

## **Alleviation of Rural Poverty and the Self Help Groups**

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#### **1. Poverty and Related Issues**

Poverty is generally perceived as lack of income and assets for meeting the minimum needs for a decent living and the same leads to many other forms of deprivations related to human well being, essential for a meaningful life. Poverty deprives one from adequate food and nutrition, proper shelter, education, treatment during illness and similar essential material needs. Apart from material deprivation poverty leads to failure in participating in various social, cultural and economic activities and the poor have very little strength to mitigate the risk to any vulnerability, which affects them materially as well as morally. People living in poverty have lack of capacity to work for their own welfare and very often they have to compromise their dignity. The poor have limited options and they feel excluded and all those drive them to a state of despair. There is no unique standard of what the minimum will be in respect of any one of the various dimensions of poverty, which can be measured. Also, poverty is understood and measured in different countries in different ways depending on the social and economic development of the country.

#### **1.1 Measurement of Poverty**

Income is the proxy of some of the aspects of poverty and is relatively easier to measure for quantifying extent of poverty and how the same changes with time or across different regions. The minimum income which is necessary to buy a certain basket of goods and services to meet the minimum calorie requirement as well as some other essential expenditure is taken as the poverty line. In India, the Planning Commission set the daily requirement per capita as 2400 calories in rural area and 2100 calories in urban areas and it was worked out in the year 1973-74, when the standard was set, that it would require Rs 49.04 and Rs 56.64 per month per capita in rural and urban areas respectively to meet the norm. Since price of commodities vary across states the poverty line is worked out for each state based on state specific price index and the same is updated from time to time using the Consumer Price Index for Agricultural Labourers in the rural areas and Consumer Price Index for Industrial Workers in the urban areas. The rural poverty line for the country as a whole has been worked out to be Rs 359.89 and that for West Bengal to be Rs 381.18, both per capita per month, as on 2004-05. The poverty is measured by what is called the Head Count Ratio, which simply measures percentage of families with income below the poverty line. As per the said poverty line the percentage of people living below the poverty line in different states is estimated using the Consumer Expenditure Survey (CES) of the National Sample Survey Organization (NSSO), which is conducted from time to time. Based on such survey rounds of the NSSO the Head Count Ratio of poverty in India and in some of the states during the period 1983 to 2004 is given in the table next page. However, there are debates about both the process of estimation as well as updating of the income level by using inflation rates. The inflation rates vary for different commodities and also essential expenditure in health and education has changed substantially in current years in comparison to the year 1973-74.

It will appear from the table that poverty in all the states have been declining due to various government interventions including programmes targeted towards the poor. However,

absolute number of poor in different states including West Bengal has been very high. For West Bengal it works out that there were close to 2.1 crore poor people during the year 2004-05.

### Incidence of Poverty in Different States as per NSSO Survey

States	Rural			All (Rural + Urban)		
	1983	1993-94	2004-05	1983	1993-94	2004-05
Andhra Pradesh	27.31	16.64	10.85	29.75	22.30	14.80
Assam	41.92	44.43	23.05	40.03	40.46	20.46
Bihar	64.89	57.24	43.06	62.71	54.50	41.53
Gujarat	27.92	22.44	19.76	31.11	24.92	16.75
Haryana	21.77	26.62	13.41	22.59	24.26	13.92
Himachal Pradesh	17.77	29.27	12.50	17.63	27.37	11.61
Jammu and Kashmir	25.23	19.73	4.81	23.57	16.75	4.81
Karnataka	37.51	30.24	23.73	39.08	33.25	27.15
Kerala	38.46	26.49	12.27	39.81	26.22	14.48
Madhya Pradesh	48.21	40.43	38.17	49.23	42.30	37.21
Maharashtra	45.04	37.66	30.36	43.13	36.50	29.95
Orissa	67.52	50.11	47.76	65.31	48.85	47.04
Punjab	14.3	13.72	9.55	16.88	13.14	8.12
Rajasthan	37.72	26.89	18.91	37.95	27.96	21.48
Tamil Nadu	56.22	32.99	22.96	53.48	35.20	28.31
Uttar Pradesh	46.38	42.33	34.06	46.94	41.08	33.25
West Bengal	61.56	37.35	28.49	53.60	33.45	25.67
All India	45.76	37.26	29.18	44.93	36.02	28.27

Note : Bihar, Madhya Pradesh and Uttar Pradesh include the reorganized states of Jharkhand, Chhattisgarh and Uttaranchal respectively.

However, there has been widespread criticism on the poverty estimate of the country; particularly for the rural areas and it has been contested that actual poverty will be much higher than estimated. The Planning Commission set up an Expert Group under the chairmanship of Prof. Tendulkar to work out the methodology for estimation of poverty. The Expert Group submitted its report in November 2009 and recommended for moving away from the calorie norms. They reworked the poverty line for the country as well as every state keeping the urban head count ratio intact for the country, which drew less controversy and adjusted the same for within - state urban - relative to rural and urban state - relative to all India price differential. The poverty ratio for the rural areas of the country the year 2004-05, as per the new methodology works out to be 41.8% and that for the year 1993-94 works out to be 50.1%. In case of West Bengal the revised figures for rural areas are 38.2% and 42.5% respectively. The poverty line, as per new estimate, for rural areas of West Bengal for the year 2004-05 works out to be Rs 445.38 per capita per month as compared to Rs 381.18 worked out earlier. For the urban areas the revised poverty line becomes Rs 572.51. The state-wise revised rural poverty ratio of the major states, as worked out by the said Expert Committee is given below.

### Final Poverty Lines and Poverty Head Count Ratio for 2004-05

(As estimated by the Committee headed by Prof. Tendulkar)

State	Poverty Line (Rs)		Poverty Headcount Ratio (%)		
	Rural	Urban	Rural	Urban	Total
Andhra Pradesh	433.43	563.16	32.3	23.4	29.9
Assam	478.00	600.03	36.4	21.8	34.4
Bihar	433.43	526.18	55.7	43.7	54.4
Chhatisgarh	398.92	513.70	55.1	28.4	49.4
Delhi	541.39	642.47	15.6	12.9	13.1
Gujarat	501.58	659.18	39.1	20.1	31.8
Haryana	529.42	626.41	24.8	22.4	24.1
Himachal Pradesh	520.40	605.74	25.0	4.6	22.9
Jammu & Kashmir	522.30	602.89	14.1	10.4	13.2
Jharkhand	404.79	531.35	51.6	23.8	45.3
Karnataka	417.84	588.06	37.5	25.9	33.4
Kerala	537.31	584.70	20.2	18.4	19.7
Madhya Pradesh	408.41	532.26	53.6	35.1	48.6
Maharashtra	484.89	631.85	47.9	25.6	38.1
Orissa	407.78	497.31	60.8	37.6	57.2
Punjab	543.51	642.51	22.1	18.7	20.9
Rajasthan	478.00	568.15	35.8	29.7	34.4
Tamilnadu	441.69	559.77	37.5	19.7	28.9
Uttar Pradesh	435.14	532.12	42.7	34.1	40.9
Uttaranchal	486.24	602.39	35.1	26.2	32.7
West Bengal	445.38	572.51	38.2	24.4	34.3
All India	446.68	578.8	41.8	25.7	37.2

#### 1.5 The BPL Census

The poverty ratio gives an idea of the total population who are below poverty but the actual number of families who are having income below the poverty line are to be known only from their income. It is very difficult to estimate the income of a poor family who earns from multiple activities, which varies over season and time. Some of their sustenance comes from common property resources or other non-monetised activities. In spite of such difficulty the need to know the actual families, who are living below poverty line, arose for implementation of programmes which are targeted towards the poor. One such important programme was the Integrated Rural Development Programme (IRDP), which was launched throughout the country on 2<sup>nd</sup> October 1980. Under the IRDP guidelines register of BPL families were to be maintained at the village level and only the poorest of the poor was to be assisted first from that list. Evaluation of the programme showed that many non-poor families were assisted under the IRDP depriving those who are genuinely poor. There were also cases when the family was assisted first and then included in the BPL list and no such list was actually prepared. Also, different

programmes were using different BPL lists and there was no convergence in addressing multiple dimensions of poverty of the same family. There was no systematic census or survey of BPL families till the 8<sup>th</sup> Plan (1992-97). Government of India (GOI) prescribed a detailed procedure of BPL survey to identify the BPL families at the beginning of that Plan and cut off annual family income was fixed at Rs 11,000/-. The poor families were to be categorized in groups as very very poor, very poor and poor. Process of identification of BPL families for the 9<sup>th</sup> Plan was termed as BPL Census instead of BPL survey. While finalizing guidelines for conducting the Census it was observed that there was huge discrepancy between the number of BPL families worked out in different states and total number of such families as per Planning Commission's estimate based on NSSO survey. Therefore, classifying family based on income alone was dispensed with and a multiple criteria for identifying the poor and qualitative parameters such as occupation, holding of land, livestock and other assets, housing condition etc. was accepted. Also, instead of income of the family, for which cut off was fixed at Rs 20,000/ per annum, the expenditure being made by the family was to be assessed. The new process did not result in much improvement of properly identifying the BPL families and the procedure was changed again for the 10<sup>th</sup> Plan (2002-07) and a score based ranking methodology was adopted. Each family was to be classified in a scale from 0 to 4 (scale 1 to 5 was adopted in West Bengal) based on their actual status of 13 different socio-economic parameters. In West Bengal the parameter related to access to sanitation facility, which was one of the thirteen parameters, was dropped so as not to discourage installation of sanitation facilities and the survey was on the remaining twelve parameters. Thus, a family facing the worst situation in all the parameters will have a score of 12. The higher the score, the better of will be the family. The families were to be ranked based on total score and the cut off score is to be so fixed that total percentage of BPL families matches as close as possible with the Planning Commission estimate of poverty. To account for estimation error the states were allowed to have total BPL families matching with poverty ratio which exceed 10% more of the poverty ratio of that state estimated by the Planning Commission. Thus West Bengal, with rural poverty ratio of 28.49% could have up to 31.3% of the rural families to be identified as BPL. The process, though an improvement over the earlier methodology, is also not free from criticism and suffers from both wrong inclusion and wrong exclusions. The problem was aggravated by poor quality of the survey work taken up at the field level and lack of serious monitoring in many Blocks. However, result of the survey conducted by different states could not be published till February 2006 because of injunction from the Supreme Court in the matter PUCL vs. Union of India. In West Bengal the process started in the state in the year 2005 and the BPL list, which is fully computerized, has been made available in the website [wbprd.org/rhs](http://wbprd.org/rhs). The Ministry of Rural Development, GOI has decided that there will be a Socio-economic census during the year 2011 to identify BPL families. The enumeration will be in three steps. In the first step, those families which own certain particular types of assets will be compulsorily excluded from the BPL list. In the second step families who are shelterless; destitute & live on alms; manual scavengers; primitive tribal groups and legally released bonded labourers will be compulsorily included in the BPL list. In the third step, the remaining households will be assigned deprivation scores on seven different criteria, such as households with one room with kuchha walls and kuchha roof etc. which have very close association with poverty (the details are available in the website of the MORD at [rural.nic.in](http://rural.nic.in)) and the BPL families will be identified based on that score. However, responsibility of conducting the survey lie with the state government and one should wait for the instruction of the state government in this regard.

#### 1.4 Poverty and Inequality

Poverty is both a cause and outcome of inequality in the society. One quick measure of the extent of inequality is the Head Count Ratio of poverty but that does not reflect the depth of poverty of those living below the poverty line (BPL), i.e., whether their income is just little below the poverty line or well below that level. In reality, the income of the BPL families will have a wide distribution; some having income just below the poverty line and some of them will be destitute having hardly any income, i.e., there is inequality even within the BPL families. It is necessary to know the depth of poverty of all the BPL families taken together to have a better understanding of the nature of poverty. The simplest measure to know that is to estimate the Poverty Gap, which provides an idea of the gap between average income of the BPL families from the income which defines the poverty line. This is measured as the ratio of the sum total of the gap between incomes of each BPL family from the poverty line divided by the total income if all the BPL families had income equal to the poverty line. Thus the Poverty Gap will be zero if all the BPL families have income just equal to the poverty line and the same will be 100 if all BPL families have no income at all. The decline in Poverty Gap indicates that more families have their income raised to levels closer to the poverty line. Theoretically, if income of none of the BPL families cross the poverty line but their income comes closer to the poverty line their Head Count Ratio will remain the same but Poverty Gap will come down implying lowering of depth of poverty on an average. The reverse is also true. It may happen that the Head Count Ratio declines due to increase of income of some families to levels beyond the poverty line but the income of the remaining BPL families may decline further leading to decline in Poverty Gap. Thus if both the Head Count Ratio and the poverty gap declines one may conclude that there is overall improvement. Along with Head Count Ratio the Poverty Gap in the country as well as in different states are declining in general over the years. For West Bengal the same declined from 8.5 during the year 1983 to 2.6 during 2004-05. The corresponding figures for the country were 11.4 and 6.2 respectively.

The Poverty Gap does not measure the overall income inequality in the society and how the income of non-BPL families compares with the BPL families. The same is measured by Gini coefficient for income (The Gini coefficient is a measure of inequality of any distribution and may be measured for many other social and economic parameters). If all the families of any country/state have exactly equal income the Gini coefficient for income of that country/state will be 0 indicating no inequality in income on the other hand if the entire income is earned by one family and the remaining families have no income the Gini coefficient will be 1 indicating highest possible inequality. Thus higher the Gini coefficient higher is the inequality. Gini coefficients for income of different countries range from approximately 0.23 (Sweden) to 0.70 (Namibia); although not every country has been assessed. Gini coefficient for consumption expenditure in India may be measured using the NSSO data and the same gives an idea of inequality of consumption in the country. The said coefficient for India declined from 0.304 during 1983 to 0.286 during 1993-94 but again increased to 0.305 during 2004-05 indicating growing inequality after the liberalization of the economy in the early 1990s. The corresponding figures for West Bengal are 0.300, 0.254 and 0.274 indicating growth of inequality in West Bengal also during the period from 1993-94 to 2004-05. In fact, inequality increased in all the states during the said period and this calls for more targeted interventions for the wellbeing of the poor people. The same is done by increasing availability of free or subsidized public goods as well as specific programmes targeted towards the poor to take care of their needs.

## **2. Strategy for Alleviation of Poverty and Related Programmes**

In the initial phase of planned development of the country, it was decided that as the economy grows the poor will be benefitted from the trickle-down effect of the growth. However, it was realized later that the condition of the poor is not improving as desired, which demanded more targeted interventions for augmenting the income of the poor.

In West Bengal around 63% of the rural labour force was engaged in agriculture as on 2004-05 (nearly 74% in 1983). Thus, the rural economy is mostly dependent on agriculture and allied sector. Pattern of land ownership, scale of agricultural operation, intensity of cropping, wage rate are, therefore, important determinants of rural poverty. West Bengal had traditionally very skewed distribution of land and at the same time land availability per family is one of the lowest in the country due to high population density (at present highest among all the major states). The initial effort for poverty alleviation was, therefore, focused on redistribution of land. Distribution of vested land to the landless was taken up in large scale in the state under the Land Reforms programme to provide land to the landless and nearly 29 lakh persons got vested land and intensification of agriculture followed the Land Reforms. Also, the share croppers (Bargadars) were recorded to ensure security of their tenure and getting due share of the produce. In spite of that, the state had nearly 74 lakh agricultural labourer as per 2001 census (up from 39 lakh in 1981 and 51 lakh in 1991). They do not get employment throughout the year, get much less wage than the declared minimum wage and the same also show wide fluctuations with agricultural seasons. Compared to that, the number of cultivators declined from 58 lakh to 56 lakh between 1991 and 2001. Most of the cultivators have marginal or sub-marginal holdings, which restricts their income. As per 2001 census there was around 22 lakh household workers in the state, who also generally have very limited earnings. The other important feature is that while there were 161 lakh Main Workers during the year 2001, the number of Marginal Workers was nearly 58 lakh. Thus the rural population has high extent of unemployment and under employment and has limited option for other employment opportunities. With all those constraints not many families can cross the poverty line by augmenting their income without support from the government. It is pertinent to mention here, that while some families will come out of poverty through extra income, but there is a simultaneous process of pauperization by which a family with reasonable income loose livelihood and become poor or has to spend beyond their means to cope with problems like ill health or to meet some social obligation. Guarding against such eventualities and reducing vulnerability of the poor people (through insurance etc.) from landing up in such problems is also an important step in reducing poverty. However, the most visible anti-poverty programmes are those related to direct increase of income of the poor through wage employment to meet the short term need and through self employment for augmenting income on a sustainable basis. The main features of those programmes are briefly highlighted below.

### **2.1 Employment Generation Programmes**

The Rural Works Programme (RWP) was launched in the year 1974 for providing wage employment to the rural people. Subsequently, several programmes for wage employment such as Food For Works i.e., FFW (1977), National Rural Employment Programme i.e., NREP (1980), Rural Landless Employment Guarantee Programme i.e., RLEGP (1983), Jawahar Rojgar Yojana i.e., JRY (1989), Employment Assurance Scheme i.e., EAS (1995), Jawahar Gram Samridhhi Yojana i.e., JGSY (1999) and Swampoorna Grameen Rojgar Yojana i.e., SGRY

(2002) were launched from time to time as shown in the bracket against each programme. The nature of the programmes was similar and aimed at providing employment for creation of assets, which are less material intensive, for public use or exclusively for the poor. Generally the earlier programme was restructured to launch a new programme. The mandays to be created was limited by the budgetary allocation and there was neither any guarantee nor assurance of wage employment as some of the names suggested. Also, there was no legal compulsion to provide employment to any one in need. There was a paradigm shift in strategy of providing wage employment by passing the National Rural Employment Guarantee Act in the year 2005 and the new programme, which provides guarantee for 100 days employment was launched (this has been discussed in detail in another training module).

## **2.2 Self Employment Programmes**

The IRDP was conceived as the most important programme for direct alleviation of rural poverty and the same was launched in 20 selected districts in the year 1978. The IRDP was made operational in all the Blocks of the country on 2<sup>nd</sup> October 1980. This was a family based approach to augment income by taking up income generating activities. Credit from bank was extended along with government subsidy to the BPL families for acquiring economic asset leading to regular income. IRDP has been the under implementation for a long period of around 21 years till the same was wound up on 31<sup>st</sup> March 1999. It is estimated that around 54 million families had been covered under the programme. Total credit mobilized during this period was Rs.22,542 crores and total investment including subsidy was Rs.33,953 crores, for the country as a whole. In order to strengthen the IRDP, a few allied programmes were also launched. Those were the scheme for Training of Rural Youth for Self Employment (TRYSEM), which started from August, 1979 and was intended to take care of the training requirement of the people who were selected and assisted under the IRDP. The Development of Women & Children in Rural Areas (DWCRA) was another programme started in 1982-83. The special needs of the poor women and the children of rural areas was attempted to be addressed under this programme. Also, the concept of formation of groups of women from similar socio-economic background and living in the same neighbourhood was introduced as a strategy for organized action against poverty. Another sub-scheme namely, Supply of Improved Toolkits to Rural Artisans (started in July, 1992) was there to look after the modernization and improving the efficiency and productivity of the poor rural artisans.

However, serious doubt has been expressed about effectiveness of the IRDP in alleviating poverty. The results of the last Concurrent Evaluation revealed that 14.8% of the beneficiaries assisted under the IRDP could cross the revised poverty line of Rs.11,000/- (1991-92 prices). Despite criticism and difference of opinion on the efficiencies in its implementation, there are no two opinions on the programme's success, albeit limited, in reducing poverty in India. Many families were able to own productive assets and augment their income though the quantum was inadequate in most cases to take them out of poverty. The programme, however, suffered from many weaknesses. There was wrong selection of beneficiaries, selection of inappropriate economic activity, under-financing leading to creation of poor quality of assets, delay in disbursement of credit due to apathy of banks, asking for collateral security by banks which was not required under the programme, high incidence of non-performing assets due to lack of capacity of the beneficiaries as well as poor quality of lending, misappropriation of subsidy etc. The recovery of loan disbursed under IRDP was also poor (41% as on March 1996) and there

was substantial willful default which made participation of the banks in the programme quite difficult. The programme was ultimately replaced by the Swarnajayanti Gram Swarajgar Yojana (SGSY) by merging all the self employment related rural poverty alleviation programmes such as the IRDP, DWCRA, TRYSEM etc. from the 1<sup>st</sup> April 1999.

### **2.3 Programmes for Rural Housing Social Security**

Another aspect of poverty alleviation programme is to provide the poor people proper shelter and social security. The Indira Awas Yojana (IAY) is the main programme for construction of houses for the poor who are shelter-less or has low quality of house. The main programmes for social security are the various pension schemes of the central and the state government, the health insurance scheme (Swasthya Bima Yojana), the National Family Benefit Scheme (NFBS), the State Assisted Scheme of Provident Fund for Unorganised Workers (SASPFUW) and the Provident Fund Scheme for the Landless Agricultural Labourers (PROFLAL). The largest number of aged (above 60 years) persons is covered under the National Social Assistance Programme (NSAP), which have three different components for providing pension to persons with age 60 years or more from BPL families (IGNOAPS); widows above 40 years of age from BPL families (IGNWPS) and the disabled persons of BPL families in the age group 18 to 59 years (IGNDPS). There are around 17 lakh beneficiaries under the NSAP alone in West Bengal and reaching monthly pensions to them is a big challenge. One important change in strategy has been to provide coverage under the NSAP based on entitlement for all those who satisfy the eligibility criteria for the three different schemes.

## **3. Self Help Groups (SHGs) and the SGSY Programme**

Bringing the poor people, particularly the women, together in small group for working out their own development with due facilitation of the government and other development agency evolved as a strategy in India as well as in a few other countries generally from the early 1980s. In India there have been several streams of such development the most important of which evolved through the SHG- bank linkage programme of the NABARD.

### **3.1 SHG – Bank Linkage Programme of the NABARD**

Providing institutional credit to the poor through programmes like IRDP etc was becoming a problem, as mentioned earlier. There were, therefore, efforts to open up alternative channels of providing credit to the poor, which is called microfinance. National Bank for Agriculture and Rural Development (NABARD) started a programme called the SHG-bank linkage programme on a pilot basis in the year 1992 for extending credit to group of people without any collateral and without any specific project so that the group may utilize the amount for on-lending to its members. The programme essentially consisted of formation of groups of around 10 to 20 persons and the members are to be self-selected to have trust on each other and have affinity to work together for mutual benefits. The groups should save money by contributing a small amount every week to build up its own corpus fund. The groups are to be credit linked by sanctioning cash credit limit usually two to three times of their savings after six to eight months. The pilot programme was found to be very successful and the same was scaled up subsequently. Credit linkage to the SHGs in this mode since then has shown phenomenal growth. As reported by NABARD, the cumulative number of SHGs opening savings account in

banks (savings linked) increased from 255 SHGs in the pilot project taken up during 1992 to 69.53 lakh SHGs (including SGSY groups) at the end of March 2010 of whom 53.10 lakh were exclusively women SHGs in the entire country. Total number of SHGs having loan outstanding as on 31.3.2010 was 48.51 lakh of which 38.98 lakh were women SHGs. West Bengal had 6,47,059 SHGs (including SGSY groups) with total savings of Rs 594.87 crore and during the year 2009-10 as many as 1,23,520 SHGs (including SGSY groups) were extended Rs 534.22 crore as credit. Though West Bengal has the strongest SHG movement outside Southern India, where the SHG movement is the most widespread, yet the state is well behind some of the southern states, particularly Andhra Pradesh & Tamilnadu in this regard. That will be understood from the fact that in Andhra Pradesh there were 14,48,216 SHGs (including SGSY groups) with total savings of Rs 1255.29 crore and during the year 2009-10 as many as 5,64,089 SHGs were extended Rs 6706.64 crore as credit, which is more than ten times what was disbursed in West Bengal. One unique feature of West Bengal is that the Primary Agricultural Cooperative Societies (PACS) have promoted many SHGs (around 1.13 credit linked groups till March 2011) under the NABARD programme, which is normally implemented by the banks.

### **3.2 SHGs under the SGSY Programme**

The performance of the NABARD led SHGs in mobilizing credit and taking up micro-enterprises helped to adopt the strategy of group approach to poverty alleviation programme by launching the SGSY programme. The SGSY guidelines emphasized on interactive group process and collective decision making leading to “strengthening and socio-economic empowerment of the rural poor as well as improve their collective bargaining power” (para 1.1). The guidelines also mentioned (para 3.7) that “social mobilization and community organization is a process oriented approach as different from target oriented approach. The group formation should not be driven by any target but lend itself as a process approach. The members should fully internalize the concept of self help”. The SGSY guidelines provide the details about the programme. The major difference between the SHG programme of the NABARD and the SGSY are; (i) the SGSY is specially focused on the BPL families and at least 70% of the group members must be from BPL families, (ii) there is no subsidy in the NABARD groups and whatever credit they receive from banks are loans but for SGSY groups the loans from Cash Credit account does not involve any interest for the revolving fund portion and interest is to be charged only for the amount in excess of the revolving fund. For project based lending the SGSY group receives subsidy from the government as well as bank loan. In West Bengal, the Panchayats are also associated with the implementation of the SGSY (as was involved with the IRDP). And all the three wings, i.e., the government officials, the bankers and the Panchayat functionaries should work in unison for proper implementation of the programme.

#### **3.2.1 Progress of Formation of Groups, Grading and Credit Linkage**

During the year 2010-11 as many as 35,241 SHGs were formed in West Bengal under the SGSY. Cumulative total number of SHGs formed till 31.3.2011 stood at 3,31,344 out of which 2,82,008, which constitutes 85.1% of the total, were exclusively women groups. The progress of formation of groups, their savings and status of gradation during the last three financial years is shown in the table below.

### Progress of Group Formation, Savings and Gradation

Year	No of Groups Formed & savings (since Inception)		1 <sup>st</sup> Gradation		2 <sup>nd</sup> Gradation	
	Total	Savings (Rs. crore)	No passed Cumulative	passed as % of eligible SHG	No passed Cumulative	passed as % of eligible SHG
2008-09	2,57,307	238.98	1,99,098	84.23	55,446	30.64
2009-10	2,92,430	322.76	2,41,333	88.46	74,047	34.69
2010-11	3,31,344	521.38	2,72,812	87.60	92,139	35.73

Source: P& RD Department

It will appear from the table that there is delay in gradation (in few cases the quality of the group is not fit for passing the gradation), particularly for the second gradation, which restricts the number of groups who could be credit linked through project based lending. However, the dominant mode of credit linkage in West Bengal is through Cash Credit (CC) account which does not require any project for appraisal of the banks and is very convenient. The group may draw any amount within the credit limit fixed for the CC account as many times as possible. The CC limit is fixed by the bank based on savings of the group, revolving fund released by the DRDC in the account of the group (which may be taken as interest free loan by the SHG), drawal of credit in the past and recovery of amount withdrawn from the CC account. The bank should assess those every year for each group and hike the CC limit to allow higher access to credit by the SHG. There is a general complaint of not assessing the group for fixing the limit every year and fixing the CC limit at an appropriate level as per guidelines, whenever the same is done. That results in flow of inadequate credit and is an important area of intervention from the Block office and the DRDC. Number of groups linked through CC account every year is of the order of 30,000 or more. As compared to that the number of groups who passed Grade II every year and become eligible for credit linkage is much lower and the number was merely 6,595 during the year 2005-06 which slowly increased to 18,601 during the year 2009-10 and the same marginally declined to 18,092 in the year 2010-11. The year wise progress of credit disbursed from the CC account, number of groups extended credit against specific project and amount of credit disbursed are shown in the table next page. It will appear from the table that average credit disbursed from CC account per group during the year 2008-09 was Rs 26,000 only, which increased to Rs 41,000 during the year 2010-11. The amount should be much higher for which credit absorption capacity as well as orientation of the bankers is necessary. The amount of credit disbursed against project is also quite low. The credit-subsidy ratio, as per the guideline should be at least 3. In West Bengal the ratio was merely 1.39 during the year 2005-06, which slowly increased to 1.67 during the year 2010-11. The number of groups project linked was merely 1,514 in the year 2005-06 which has grown to 6,167 during the year 2010-11. The problem arises from inadequate support from the banks as well as apprehension of the groups in not being able to handle the relatively large amount because of actual or perceived lack of competence. So, capacity of the groups needs to be increased through appropriate trainings to handle projects with higher investment so that income from the activity can be higher.

### Progress of Credit Linkage from CC Account & through Project Based Lending

Year	Credit flow from CC account		Credit based on projects		Credit and Subsidy Ratio
	No of SHGs	Credit disbursed (Rs crore)	No of SHGs linked to projects	Amount (Rs crore)	
2008-09	26,434	68.73	4,403	101.53	1.56
2009-10	40,630	138.14	5,849	140.89	1.60
2010-11	31,920	130.87	6,167	153.53	1.67

Source: P& RD Department

#### 3.2.2 Innovation in Implementation & Capacity Building of the SHGs

**GPRP:-**In West Bengal there has been several innovations in improving implementation of the SGSY. Formation and nurturing of the SHGs require continuous handholding through repeated meetings and interactions with group members. While the leaders of the groups have more scope to interact with the outsiders the actual strength of the SHGs lie in improving awareness and ability of all members. It is necessary to meet and interact with all of them together. This has been attempted through engagement of Gram Panchayat Resource Persons (GPRPs) at the GP level. There should be two GPRPs in each GP who are to be trained intensively for being able to discharge their responsibility. In order to make them effective they need good training as well as support from the GP and the Block by recognizing them as their workers and by giving them due authority and necessary freedom. They should also receive their remuneration on time. The GPRPs are called for monthly meeting at the GP and Block offices and they should be given opportunities to develop themselves further to be helpful to the SHGs like a GP level extension worker. They should meet all the SHGs of their area once a month, update the SHG register maintained at the GP level and their performance should be watched to ensure that they do those jobs properly. The GPRPs also form new groups, which was done earlier by the NGOs only.

**DRP:-** Some of the exceptionally good SHG leaders have been trained very intensively at the state level through several rounds for working as District Level Resource Persons (DRPs). They are as good as district level extension workers.

**Dedicated Officers at Block & DRDCs:-** Posts of Women Development Officers and Livelihood Development Officers have been created at the Block level. Suitable professionals have been engaged as District Training Coordinators, District Livelihood Officers and District Marketing coordinators at DRD Cells. Those are specialized jobs and their services should be utilized for improving capacity building of groups, proper planning and promotion of livelihood and marketing of products.

**Training & Capacity Building:-** Promotion of SHGs and empowering their members to work for their socio-economic development is a process intensive programme requiring sustained efforts in building capacities. Capacities of the groups are built through training as well as group interactions for equipping them for handling fund and taking related decisions,

taking up economic activities individually or together and marketing their products etc. The role of the implementing agencies is to organize formal training and facilitate other capacity building measures so that group members learn to take up bigger challenges not merely on income generating activities but in every aspect of life, which affect the poor families, particularly the women. In order to streamline all training activities all the training courses were standardized, codified and categorized in four broad groups and a circular was issued by the Panchayat & RD Department (PRDD) during July 2009. The circular also provides who will organize training, duration of training, etc. Each category of training has number of different training modules. The first category is on Group Management and Networking and there are ten types of training in this category. The second type of training is on Credit Management and there are three types of training in this category. The third type of training is on Livelihood Option and there are eleven types of training in this category and the last type was for all the stake holders like the government officials, Panchayat functionaries, bankers etc. and there are seven types of such training. As a general strategy the responsibility of all group related training was passed on to the Sanghas to the extent possible. Also, apart from class room based training learning from peer group by visiting the good SHGs is an important practice to be encouraged further. The group taking up a particular economic activity may also visit successful entrepreneur, be it SHG or any other person, for gaining more insight in managing business more successfully. There is also need for capacity building of various training institutes as well as establishing new institutes, such as the Rural Self Employment Training Institutes (RSETI) being established by banks.

### **3.2.3 Impact of SGSY and Lessons for Improvement**

There is high stake in improving functioning of the SHGs since that will have positive impact on millions of families and will also take care of the gender discrimination in the society. It is, therefore, necessary to have better insight in implementation of the SGSY and related social dynamics and economic impact of the programme.

#### **Study by the SIPRD**

The State Institute of Panchayat & Rural Development conducted a study of SHGs of the state through a survey of 200 SHGs in four districts and the report was published in the year 2005. The main findings were the following:-

1. The poor, particularly the women were strongly motivated for formation of groups primarily for thrift & credit and generation of income.
2. 96.75 members were women. Almost two third of the members were landless agricultural labourers and marginal farmers.
3. Out of all members 26.1% were illiterate and another 51.5% had education up to primary standard.
4. Out of all members 67% borrowed money and 53% of the members received credit from their group savings indicating poor credit delivery services even by banks (6% of all members received credit from banks).
5. The amount of loans taken by members were very small (51.5% took loan less than Rs1000/ and another 27.5% took loan between Rs 1000/ and Rs 2,000/. Loan amount of others were higher). Thus, generation of income was quite small. 86% of the loans taken were for production purposes.
6. Recovery rates of loans varied between 80% and 100%.
7. The SHGs were graded for their performances. 23% were very good or excellent, 49% were potentially good but 28% were weak groups indicating poor facilitation of the groups.

### **Survey of Panchayat & RD Department**

Another survey through DRDCs was taken up by the PRDD around the end of 2006-07 to know the status of generation of income of the SHGs formed under the SGSY. Average annual income per group was found to be Rs 12000/ for 33% of the groups surveyed, another 47% had income between Rs 12,000/ and Rs 15,000/ while the remaining 20% of the groups had income above Rs 15,000/. Thus the augmentation of income was quite small. The income can be augmented only through larger per capita investment requiring higher fund absorption capacity, easier flow of credit and improving marketing opportunities.

### **Study by NABARD Consultancy (NABCON)**

PRDD engaged NABCON to take a study of the SHGs formed under SGSY of the state and the broad findings of the report are:-

1. There is lack of awareness of members on group formation process, total savings of the group, gradation processes etc. Levels of awareness varied from district to district and there is tremendous need for strengthening awareness on all aspects of SHG movement for all the members.
2. 83% of members reported increase of their income after joining the scheme and availing the bank loan. However, increase in income was rather small implying that level of investment and scale of economic activity should be much higher.
3. 41% of respondents reported purchasing at least one productive asset. The assets purchased ranged from sewing machine to agricultural implements.
4. More than 64% of the swarojgaris had their skills improved
5. There has been substantial improvement in various socioeconomic parameters like – (i) mobility of the members, (ii) recognition within the family & the community, (iii) interaction with the outsiders, (iv) access to some basic facilities like health, immunization, sanitation or children's education (while in most of the cases members have reported that their access to basic facilities have increased, in considerable number of cases it remained the same as before and in respect of housing condition there has been little improvement), (v) around two third of the members reported improvement of their participation in various development programmes, (vi) 63% Swarojgaris felt they were able to take decision about their lives both within the household and the enterprise. The decision making ability appeared to have improved because of their regular meeting within the group, at the Gram Sansad level and at the GP level.

Thus the general lessons that one learns from the findings of the study above are the following:-

- i) The programme has been successful in mobilizing large number of poor persons, mostly women. However, the ultimate goal of taking them out of poverty has been little achieved and that will be a long drawn and laborious process.
- ii) There are several weaknesses in group formation and making all members to understand the group process, basic financial literacy and the processes involved in getting credit through Cash Credit account or project based lending.
- iii) There is need to improve the fund absorption capacity for taking the risk of bigger investment and being able to manage the economic activities at higher scale for augmenting income to the desired level.

- iv) The groups should participate more in other economic and social development programmes so that benefits of all those programmes reach the group members, particularly those who are eligible for the targeted programmes.

## **6. Federating Self Help Groups**

One very basic reason for forming the SHGs is that the members will be able to work together for not only economic development but also fighting the social deprivations which they face as members of poor households as well as women. An organized group may face any problem better than an individual. However, they have to internalize the social and economic context and to also know their strength as well as the barriers to their development. It is difficult for a group of 10-20 women to overcome all the barriers easily and they need to gain strength by constituting a bigger organization. That is precisely aimed in bringing all the SHGs within to form a Sangha, also known as the Cluster and (ii) ultimately bringing all the Sanghas within one Block to form the Federation, also known as the Maha Sangha. However, before forming Sangha, the SHGs within a Gram Sansad are first brought under one Upa Sangha, which makes it easier to develop the Sanghas. Formation of Sangha and Maha Sangha will have many advantages like increasing the mediating and bargaining power of the women so grouped together, providing economy of scale in business activities, in pulling together human and financial resource for pursuing their common agenda etc. It has been also realized that many of the services delivered by the government may be better delivered by those bodies to their own members, which will help implementation of many other programmes and the benefits would be better targeted. The process started with the implementation of a Special Project under SGSY for development of 15 Maha Sangha in eight districts of the state from the year 2003. Detail procedure of formation Upa Sangha and Sangha, which is the primary task, has been narrated along with structure, functions and processes involved in development of those bodies in a booklet known as the “Upa Sangha and Sangha Gathaner Ruprekha” by the PRDD.

### **6.1 Appreciation of the Process and the Challenges**

Formation of even a small group itself is very process intensive and requires lot of nurturing with patience and caution. A bigger organization of even the Upa Sangha is a much more complex process since that involves reconciliation of interests of a larger number of individual and poses a bigger administrative challenge requiring better managerial capability. The same has to be developed by following all the processes prescribed for the purpose, which is time consuming and cannot be dictated by time bound target. On the other hand the bureaucracy is used to make things time bound, simplistic and in addition to that makes lot of impositions from above. The officials dealing with such programme need to play their role as mere facilitator to be available to provide all possible supports as and when needed by the groups or higher organizations and should allow them to develop their own capacity. However, the experience is that on many occasions the officials impose their views and prescribe what is good for the group members as object of development forgetting that the aim of the programme is to allow them to grow in their own way and to make them control their own development. Therefore, the task of federating the SHGs has to be taken up very cautiously and the officials or the Panchayat functionaries should neither be controlling them nor they should totally forget them so that no assistance is received by them when needed. The other challenge is that capacity

building of the proposed organization requires sustained effort over a long period requiring patience and monitoring. Keeping those in mind the PRDD has helped the Sanghas to develop slowly keeping in mind the constraint and the processes involved. The third challenge is that those organizations require supports from all the tiers such as the Block, District and the State HQ and lack of interest or poor performance at any level affects the growth of the Sangha or Federation more than such things affect the individual SHG, which is less complex and fits in to well laid support system. However, the Special Project of SHG Federation has resulted in evolving of clear guidelines for formation of those bodies and the same should be followed with all sincerity.

## **6.2 Functions of the Upa Sangha and the Sangha**

Functions of the Upa Sangha is broadly to monitor the functioning of all the groups which are its member such as regular savings by groups, keeping proper record of meeting, maintenance of cash books and other financial records, collection of subscription and depositing the same to the Sangha, nominating their representatives for the Gram Unnayan Samiti and to know about the problems faced by any of the member SHG etc. for appropriate interventions. The Upa Sangha should also arrange to inform all the constituent SHG members about important government programmes and ensure that their members receive their due benefits.

The Sangha has much more responsibility to perform including managing its own fund in addition to what any Upa Sangha performs. Those are to pursue the problems of the SHGs as reported by the Upa Sangha with appropriate authority and to mediate various matters with the GP, Bank or Block Development office or other Government Offices. The Sangha should particularly be responsible for timely gradation of groups and helping the eligible groups to select proper economic activities and in preparing project for the same as well as arranging various trainings required for the SHG members. The Sangha should also help the SHGs for procuring raw materials for production and marketing of the produce. The Sangha should have its office and initially the GP should allow the Sangha to function from its own office.

The Sanghas are also graded after six months of its formation to assess the status of any Sangha as an organization to perform the said tasks. Based on assessment the Sangha is classified as A, B or C category. Grant is provided to the Sanghas which are graded in the A or B category. Managerial support is given to all Sanghas of A & B category @ Rs 15000/ per year to meet their administrative expenditures. Infrastructure support is given to generally A category Sanghas @ Rs 2.5 lakh. The Sangha may purchase land or construct building for which up to 75% of the requirement may be met out of the grant of Rs 2.5 lakh and such assistance is available to Grade B Sanghas also. Seed capital support is given to only A category Sanghas @ Rs 1.5 lakh.

## **6.3 Progress of Formation of Sangha in the State**

Upa Sangha and Sangha was first formed in those 15 Blocks covered under the Special Project and later on the same was opened to be formed in all the GPs of the state. The task at present is to form strong Sangha in all the GPs of the state. The process starts with formation of Upa Sangha for which the Pradhan has to call the meeting of all SHGs within the Sansad and take the initiative. All types of SHGs within any Gram Sansad and functioning for six months

or more are eligible to become members of the Upa Sangha. The General Body (GB) of the Upa Sangha will consist of all the members of the constituent SHGs. The GB will adopt their Bye-law and will elect their chairperson and Secretary from among its members, who should be changed every year through election to avoid its management being captured by any small group or any individual and new leaders emerge. Sangha is to be formed in any GP where at least one third of the Gram Sansads of the GP have formed Upa Sanghas. The meeting for formation of the Sangha is to be called by the Pradhan and the Upa Sanghas will be represented by the Chairperson and the Secretary in that meeting to form the General Body of the Sangha. The GB will elect five members to act as Chairperson, Secretary, Vice Chairperson, Assistant Secretary and one Treasurer, which will constitute the Managing Committee. One basic difference between the Upa Sanghas and the Sangha is that the Sanghas will have bank account and they may take up economic activities of their own. The Upa Sanghas have to pay an entry fee of Rs 30/- and monthly subscription of Rs 20/ per SHG to the Sangha. So, the Sangha requires more capacity to deal with managerial, financial and business activities. The progress of formation of Sangha in the state, as on 31.3.2001, is given in the table below.

**District wise number of GPs having A & B Type Clusters under SGSY  
Since inception up to March'11, 2010-11**

Name of the District	No. of GP	No. of Cluster		TOTAL (A+B)	% GP (A+B) Cluster coverage
		Grade A	Grade B		
Cooch behar	128	77	54	131*	102
DakshinDinajpur	65	10	32	42	65
Purba Midnapur	223	101	26	127	57
Nadia	187	12	90	102	55
Birbhum	167	49	34	83	50
Jalpaiguri	146	37	35	72	49
Siliguri Mp	22	0	7	7	32
Howrah	157	23	26	49	31
Hooghly	207	34	27	61	29
North 24-Pgs	200	22	27	49	25
West Midnapur	290	25	35	60	21
Burdwan	277	36	16	52	19
Bankura	190	26	2	28	15
Murshidabad	254	5	32	37	15
Darjeeling Ghc	112	13	3	16	14
Uttar Dinajpur	98	5	5	10	10
Malda	146	9	0	9	6
South 24- Pgs	312	12	6	18	6
Purulia	170	3	0	3	2
<b>TOTAL&gt;&gt;</b>	<b>3351</b>	<b>499</b>	<b>457</b>	<b>956</b>	<b>29</b>

Source: P& RD Department

\*In the initial phase more than one Sangha was allowed within a GP. Coochbehar district has more Sanghas than GP. Sanghas within a GP should be merged to have one Sangha.

#### **6.4 Activities Cluster**

Apart from formation of area (GP) based Cluster of SHGs, the need for formation of activity based Cluster has been also conceived for gaining advantage in bringing more numbers of groups, who living nearby and are engaged in same economic activity, together for synergy of their functioning. There is no hard and fast norm as to how close such groups have to live except that the distance should be such that they can regularly interact with each other and gain the benefit of working together in activities of common interest. Such common interests could be sharing common production infrastructure, procuring raw materials together, developing common marketing arrangement etc. If the entire SHG is not involved in any particular economic activity the members who are dealing with any particular economic activity may become members of any Activity Cluster in addition to being a member of the Sangha.

#### **6.5 Other Activities of the Sangha and SHGs**

The SHG and the Sangha because of their managerial and financial strength can take up several economic and social activities and may also function as a delivery mechanism for various Government and Panchayat programmes. Some of the illustrative activities other than production and marketing of goods, which they have taken up successfully, are mentioned here.

- i) Sangha as a Training Organization is providing training to its members.
- ii) Sabghas Supplying Cooked Diet to Hospitals (Health & FW Department has issued an order allowing directly engaging SHG Cluster for supplying cooked diet at prescribed rate without calling tender).
- iii) Both Sanghas and SHGs are engaged in production and sale of sanitary napkins for improving menstrual hygiene.
- iv) Sanghas are auditing accounts of member SHGs.
- v) Many SHGs and some Sanghas are engaged in implementation of MGNREGS by working as Supervisors, participating in Social Audit etc.
- vi) Collection of electricity bills and maintaining electric line of WBSEDCL after receiving training.
- vii) The SHGs are involved in a big way in cooking and supplying Mid Day Meal in schools.
- viii) The SHGs have also arranged to make their illiterate members literate through their own efforts to a large extent.
- ix) SHGs and Sanghas are also involved in preventing early marriage, trafficking of girls, other atrocities against women and have also intervened successfully in preventing domestic violence.

#### **6.6 Block Level Federation or Maha Sangha**

The need for forming block level organization of the SHGs was felt quite early for having more synergy in working for social and economic development of the poor women. One specific need was to run a block level micro finance institution (MFI) totally owned by the SHGs for taking care of the credit need because services from the banks are not adequate. The prior requirement for development of block level Federation or Maha Sangha is to have adequate number of good quality Sanghas (Grade A & B). The initiative was launched by taking up a Special Project under the SGSY in the year 2003. Fifteen blocks of the state namely, Dinhata I, Dhupguri, Moynaguri, Bolepur - Sriniketan, Ausgram II, Raina I, Kharagpur I, Jhargram,

Garbeta I, Chandrakona I, Tamluk I, Amta I, Amta II, Domjur, and Srirampur-Uttarpara were taken up for development of one Maha Sangha in each block. Formation of Maha Sangha is much more process intensive than forming a Sangha and therefore, the same was developed with more caution and patience. Initially, only Sanghas were developed and capacity of those bodies was gradually augmented through series of training and exposure visits. The Maha Sangha are formed by convening meetings of all the Sanghas under the block. Grants were given to the Maha Sangha for construction of their own building having adequate space for their activities including training of their members as well as banking operation. The Maha Sangha also has a General Body and a Managing Committee elected by representatives of the member Sanghas. They have to function as per their adopted Bye-law.

### **6.7 Block Level Federation as Micro Finance Institute (MFI)**

The term Micro Finance is generally used for delivery of small amount of credit to the poorer sections. There are many organizations of both for-profit and not-for-profit types, which function as micro finance institutions. They borrow bulk money from banks and deliver the same to the borrowers in their own channel. Their main features of such lending are frequent contact with the borrowers, lesser documentation, services at the door steps of the borrowers and prompt approval and delivery of credit. There has been a tremendous growth of such organizations as well as total credit flowing through such organizations in the recent past. There is natural advantage if the SHGs federate at higher level and they also run their own micro finance activities with capital raised from their members as well as loan from bank and grant from the government. This was one of the specific tasks to be carried out in the Special Project related to SHG Federation and the Maha Sangha was to function as the MFI to provide services to all their member SHGs within the Block. The initial task was to form a strong Maha Sangha and then developing the same to a MFI. The only experience in the state was of the Bagnan Mahila Bikash Cooperative Credit Society in Howrah district, which evolved from the groups formed under the DWCRA programme. However, this required formation of a credit cooperative under the West Bengal Cooperative Societies Act and all individual members become members of the Cooperative Society, which undermines the existence of the group (only PACS may have SHGs as their members). Development of a suitable banking structure without sacrificing the existence of the group was the initial challenge and the same was first tried to be developed by forming a credit society with SHGs as primary members by the Maha Sangha under the West Bengal Cooperative Societies Act. This required amendment of the existing rule for treating individual group as a member of the proposed Credit Society (MFI). The same was allowed by changing the rule in case of only two Maha Sanghas, namely Tamluk and Dinhata I. However, considering the complexities of the cooperative structure all other Maha Sangha formed Credit Societies under the Societies Registration Act. However, such societies cannot mobilize deposit and pay interest like bank but they can collect subscription, lend money to their members and can take only service charge and not interest on the lending. In order to bear the cost of transactions service charge is, therefore, taken against each loan given by the Society working as the MFI.

The process of formation of the credit society start when there are at least around 300 SHGs organized under Sanghas and at least 50% of the Sanghas has reached A Grade and the rest are B Grade and all those Sanghas agree to form the Society. The individual groups should also agree to become member of the Credit Society (MFI) by depositing Rs 2,000/ as entry fee

and has to pay Rs 200/ per year. The SHG to be eligible to take loan has to deposit at least 90% of their savings to the MFI. The first loan to the SHG can be up to six times their deposit and subsequently the same may be up to eight times the deposit. Loan applications and recovery is routed through the Sangha, which has to appraise the need of loan and recommend the same. The Sangha also arranges to disburse and recover the loan on behalf of the MFI. The MFI is given a corpus of up to Rs 20 lakh by the PRDD from the Special Project and that amount along with the deposits of the SHGs is the corpus from which loan is sanctioned. The entire amount is kept in as term deposit and against that the MFI draws overdraft (and maintain an overdraft account) and disburse fund as per need. This helps the MFI to earn interest on the unutilized fund. The table below shows the status of functioning of those MFIs.

**Position of on-lending activity of the Federations/Cooperatives for the year 2010-11**  
(Amount in Rs Lakh)

Name of the MFI	Year of starting on-lending activity	Membership Coverage			Loan disbursed during the year		Position of Loan Recovery during the year		Overdue Loans at the end of the year		Loans Outstanding at the end of the year		Net Profit during the year
		No. of SHGs within the	No of SHGs in the MFI	% of Coverage	No. of SHGs	Amount	Demand	% of Recovery	No of SHGs	Amount	No of SHGs	Amount	
Tamluk	2007	961	642	67	212	80.51	30.14	95	49	1.49	240	68.63	5.26
Amta I	2009	704	570	81	606	71.08	36.3	100	0	0.00	374	34.08	1.46
Amta II	2009	316	316	100	323	65.53	51.30	97	13	1.48	293	36.78	1.01
Ausgr II	2009	369	310	84	326	43.50	22.83	99	3	0.16	194	24.98	0.65
Jhargrm	2009	1224	341	28	182	25.28	20.65	80	52	4.13	145	15.80	2.35
Kharag I	2011	869	243	28	50	7.04	0.14	100		0.00	39	4.90	0.10
Dhupgri	2010	3450	471	14	353	42.36	26.88	95	80	1.32	240	16.74	0.56
Dinhata-I	2010	1739	1083	62	117	23.75	5.17	83	29	0.89	178	19.56	0.66
Ilambzr	2007	1186	409	34	117	14.23	7.80	83	63	1.36	124	10.52	0.38
Total		10818	4385	41	2286	373.3	201.21	95	289	10.83	1827	232.0	12.4

The Tamluk I Credit Cooperative started its operation on 30.4.2007 and only 436 out of the 797 member SHGs became member of the MFI, i.e. the Credit Cooperative. During the year 2004-05, which was the first year of operation of the MFI, Rs 45.56 lakh was disbursed as loan to 194 SHGs. At the end of the financial year the loan recovery rate was 98% and they earned a profit of Rs 0.83 lakh. Dinhatata I Credit Cooperative Society did not perform well due to various problems and could start functioning as MFI from the year 2010 only. By the end of March 2011, nine MFIs could be organized and other than Tamluk I and Dinhatata I the rest of the Maha Sangha has started their MFIs as registered societies. Only 8 out of those 15 Maha Sangha were able to organize their MFIs. Ilambazar Maha Sangha is the only one which has been developed outside the 15 blocks taken up under the pilot project. Thus total number of Block level Federation of SHGs led MFI in the state (except Bagnan Mahila Bikash Cooperative Credit

Society) has become nine at the beginning of the year 2011. It will be seen that all member SHGs have not yet joined the MFI and there is need for more intensive facilitation and capacity building to bring all the SHGs to be covered under the MFI as well as to develop more such MFIs in other blocks.

## **7. National Rural Livelihood Mission**

The SGSY has been proposed to be restructured from the year 2011-12 by introducing the National Rural Livelihood Mission to cover the entire country in a phased manner. The mission behind the new approach is “To reduce poverty by enabling the poor households to access gainful self-employment and skilled wage employment opportunities, resulting in appreciable improvement in their livelihoods on a sustainable basis, through building strong grassroots institutions of the poor.” The Mission also aims at covering all the BPL families under SHGs in a phased manner and to bring them above poverty line in the course of next 7 to 8 years. Social mobilization and building institution of the poor, building capacity and livelihood related skill, financial inclusion, creation of appropriate infrastructure and convergence of all programmes are the major strategy of the new Mission. In West Bengal all those have been attempted through development of Cluster and Block level Federations and it will be easier for the state to migrate to the new model. There has to be a state level mission (SRLM) in each state to steer the activities and their will be district level units to be known as DRLM. In West Bengal the work will be taken up in selected 37 blocks in the first phase to start from the year 2011-12.

## **8. PRI and the SHG Movement**

One unique feature of implementation of SGSY in the state is the institutional involvement of the Panchayats. The overall responsibility of implementation of SGSY in any district of the state rests with District Rural Development Cell (DRDC) which is a part of the Zilla Parishad. The Panchayat Samiti (PS) at the Block level plays an important role in implementing, monitoring and releasing fund under SGSY as well as in pursuing matters related to the SHGs in the BLBC meetings. The role of Gram Panchayat (GP) is perhaps the most crucial, which includes facilitation for social mobilization, group formation, grading of groups, credit linkage with banks to formation of micro enterprise and convergence of all other development programmes with the support of the GPRP. The PRDD has also passed an order directing that the Executive Assistant of the GP to remain responsible for implementation of the SGSY. The GP also maintain register of all SHGs within its area along with details of members. Apart from the Pradhan the Sub Committee on Women Development should monitor the progress in its meeting. Nature of involvement of the GP functionaries, both elected and employed, depends on their orientation and sensitization about the programme and the priority shown by higher tier Panchayat functionaries or even higher level officials and the political will of the higher political functionaries. The Panchayat is also supposed to play an active role in the recovery of loans. However, the study of NABCON found none of the Panchayat visited during the study is involved in the loan recovery process.

The Panchayat has been also given the responsibility of promotion of Sangha and Maha Sangha. The experience is a mixed one; some Panchayats are extending all possible helps to the SHGs starting from allowing their offices to be used for the Sangha while some of them are not

so proactive. Another threat is that some of the elected functionaries are likely to impose their ideas for development of the SHGs, may be with genuine intention but with wrong understanding of the development process and may actually cause harm to the growth of the SHGs (the same applies to the officials also). Some of them may try to control the SHGs, may be with political motive, which has resulted in splitting the members on political line seriously hampering their unity and functioning of the Sangha. The SHG movement has to remain apolitical and free from any political interventions. Thus the interventions by the Panchayats range from highly supportive role helping the SHGs to grow fast to indifference of not being bothered about the SHGs and in the other extreme of damaging the movement through interference with political or other narrow intentions. The solution is proper orientation of the Panchayat leaders as well as to build awareness and strength of the SHG members to be able to remain free from any political interference and manipulation and to remain united irrespective of their own political belief. Exposure visit of Panchayat leaders to those GPs where the Panchayat has provided very good support to the SHG members has been found to be very useful in helping the Panchayat leaders to internalize the issue and facilitate the SHG movement with all their resources. There is need for intensifying training and exposure of the Panchayat functionaries about the strategy and functional details of SHG led development.

There is need to develop institutional linkage between the Panchayats and the SHGs. Keeping that in mind, order has been issued by the PRDD to allow representation of Sangha in different Upa Samitis of the GP and similarly representation of the Maha Sangha in different Standing Committees of the PS. They will be invited members with no voting right but their participation will help the Panchayat concerned to know about the problem and required support of the poor women and will help mitigate those through proper implementation and necessary convergence of various programmes. On the other hand the Panchayat may disseminate their decisions as well as awareness about various programmes through the members of the Mahasangha and the Sangha representatives. Thus it will be easier to mobilize the SHG members behind important government programmes with the support of the Sangha and the Maha Sangha.

## **9. Empowerment of Women and the SHG Movement**

Women suffer from many deprivations based on gender. The society assigns different roles and responsibilities to the men and women and the women are socialized from the childhood to imbibe their roles and responsibilities. Also, virtues of women are to be judged by the extent of conformity of the women in playing their gender roles. There is also socially assigned division of labour and domestic reproductive works are left to the women for maintenance of the family while outside economic works are to be performed by men. Women are allowed to work outside depending on social and economic status of the family and nature of job and work participation rate of the women (which does not measure household work) is low. The poor women bear the double burden of poverty and gender discrimination and are left with only unskilled work of casual nature and with low remuneration. The women, in general, have less options, less power to take decisions even on their own well being, have less representation in various social and political institutions, have much less income and even lower assets, face more violence and have much less attainment compared to men in terms of various human development indicators. They also have less awareness as well as confidence in coming out of their subordinate status. Various development programmes taken up earlier saw the women as

objects of development and adopted welfare approach to help them take up their traditional roles in a better manner. Challenging the basic foundation of gender based discrimination and allowing the women to develop as equal partner of the society was neither attempted nor is it easier to be taken up through any bureaucracy led programmes. The SHG movement has opened up a big opportunity for the poor women to build their own institution and work together for coming out of their deprivations.

Gaining access to the outside world itself is liberating for many women, who hardly got any scope to come out of their domestic sphere. Access to credit, ability to earn, to have control on their earning and getting support of other group members on any adverse situation are crucial factors adding to the confidence and resources to the women to overcome other areas of deprivations. Many of them, after joining the SHG movement, have opened their own bank account and are participating in outside economic activities, which was unthinkable even a few years ago. The extra income is also giving them much higher respect within their homes and they have become more involved in decision making within the households. The incomes of the SHGs are being used for education of their girls at par with the boys. Many of the SHG members, who were illiterate or semi-literate, have acquired literacy and more functionality in understanding group activities and accounts with the help of the literate members of the Group. They have started participating more in community affairs and their network and unity has given them to challenge many injustices which they used to face silently. Domestic violence is one such area of suffering of the women and there are many incidences of organized resistances by the SHGs to violence against women by the husband or other members of the in-laws side of the women. So is the case for early marriage, incidence of which is very high in the state. SHG women are resisting such practices and many girls are now able to avoid early marriage with interventions by SHGs. There are also several incidences where the SHGs have been able to prevent trafficking of girls. More and more SHG members with their higher level of awareness have contested election of the local governments and have joined public offices after being elected. The biggest advantage is that where strong Cluster or Federation has developed the women are being able to organize actions of their own for their socio-economic development and have successfully negotiated with the Panchayat and other development agencies to act in their favour. With more facilitation by the government and other development agencies the women will get more empowered faster leading to overall development of the society.

#### **10. Issues for Learning of the Trainee Officers & Preparing the Assignemnt**

The trainee officers should visit at least one SHG (preferably in a backward village) and one Sangha (and any Federation, if already constituted in that district). They should, while visiting the SHG/Sangha, listen to the group members with patience so that the group members may freely tell their understanding and feeling about the programmes and how they have benefitted as well as the difficulties they have faced. The trainee officers should try to learn the problems faced by the SHG members and what role the BDOs and others may play for better facilitation of their development. One important task will be to understand the socio-economic background of all the members of the SHGs and the constraints they face in coming out of poverty and related deprivations. The assignment will be done in a group of two or three officers and they together will make a brief survey of the socio-economic condition of the families of each of the group members. After that they will study all the issues related to formation and functioning of the group as mentioned below, which is only illustrative but not exhaustive:-

## 1. **Appreciating Socio-economic Condition of the Group Members**

Collect information in respect of each member regarding the following:-

- i. Name and Social class
- ii. Land ownership – area, whether irrigated, average income per year from cultivation
- iii. Ownership of homestead land, type of house, availability of separate kitchen, number of rooms, availability of water, toilet and electricity
- iv. Main source of livelihood and income from that source, subsidiary sources of livelihood and income; in case the family depends on casual employment/is an agriculture labourer then number of days of employment received per year, wage rate at peak and lean season and if the family received any employment from MGNREGS and in that case for how many days in a year
- v. Education status of the family including the status of education of children of the school going age.
- vi. Access to health facilities and average number of visits to government /private sources per year and amount spent on health per year (rough idea will do)
- vii. Constraints faced by the member, if any, in joining the group
- viii. Improvement in income, food intake, access to education & health and that of housing condition, if any, after joining the group
- ix. Improvement of decision making power within the family, if any, as perceived by the member and separately by the male head of the family (the same may be assessed in a scale of 10 as to what was earlier and is exercised at present)

## 2. **Learning about Functioning of the SHG:**

- i) The group dynamism, when and how frequently the group meets, the issues discussed and the process of decision making, thrift habits, records of minutes of meeting and financial transactions, whether the leaders are changed.
- ii) Whether all members are equally involved and if not how the same should be achieved. How many members have taken loan from group corpus for meeting social or economic needs and what is the type of needs?
- iii) Their understanding of bank operation, how many times the SHG took loan from CC account during the last year, do they need more credit and have capacity to absorb that. What is the repayment behaviour?
- iv) What economic activities they have taken, is it same for all members or they have taken different activities alone/in smaller groups within the group or they have taken loan and given to family members. What is the marketing arrangement?
- v) What has been the source of credit for economic activities– own savings/loan from CC account/project lending/from outside, barriers faced in getting loan from banks, status of assets formed and their level of income. Are all of them earning if not why some or none of them are not earning?
- vi) How many members have received training, what type of training and whether they are satisfied or they need more training, have they gone for any exposure visit to other group/Sangha etc or other groups have visited them.
- vii) What are the social activities for their own development with which they are involved? Are they involved in any activity for community? What do they think as their achievement and what they think they should have done but could not do that and what

- are the barriers they faced? What do they expect from the GP, Block or other agencies? What has been the impact on their family and their own wellbeing?
- viii) Is the GPRP helpful to them and how frequently they interact with the group? The trainee officers may also meet the GPRP and listen from them how they have facilitated the group what is their problem and suggestions.
  - ix) If the SHG is a member of any Sangha what is their expectation from the Sangha and whether they are satisfied with the functioning of the Sangha.

### **3. Functioning of the Sangha:-**

- i. Learn the process of formation of the Sangha. Have they followed all the processes as prescribed? What are the social and economic activities taken up by the Sangha?
- ii. Whether SHGs formed under other programmes have become member of the Sangha.
- iii. Study the organizational aspect of the Sangha and the way decisions are taken, transparency and sharing information with the members groups, election of leaders.
- iv. Study the maintenance of accounts, transaction with banks and repayment behaviour.
- v. How do they monitor functioning of the member SHGs, resolve conflict among their members, take steps for strengthening weak SHGs and mediate their interests with the banks, GP, or other institutions. Are they assisting the member SHGs in procuring raw material or marketing of their produce or providing any common facility for production/maintenance of quality of product or auditing their accounts etc.?
- vi. Are they receiving grants from the DRDC for management support? How they will manage after the grant is stopped? Have the Sangha taken up any economic activity? Are they earning and is that enough to meet their expenditure for managing the Sangha after grant from the DRDC stops?
- vii. Have the Sangha leaders received all the prescribed trainings? Do they need more training and in that case in which subject? Are they associated in organizing training of the SHG members?
- viii. What is the relationship between the Sangha and the GP and the Sangha and the BDO's office? Which are the officers from Block who have visited the Sangha and what type of help they have extended?
- ix. What has been the achievement of the Sangha as per their opinion and what they have desired but not yet achieved? What are the barriers?
- x. What is the physical infrastructure? Do the Sangha have its own building and how the same is being utilized? If not do they have any land or they are yet to procure any suitable land. Is the GP helpful in finding suitable land for them.

As a part of the assignment the officer should write a note on various suggestions about improving the functioning of the SHGs and the Sanghas to facilitate socio-economic development of the SHG members. The trainee officer should go through the following documents to know more about the issues mentioned here.

- i) SGSY Guidelines (available at rural.nic.in).
- ii) National Rural Livelihood Mission – Framework for Implementation (as above).
- iii) Upa Sangha O Sangha Gathaner Ruparekha (available at wbprd.nic.in)