made rules available for banking with poor women. They had no banking history or written information about their self-employed activities. Though lending risk was high, SEWA Bank devised creative solutions to such problems. Since most women were illiterate, door-to-door services and simpler procedures were adopted. SEWA Bank assessed the credibility in terms of financial behaviour of poor women rather than any collateral or security. It created its own track record of women's banking and group pressure worked as a moral force for repayment. Loans are linked with other support services such as insurance, health care, child care, legal aid and training, thus reducing the economic vulnerability of poor women. SEWA Bank furnishes technical assistance to borrowers. It enables them to procure suitable inputs (raw materials, tools etc.) required for their self-employed activities. It also facilitates linkages with market for selling goods and services etc. Since SEWA Bank assists self-employed activities to become economically viable, it facilitates the repayment of loans. Rural groups make their own decisions regarding loans and interest rates. Interactive participation and close personal relationships have forged a strong bond between SEWA Bank and its members. Members regard SEWA Bank as their mother. Regular interaction and communication between SEWA Bank, SEWA, the cooperatives and village groups leaders and borrowers reduced the financial risk and ensured smooth repayment of loans. SEWA Bank has achieved a high degree of stability and exemplary success in empowering poor self-employed women. The successful experience of SEWA (and SEWA Bank) has demonstrated that poor are not a burden on society. Their self-employed activities have tremendous potential to generate economic surplus in society. If the poor are furnished with motivation and guidance by committed leadership and are encouraged to participate and manage a voluntary organisational enterprise (in this case SEWA and SEWA Bank), they may VOs: Role and Experiences produce maximum surpluses leading to efficient use of resources. In a democratic in Rural Development country like India, the whole process may also result in expansion of democracy and strengthening of equitable economic structures at grassroots level in society.

Check Your Progress II Note: a) Use the space given below for you answers. b) Refer to the text in this section for designing your answer.

- 1); List the main objectives of SEWA.
- 2) Explain briefly, the innovative approach to micro-credit adopted by SEWA Bank.

2.12 MYRADA

SELF HELP GROUPS - A CREDIT PLUS INSTITUTION

March 29, 1995 Revised : October 7, 1997

1. The Concept: The basis of the self help group exists prior to any intervention. The members are linked by a common bond like caste, sub-caste, blood, community, place of origin or activity. The interveners, whether from the NGO, Bank, or Government must have the experience to identify these natural groups which are commonly called "affinity groups". What links together the group members, therefore, is not primarily the need for credit, but a "capital stock" of relationships built on mutual trust and confidence, on mutual interests of the group members, on a degree of social and economic homogeneity and on the gut feeling of its members that the group offers the best opportunity to realise their latent and often suppressed aspirations to develop economically and socially without creating social tensions locally, with which they cannot cope. A recent survey in villages where self help groups of the poor are working well, indicates that the well to do have a deep sense of respect for these groups of the poor because they have succeeded both in improving their livelihoods as well as in initiating programmes for the public good, even in settling long outstanding disputes. For example during a recent visit to a village which was some distance away from the main road, one had to walk through the fields. A group of masons were constructing an arch over the path that wound through the fields. They explained that the arch was donated by a person who had taken a vow at a village temple. The women's SHG in the village was a vibrant and truly empowered institution. At the end of the meeting they stressed the village need for a link road to the main highway; they had made an attempt to build it but failed they said "due to lack of funds". On closer study of the path on our return, it was discovered that it wound through several fields; we suspected that the real reason was not the lack of money but the tension over the land required for the road that the plan had created. We placed this suspicion before the masons constructing the arch. They agreed. When asked how they could solve the problem, they replied: "There is only one group that can solve this; the women's group that you just visited".

As a result of several similar experiences, MYRADA has adopted the self help group as the appropriate people's institution which provides the poor with the space and support necessary to take effective steps towards greater control of their lives in private and in society. These small groups later link up together in smaller and larger associations depending on the objectives and on the roles with which the SHGs invest these apex associations. The self help group is not a static institution; it grows on the resources and management skills of its members and their increasing confidence to get involved in issues and programmes that require their involvement in the public and private spheres. Studies conducted periodically both by MYRADA and by outside institutions and evaluators indicate that SHGs have several positive features which are listed briefly below: - They provide a cost effective credit delivery system, as the transaction costs of lending decrease sharply both to the banks and the borrowers; Banks which have advanced lines of credit report that the repayment rates are high ranging above 95%. - They provide a forum for collective learning which rural people find more "friendly"





and which is consequently more effective than the individual or classroom approach that is commonly adopted. The intervenor, must realise and make use of this potential. - They promote a genuine democratic culture where rights and responsibilities are equally valued and internalised; and where sanctions are imposed and accepted. - They provide the members with opportunities to imbibe norms of behaviour that are based on mutual respect and which can be recognised by the society. - They foster an "entrepreneurial" culture where members realise that while they need the support of the group to achieve personal objectives, their personal interests cannot be promoted at the expense of the group. - They provide a firm and stable base for dialogue and cooperation in programmes with other institutions like Government departments, cooperatives, financial and Panchayat Raj institutions; if the groups are functioning well, they have the credibility and the power to ensure their participation in identifying, planning, budgeting, and implementing Panchayat Raj programmes for the empowerment of the poor. They provide the individual member with the support required to exercise control over the pace, timing, size and schedules of loans and programmes, to broaden the pattern of asset provision, to include a package which would help the individual to cover risk rather than to provide a single asset; - They help to assess the individual member's management capacity which may fall short of what a "viable" investment package requires for optimum returns, as prescribed under regular IRDP norms, but which is manageable by a particular member. The strategy therefore evolves around (i) the potential of the SHG to provide space and support so that each of its members can identify and use opportunities for her/his empowerment both in private and public life, and (ii) the capacity of the SHG to relate effectively with other institutions. Briefly this is what MYRADA means by describing SHGs as credit plus institutions. It is, therefore, necessary that SHGs are promoted in a way that facilitates the development of a participatory and empowering culture. This in turn makes it crucial for all intervenors to empathise and be familiar with participatory management practices in their own organisations before using participatory methods to identify and form SHGs.

2. How to identify an SHG:

The means used by the intervenors to identify these affinity groups are several; a few popular ones are: - regular visits to the village, meeting with informal groups gathered around tea shops, temples, water spots, markets, provision shops, milk collection centres; special care is given to visit and interact in areas where the poor, scheduled castes and tribes live and where women tend to gather; - involvement in a common action like desilting a pond, or building a road also helps to identify these groups, provided people organise the action themselves; it is noticed that when encouraged to plan such projects they tend to work in affinity groups; for example when people decided to dig a trench around their fields to protect them from grazing, they were encouraged to organise into groups and to divide the work; they completed a 60 km. trench in 5 months; besides each group build up a common fund by savings from daily wages which provided adequate credit for further investments. participatory appraisal exercises; these are useful provided care is taken to involve all the people in various exercises which helps to identify the various groups in the village, the assets and



resources of each family, the people's perceptions of who is poor, their credit needs and seasonal variations in the requirement of credit, etc. - in recent years, several groups outside our project areas who have experienced good SHGs functioning or where families from old SHGs have migrated or married, have approached our staff; they have already identified members among whom there is strong affinity and come to MYRADA to request for group training. 3. Constraints in forming SHGs : When MYRADA was invited to spread the strategy of "credit-plus" on the basis of self help groups, we found the following constraints: 3.1. Constraints arising from groups already formed under various other programmes: - several programmes fostered by Government. and private institutions had established groups which were used to implement prescribed programmes; there was no effort to foster a process of self help and to build sustainable institutions on the basis of "affinity". Most of these groups were based on eligible beneficiaries - the eligibility criteria was decided by those who formulated the "scheme". Other groups, especially those fostered by NGOs who used group pressure as a primary strategy for change, were large - with over 50 members. These groups began to be called "self help groups" since this title was considered official; no effort was made to understand the structure of a SHG and the process required to foster one. In many cases these groups are fulfilling the role entrusted to them under a particular programme; for example, those organised by NGOs are well suited to mobilise joint action on a particular issue, but they are not self help groups as described above. Those formed under Government programmes were "implementers" of a prescribed programme. Examples of such programmes where "groups" are organised as the final link in the delivery chain are DWCRA (Development of Women and Children in Rural Areas), groups organised under the Literacy and Mahila Samakhya programmes and Milk Societies which were being entrusted with micro finance functions.

THE PROCESS OF FORMING SHGs

The process of SHG formation has features which could be separated into three phases for the sake of clarity. Who intervenes in each phase, how, and where, are questions which do not elicit answers which are common to all project areas; they cannot be standardised. A few guidelines, however, are useful, together with a few indicators regarding the features of the SHGs at the end of each phase which will help to provide a backdrop against which their progress can be assessed. Phase I - Identification and Formation of SHGs: 0 - 4 months This is a critical function on which depends all further progress of the group. MYRADA staff with experience in these areas have to take the lead in identifying an affinity group which develops into an SHG; inexperienced staff will not be equipped to perform the role of group identification. Care should be taken to ensure that MYRADA places experienced staff at middle management level to play a key role during this phase. Identification and formation of SHGs involves collection of information regarding credit needs, incomes and their seasonality, the availability of natural resources, skills and markets, people's perceptions of poverty and of intervenors, and the identification of social groupings in



society. Participatory Rural Appraisal methods have been useful in this area. The people are involved in collecting and correcting data in a manner in which all can participate using instruments to which they are accustomed like sticks, stones, seeds and coloured powders. During this phase, if the SHGs are entirely composed by women, it has been found necessary to meet with men and to explain what is going on, especially the benefits that will accrue to the family through SHGs. Group formation is not complete with the first meeting. It takes several meetings over a period of 2 to 4 months for the group to have definite membership. During this period members may leave and others may join if the group agrees. The meetings held during this period are not only social gatherings; the members also raise issues concerning the family and the village. Matters regarding savings and lending are also debated thoroughly as this is the major common function of the group. Agreement to save and to lend and the willingness to abide by group decisions without breaking bonds and confidence in the group indicate a degree of trust in one another; these are the building blocks of effective SHGs.

Critical Features of the SHG at the End of Phase I The group is identifiable; it is not a place where people can walk in and out at will. The members have agreed to save regularly, to create a habit of thrift and to establish a culture of self help. Some groups may have started savings. Basic records like (i) Attendance Register; (ii) Minutes Book; and (iii) Members Savings Ledgers and Individual Savings Pass books -if savings have started - should be maintained. The date, time and place of meetings must be decided on by the members and meetings held regularly according to the schedule. Two members of the group should be elected/selected who function as chairman and secretary. Many groups prefer to call them representatives since the titles of Chairman and Secretary tend to be interpreted as positions of power. The groups are encouraged by the intervenors to change the representatives every year and to elect/select the following year's representatives six months in advance so that they can be adequately prepared and trained. The group has given itself a name. If savings have begun, the group opens an account in the nearest Bank or Post Office. The account has two signatories, either one from the SHG and the other from the NGO intervenor or both from the SHG.

Phase II - Group Stabilisation : From 4 months to 15 months MYRADA continues to play a key role in this phase as well; our staff attend all meetings and ensure that adequate support is provided so that: - Savings are regular and lending operations gather strength. This provides the members of the SHG with an opportunity to acquire the skills to manage its resources. The group decides on the rate of savings, on the timing of the loans, on the schedule of payments and repayments, and on the interest rates; it assesses when and whether the member needs a loan and whether she/he is able to use the loan effectively and to repay according to the schedule decided on. - Meetings are held regularly, preferably every week; attendance is maintained and averages over 80% and repayments over 90%; sanctions for default on repayment and for deviant behaviour (smoking at meetings, arriving late for meetings, etc.) are imposed and accepted. - The following books are maintained either by a literate member of the group or by the NGO staff or preferably by someone from the village who is paid for such services. (Admission Book, Attendance Register, Minutes Book, Members Savings Ledger,

Members Pass Book, Receipt Voucher, Payment Voucher, Cash Book, General Ledger, Loan Ledger, Stock Book.)



Gender issues concerning women in private and public life are raised and discussed. - Literacy and numeracy classes are conducted and attended by all members. - Common Action programmes are organised by the group. - They begin to interact with other groups, Government and private institutions. Group training is held regularly - at least 3 modules each of 2 days - during this phase to enable all to participate effectively, especially the weaker members (in some cases special modules may have to be conducted for them), to build group culture and to raise the level of commitment to mutual support and acceptance of group decisions, to develop self confidence in private and public life, to help members acquire the skills of conflict resolution, etc. Training of SHG Representatives : The two representatives who have been elected need to be trained to conduct meetings, to help the group to establish a supportive culture, to establish priorities in lending, and to impose and accept sanctions. They need to equip themselves with the skills of numeracy and literacy to enable them to keep a check on what is recorded in the Minutes and pass books. They need to develop leadership qualities and the confidence to relate with institutions like Government Departments and Banks as well as to provide leadership in organising common action programmes. It is important that the group selects/elects the representatives for the following year at least six months in advance to enable them to build up these skills and confidence. If the group representatives are not changed every year, there is a danger that power will accumulate in the hands of a few which will in turn prevent the effective participation of all members. Rotation of representatives provides all the members with an opportunity to acquire the skills of group leadership. Once the first set of representatives have handed over responsibilities they could play the role of group animators, after the groups have been in operation for 12 - 15 months, provided they have had at least 3-4 modules of training and exposure to operating SHGs. Experience in several MYRADA projects proves that there is no need to have animators at the village level. The responsibilities of conducting a group meeting, relating with the banks and with MYRADA can be carried out by the group representatives provided they receive training. Other group maintenance activities like keeping of accounts and records can be done by local people who are paid by the group on a job-by-job basis. The funds can come initially from MYRADA, but the group should select the person and fix the amount; it should be made clear to the group from the very beginning that MYRADA will only reimburse this amount for a period of 1-1/2 to 2 years.

Training of bare foot specialists in animal husbandry, agriculture and horticulture should be carried out intensively by MYRADA's Subject Matter Specialists or by contract services during Phase II. This will build up a cadre of field technicians. Training in animal care and breeding should also be given to women who own and manage animals. Common Action: One or two small common action programmes in the village are planned and implemented preferably in collaboration with other SHGs if they exist in the village. Gender Issues: Gender issues concerning women and the girl



child are raised at meetings and form an important part of training. Men are invited to participate in common action programmes and occasionally to SHG meetings. Negative reactions from men to women's absence from home when they attend meetings or are involved in common action or even to the increasing presence and profile of women in public life is a common feature during this period. MYRADA has to play a direct role to cope with this problem, even offering counselling services at the family level when the problem threatens to escalate. Support to the Common Fund of the SHG : After 6 - 9 months, if the SHG is progressing according to the indicators mentioned above, grants in instalments matching the savings or in a higher ratio depending on the performance of the group are credited directly to the common fund. This helps to build up available capital, enabling members to access larger loans for business, trading and other small income generating activities.

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

2.13 Let Us Sum Up:

Successful voluntary organisations enjoy a special place within the voluntary sector. They have evolved innovative approaches and made concrete contributions for bringing sustainable development in rural communities. They have emerged as unique models to be emulated by other VOs & INGOs. They have significantly influenced the policies of state and have effected course corrections in its approaches to rural development. The basic fundamental tenets intrinsic to successful voluntary organisations have been: visionary leadership; self-mobilisation of rural communities; efficient management of local natural resources. Beneficiaries become the owners managers of assets created during the process of rural development. We have, in the beginning explained the unique self-mobilisation of rural community in Ralegan Siddhi. Anna Hazare's missionary leadership has played a crucial role in bringing sustainable development in Ralegan Siddhi. A distinct feature of this community based voluntary organisation has been that it achieved remarkable success without any considerable support from outside development agencies. Ralegan Siddhi has acquired the status of a 'distinct development model', which is being emulated by VOs & NGOs all over the country. Next, we have



explained the efforts made by SEWA in integrating poor self-employed women with mainstream economy by adopting the twin strategies of struggle and development. The basic premises of SEWA have been to furnish security of 'full-employment' and 'self-reliance' to poor women. The path breaking contribution of SEWA lies in retrieving the self-employed women from the margins of insecurity and liberating them from the vicious cycle of exploitation by money lenders. SEWA imparted sustainability to the vocation of self-employed women thus securing their socio-economic existence. We have explained the significance and role of SEWA Bank and its innovative integrated approach to micro-credit in regard to poor self-employed women. We have explained that PRADAN - an intermediary NGO, has strived to demystify VOs: Some Successful I standard technologies for the benefit of local communities in rural areas. It has acted Experiences as an interface between rural communities and scientific technological institutes or state and other development agencies. The approach adopted by PRADAN is unique and superior in the sense that it has displayed sensitivity and concern to reach the most marginalised people among the underprivileged communities in rural society as, I for instance, skin flayers, poor scheduled castes, tribes, women etc. We have explained the development activities of PRADAN pertaining to three distinct areas, viz., promotion I of tasar (silk); simplification of mushroom production technology; and demystification I I of technology for the benefit of skin flayers. Social Work and Research Centre has been successful in imparting sustainable development to rural communities in Tilonia, Rajasthan. We have explained that the contribution made by SWRC has brought out the fact that formal education or professional degrees are not a necessary precondition for the materialisation of development among rural communities. Bunker Roy's radical approach to rural development has challenged the fundamental premises of existing academic state perspectives on rural development. Barefoot college, an institution pioneered by Bunker Roy, is symptomatic of a paradigmatic break in the history of rural development in India. We have explained the significance and role of 'barefoot college' in effecting unprecedented self-mobilisation among communities in Tilonia. We have explained the outstanding and commendable contribution of Tarun Bharat Sangh to natural resources management, particularly watershed development in rural areas. The nature, significance and relevance of the contribution made by Tarun Bharat Sangh is remarkable in the rejuvenation of water harvesting structures in drought prone areas of Rajasthan. With the application of simple traditional technology in 'Johads', Tarun Bharat Sangh has successfully brought socio-economic prosperity, self-reliance and solidarity to rural communities in and around Bheekampura. Tarun Bharat Sangh has aroused national awakening about the value of existential linkages between local communities and natural resources, particularly watershed development in rural areas. From humble beginnings, the work of Tarun Bharat Sangh has culminated into a national level movement for the conservation of water and re-establishing the right of local communities over water in rural India.



Regarding MYRADA, the Phase II, MYRADA plays a key role in training of groups and group representatives, as well as in gender sensitisation. However, MYRADA moves away from direct intervention, to support the process of group growth by attending all meetings of SHGs and intervening when required. The Subject Matter Specialists play a direct role in training asset owners and village technicians. Phase III - Withdrawal : from 15 to 36 months Though intervenors need to integrate withdrawal in their strategy from the beginning of the process in order that interventions will support the growth of self reliant people's institutions and not increase their dependency, yet withdrawal becomes more tangible and acceptable after the major interventions required to build up the groups taper off. MYRADA expects withdrawal to be visible 15 months after the groups exhibit the features listed at the end of Phase II, which is about 15 to 20 months after the groups are identified. As the groups take on the major role in organisational maintenance, the intervenors gradually withdraw. To begin with, the intervenors reduce their attendance at weekly group meetings. Next the groups begin to pay for those maintenance services which they require. For example, a group would pay one person for writing the Minutes and for keeping accounts. MYRADA would still have to provide the services of its accountants for an annual audit, towards which service the group should be asked to contribute until it is capable of hiring these services on its own. The NGO also responds to requests to intervene in the event of a crisis situation which the group on its own cannot resolve. Major interventions during this period would be technical services for asset management and productivity, all round support for off-farm activities, especially for design, quality and marketing. These services could be provided partly by trained local bare foot specialists as in the case of animal husbandry, agriculture, sericulture and horticulture (for whose services the members of the group have capacity to pay either from their savings or by taking loans from the group) and partly by MYRADA staff or consultants. During this period MYRADA and the SHGs could also foster the emergence of apex bodies but the need for such bodies and their functions should be decided by the group. Experience with apex bodies has also shown that they are vulnerable to political influences or are used as steps towards political positions. Politicisation of apex bodies weakens and eventually destroys the self help groups. Care should be taken that the groups are strong enough to control the functioning of the Apex bodies before they are formed. In some projects, groups have restricted the roles of apex bodies to supervising the groups and to assist in problem solving; they have refused to give apex bodies any funds or the power to control resources. Where the Apex bodies have funds, care should be taken to audit them regularly. During this period the supportive role of MYRADA decreases. We need, however, to ensure that regular feedback and analysis of data is available in order to identify trends in financial management of the SHGs. The guidelines given in the "Blue Book" relating to the management of savings, the group's common fund, loans, book-keeping and audit help to identify important indicators of the SHGs' performance and should be applied regularly to groups in all MYRADA projects in order to assess over all performance of each group and to focus on those that are weak.

**2.14 Suggested Readings and References:**

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