
SWYAM NIYANTHRANA UDYAMAM

Kamareddy cluster, Nizamabad District, Andhra Pradesh

Background and Rationale:

SHG system is proven to be the best financial intermediary as it enabled the access of financial services in areas where the formal banking sector could not reach. Particularly for the poor and for women, this financial intermediation system opened access to financial services urgently needed for economic development, and thus social betterment. The emergence of multi-tier federation structures was caused not only due to the pro-active role of state governments and SHPIs in Andhra Pradesh (AP) and some other states, but also because of the grass-level SHGs' urge to unite. This process is still in a nascent stage in many parts of the country. In states like AP, where the process started in early 2000's, the federations are in need of hand-holding support to become self managed.

The SHGs and their federations appear to have the potential for being highly self-reliant and sustainable. For this, they need an effective and efficient control system. To meet such required control needs, federations have already developed some appropriate tools and also partially implemented with the initiative taken by the state government and other stakeholders. However, the following situation is draw attention for developing a Self Regulation for the SHG and SHG Federations.

- SHGs and their federations appear to have the potential for being highly self-reliant (not necessarily self-sufficient) and sustainable
- However, SHGs and/or their federations are currently dependent on external agencies for financial, human and material resources
- In order to be self-reliant and sustainable, SHGs and their federations need to strengthen internal capacities, improve systems, increase accountability and manage financial, human and material resources for optimal gain to members

However, a systematic effective and efficient sector control, which fits to internal and external needs, is still not available. Therefore, APMAS initiated the pilot of an appropriate Self Regulation for the SHG structure in Kamareddy cluster of Nizamabad district in AP.

Overall Objective of Swayam Niyanthrana Udyamam (SNU):

The overall objective of Swayam Niyanthrana Udyamam is to contribute and to ensure further successful development and sustainability of the SHG system. To carryout piloting process, a Coordination Committee was formed with Office Bearers from each MS. Staff of IKP project and APMAS is acting as a Advisory group to the overall implementation of SNU in the cluster. Coordination Committee has developed SNU implementation strategy. It was decided that the process shall be taken forward in a campaign mode. A series of workshops were followed with the

Coordination Committee and the team in this direction. Consequently, the following specific objectives are set for the Campaign -

Specific Objectives:

1. *Economic and Social Development of the members*

- Member saving protection
- Sustainable growth of thrift and credit services
- Financial Literacy among the members

2. *Sustainable Democratic and Legal Institution*

- Growth of resources
- Equality among the members
- Profitable Institution
- Institutional Accountability

Pilot organization and management:

Based up on the consultations with SERP (Implementing agency of World Bank Funded poverty alleviation program in Andhra Pradesh) and district administration of Nizamabad, APMAS has selected the Kamareddy cluster for the pilot. Kamareddy cluster consists of six Mandala Samakyas (Sub-district level Federations)– Kamareddy, Bikkanur, Machareddy, Domakonda, Tadwai and Sadasiva Nagar, 167 Village Organisations and 5661 SHGs with about 75,000 members (avg.12 for each SHG). The SHGs covered 96 per cent of the poorest of the poor in these mandals.

Coordination Committee (CC)

To carryout piloting process, a Coordination Committee is formed with office bearers of all the MSs in the cluster. The committee mainly focuses on developing strategies and propagating the self-regulation process. The committee guides the Mandal Federations in developing and establishing internal control systems, finalize key performance standards and to plan the activities. The Committee has already developed a broad implementation strategy for the SNU and decided to take it forward in a campaign mode.

Advisory Group

To provide support to Coordination Committee, an Advisory Group was formed with representation from IKP and APMAS. The Advisory Group supports the committee in material/module development, organizing capacity and knowledge building trainings and exposures, propagating self-audit and assessment procedures and provides advisory services like on mobilization of internal resources, legal compliances etc. based on the need. The Advisory group also prepares working papers on various elements of SNU and places them before Coordination Committee for discussion, debate, decision, and where approved, for finalization.

Elements of SNU:

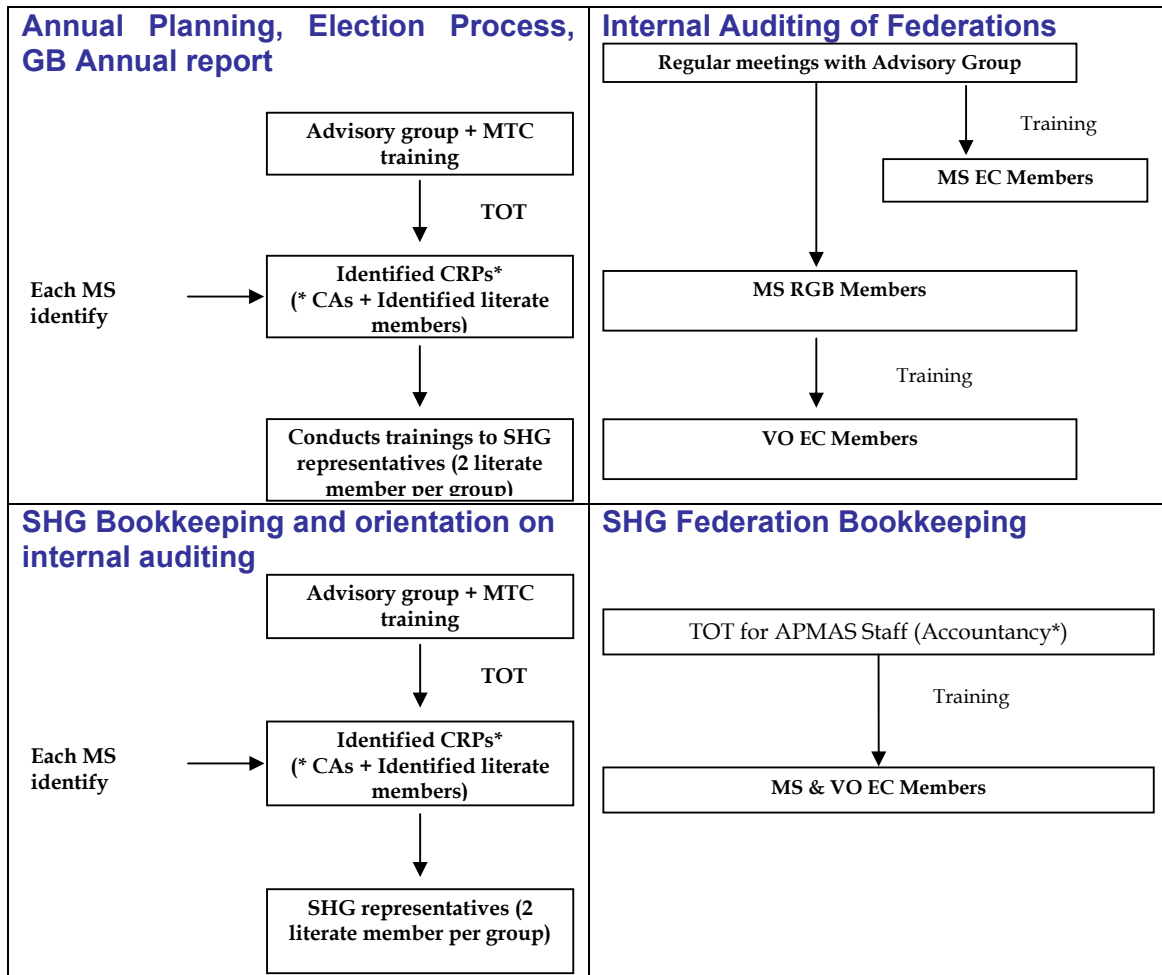
Coordination Committee and Advisory group agreed upon focusing some important elements for self regulation process. The focus of the SNU is on building capacities of leaders and members in the following key aspects to achieve the SNU objectives.

1. Standardized Bookkeeping in use
2. Standardized Reporting in use
3. Agreed Best practices, performance standards and organized monitoring
4. Framing of policies on accounting, business and management, and active implementation of policies.
5. Systematic Audit and Monitoring of Fund Security
6. Systematic Election
7. Capable and own staff
8. Continuous Education/awareness and training
9. Clarity on GB, RGB roles of VOs and MS
10. Legal compliances

Implementation strategy:

APMAS would adopt ToT approach in building the capacities of the community members in managing and monitoring of the activities on their own. For this APMAS staff and other advisory group members would undergo training on each of the module and develop plan for operationalizing the same. In each Mandal, Executive Committees identify few members as the facilitators based on the need and requirements for base level trainings. These facilitators in turn would train representatives of the SHGs and Village Organizations on various aspects like Annual planning, Bookkeeping, election process etc. When facilitators are conducting trainings in the field, advisory group will make few field visits to provide on the job support and monitoring the process.

During the process Executive Committees of Mandal Federation as well as Village Organization would also be trained on different aspects such as bookkeeping, internal and external audit, election process etc. Staff of Mandal Federation and Village Organization is also trained on specific aspects like bookkeeping, internal auditing, reporting systems etc.



Coordination Committee meetings

The committee decided that initially it would meet once in two months to review and plan the execution of activities, and after streamlining the programme it would meet quarterly.

Advisory group meetings

The Advisory group would meet once in two months to plan for material development, trainings and review the execution of activities against plans and identify issues while implementing SNU and discuss with Coordination Committee and encourage them for resolving the issues in the field.

Cluster level review meetings

Coordination Committee along with Advisory group conducts half yearly cluster level review meetings with all MS – staff and other key stakeholders to ensure proper SNU implementation with a sufficient broad common understanding among SHG federations and stakeholders.

Future plans:

- Regular meetings of Coordination committee, cluster review meetings and advisory group.
- Trainings on financial reports, Auditing and annual reports
- ToTs on Bookkeeping, Auditing procedures, Review system, Election procedures, policies on funds and business management
- Capacity building of the staff, best performance standards and awards
- Ensure internalization of performance standards by SHGs, VOs and MSs
- Provide field support and training to trainers from among women leaders, to enable SHGs, VOs and MSs to assess current performance standards, and work towards agreed upon performance standards
- Create in SHGs, VOs, MSs, the desire to be financially viable and vibrant, and to develop into democratic, transparent, and highly accountable growing businesses, sensitive to the needs of the primary members of SHGs
- Provide support in mobilizing internal resources to create ownership within the institutions and for a sustainable SNU
- Mobilize funds for initial investments like meeting the costs of systems reinforced (like internal auditing, monitoring of performance based on the standards etc), emerging capacity building needs and learning material.

Note: Detailed activity plan for April 2008 – March '09 is attached with this note

Expected deliverables by March 2011:

- Updation of all the books of accounts including General Ledger by March 2009 – 80% in SHGs, 95% in VOs and 100% in MSs.
- 80 % SHGs, 95% VOs and 100% MSs which have completed at least one year of functioning will be audited accounts upto 31/03/09, and will have upto date internal audit there after
- No fresh withdrawal of savings after Sep'08 in 80% of SHGs.
- Profit + Interest will be credited to savings annually as on 31.03.08 at SHG and VO levels
- A report on SHG, VO and MS status on above indicators will be brought in 2008.
- Internal rotation of funds will increase and emphasis will be on circulating own funds at all levels.
- Interest margin or service fee from borrowers/creditors for all external loans
- Legal compliance 90% on regular elections/filing returns/annual audit / as on – at VO level
- Legal compliance 90% on regular elections/filing returns/annual audit / as on 31.03.10
- 70% of the SHGs will have 90% on time recovery of all loans. 80% of the VOs will have 90% on time recovery of all loans. 100% of the MSs will have 100% on time recovery of all loans.
- On time repayment of 100% of the amount of all external loans at all levels
- Meeting of expenses from services will be 100% at SHG level, 80% at VO level and 60% at SHG level.

- Internal capacities will have been built as follows in at least 50% of SHGs, 70% of VOs and 100% of MSs–
 - Bookkeepers at all levels will be primarily from among members
 - External audit of SHGs will be fully by SHG leaders of same village
 - Internal audit of VOs and MSs will be by EC members in rotation of VO/MS
 - Financial statements will be prepared by SHG by itself and for audit and be placed before members in monthly meetings

Overall Outcome:

- Each mandal of the cluster will have a Resource Pool among the members and would able to deliver services based on the requirement.
- All the SHG Federations in the cluster would be able to establish performance standards, accounting and internal controlling systems.
- This cluster would become demonstration point for other federations across the country
- APMAS along with SHPIs develop strategy for scaling up SNU in other places of the country.
- SHGs and SHG Federations will be able to effectively deal with key issues/problems that are affecting their sustainability and self management.. As a result quality of SHGs and SHG Federations will improve.

Challenges / issues:

- Leadership Rotation at all levels – need for repeated orientation
- Initial investment – introduction of new systems, Cost of emerging capacity building needs and material, Additional Time of APMAS staff, etc.
- Changing priorities of MSs based on the district level priorities and the delay in process
- District and MSs level staff time and availability for coordination of the activity in the field.

Strategic support required for SNU to move forward:

From APMAS	From IKP/ DRDA
<ul style="list-style-type: none"> • Coordinates and facilitate the process • Develops common understanding on SNU among the SHG Federations, staff and Promoters • Along with the district level IKP team, and ZS, facilitate the Coordination Committee to operationalise SNU in the cluster • Collate existing material and customize based on the need • Develop modules and learning 	<ul style="list-style-type: none"> • Takes active role along with APMAS in supporting the coordination committee (CC) to implement the SNU process • Assign one person exclusively to coordinate the activity and liason between APMAS team and CC at the cluster level • Adaptation and orienting the team on emerging systems and processes • Ensure fund availability to meet the

<p>material to reinforce the systems and procedures to ensure performance as per standards developed in SNU</p> <ul style="list-style-type: none">• Share reports to district and state level teams of IKP/DRDA• Regular monitoring of progress and identify gaps and work towards filling them• Dissemination of learnings from the pilot and advocate strategies to scale up at the state level and to other parts of country.	<p>initial cost of the activities like auditing, CC meeting expenses, CRP resource fees, printing of modules, learning material, capacity building etc.</p> <ul style="list-style-type: none">• Conduct regular review of SNU implementation process at cluster, district and state level• Take active role in dealing with problems encountered in implementation• Based on the learnings from the pilot develop guidelines and strategy for scaling up and smooth implementation of SNU
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