

REPORT ON
APMAS IMMERSION PROGRAMME ON SHG FEDERATION
3RD TO 7TH SEPTEMBER, 2007
SHG LEARNING CENTRE, HYDERABAD

Introduction

The G-5 project is a project in which organisations such as ISMW – Ahmedabad, Reach India – Kolkata, Chaitanya – Pune, APMAS – Hyderabad & CMF – Jaipur have come together to jointly try to address the issues faced by the microfinance sector in India. The aim is to try to share internal knowledge in order to make best use of each others resources and solve existing issues. The beginning to this whole vision is for the 5 partners to share their experiences and collaborate with each other. As a part of this attempt was the SHG Immersion programme organized by APMAS which was attended by 3 of the other partners.

Aim of the Programme

As a part of the G-5 agreement has accepted to share some of their niche area with the other partners in the Group. In response to this, APMAS Hyderabad had organized the SHG Federation Immersion programme for the other partners where the idea was to introduce them to the concept of SHG Federation and also to acquaint them with the MACS set up that was in the state. The other models that they wanted us to get introduced to are the cooperatives model that was flourishing in the state. Above all the aim of the programme was make the partners aware of the microfinance field realities in the state of Andhra Pradesh. With these objectives, the Immersion Programme had been organized.

On our personal front there were many reasons why we had attended the training. To begin with

- I had not seen much of microfinance in the field except my visit to PRAYAS, Kutch and this was a golden opportunity
- Andhra Pradesh was the hotbed of microfinance and this was my first chance to actually see microfinance at its most well established and successful form.
- We would be a large team and internal discussion and sharing of experiences would enrich all of us even more.
- I did not details of the different models of microfinance, what were SHG federations, MACS Etc. This programme would give me the scope to understand all that.

Initial Discussions

The initial discussion during this five day programme was about the G-5 network itself and about the role that each partner would play in the network. The four organisations made presentations about their work and about what the G-5 network meant to each of them. They highlighted on the role that they would want to lay in the network and broadly on what they expected as assistance from other partners in the network. Thereafter the APMAS team gave us broad instructions for the field visits and we were divided into groups for the visit.

Field Visits in the Programme

The field visits organized by APMAS were the most important aspect of the immersion programme. The two teams into which the entire group was divided were to visit two different places. The first group went to Nizamabad and its neighbouring areas to see the IKP or the erstwhile Velugu model. They then also went to see the Federation model promoted by an NGO called GRAM. The second team to which I belonged went to Warangal where we explored the MACS federation models by a NGO and also saw the cooperatives model in federations. The following is a detailed account of these visits.

Our first visit was to Pragathi Seva Samiti, a NGO that is giving microfinance services to its beneficiaries. They have set up federations under the MACS Act and our first visit was to their NGO office in Warangal where we interacted with the board members of the SHG federation. The board members who spoke to us that day were Sunita, Grace Mary, Uma Rani & Uma Devi. To begin with we were given an introduction to PSS. It was started in 1995 and is presently working in 13 mandals with over 3400 SHGs. In 2000, CARE supported them to form MACS federation and till now they have been instrumental in forming over 38 MACS federations.

In the current MACS arrangement under PSS, the MACS get funds from the savings that SHGs keep in the MACS. They have also got loans from CARE and do not have a direct bank linkage system. Each MACS has 50 to 100 SHGs and then comes the MACS federation which currently is made up of the 38 MACS formed by PSS. The SHG leaders and members choose the members for the MACS which is called the general body of the MACS. From within them come the 12 member executive board. This board is also called the Board of Directors. The federation has a CEO and it meets once a quarter while the MACS meet once every month.

The federation's main functions are to give capacity building inputs, do internal audits of the MACS, mobilizes external loans, on-lending to MACS, formation of new SHGs and MACS, staff recruitment for MACS, Insurance products regulation and also collect savings from the MACS. The federation lends to the MACS at 12% interest and the MACS lend to the SHGs at 18% interest rates with 2% processing fee. All these rates are flat interest rates. The repayment rate as maintained by the board members is almost 100%.

The PSS also explained to us the various insurance products that they were providing to their beneficiaries. PSS also constantly supports the SHGs and federations with trainings, audit services, MACS legal aspects information and guidance and also in some book keeping and financial concepts issues.

Our next visit was to a MACS in the Nekkonda, Gundrapally Village. This was a MACS promoted by PSS and the MACS manager from PSS was Mr. Paramesh. The following are the details of this MACS –

No. of Villages	1
Groups	23
Members	285
Share Capital & Savings	646701
Deposits	393900
Loans Disbursed	551
Loan Amount Disbursed	3956000
Active Borrowers	230
Loan Outstanding	1864092
External Loans Outstanding	1503121
Reserves	57682
Repayment Rate	100%

The President of this MACS was Nagendramma and this MACS was set up on 1998. Since they have formed the MACS, the members say that people have become more regular with their savings and they feel a greater sense of strength and ownership. They meet every month on the 19th with discussion on loan application and disbursement and within a day or two the money is disbursed to the members. Promissory notes are taken from all those who apply for loans with their signature and only then is the loan disbursed.

On the second day we understood the cooperatives model of federations in the state of Andhra Pradesh. To begin with we interacted with the Development Officer, Mr. NarasimhaSwamy in Cooperatives Development Foundation. They explained to us that in CDF they had three main types of cooperatives which are thrift cooperatives, milk cooperatives and paddy seed growers' cooperatives. CDF works within a 80 kilometer radius in Warangal District. They are using the cooperatives model to bring about development in this district. Their vision is also to bring about MACS Act regulation in all states of the country unlike only 9 states which have been achieved till now. The basic structure that they follow is to have the members first who are then organized into the cooperatives. These cooperatives then come together to make an association of cooperatives. A general body meeting is conducted every year where the board members are chosen on a one third rotation basis for 3 years per member. They have strict eligibility criteria for the members to be elected and the entries are well scrutinized before accepting the nominations.

In the thrift cooperatives they offer the following services of compulsory thrift, recurring deposits and fixed deposits. It is interesting to note here that the maximum amount that men can get is Rs. 50,000 while for women it is only Rs. 30,000. This is because generally in these places the women get less wages for the same work as compared to men. The interest rates here are 18% diminishing rate. Another interesting product to note was their insurance product. In this product they were offering death coverage of Rs. 10,000. The client has to be within 18-35 years of age and has to pay a one time premium of Rs. 500. Thereafter he is covered till the age of 65 within which in the event of his death his family gets Rs. 10,000. This insurance covers any kind of death of the claimant. In case the claimant is alive at the age of 65 he gets back the initial investment with interest. A product like this shall be very beneficial for the poor where they do not have to pay monthly insurance installments and can be assured of returns.

Thereafter we visited the thrift cooperative at Narsampeta which was started in 1990. This thrift cooperative was started in with a monthly savings of Rs. 10 and now it has increased to Rs. 30. It has 534 members and 252 active borrowers. By the 8th of every month they members give their loan applications which are then processed based on their repayment capacity. They usually give education or agriculture loans to the members. In the past 17 years they have disbursed over Rs. 70 lacs cumulatively.

Thereafter we went to an association of thrift cooperative or AWTC whose president was Mrs. Jayaprada. This had been set up in 1994 with 19 thrift cooperatives within it. The aim of opening an association was to provide all those services that a thrift cooperative cannot provide to its members. They also aimed to help the thrift cooperative to provide services and to function in a better manner. The work of the AWTC is to provide credit, savings, audit services to thrift cooperatives, monitoring of the cooperatives and constant guidance and solving of recurrent issues. The association is doing financially very well and their main income sources are audit fees, membership fees and interest on loans given. They had borrowed Rs. 7 lacs last year to buy computers for their office and within one year they have returned over Rs. 5 lacs.

We then visited the Paddy Seed Growers Cooperative whose president was Mr. Rajeshwara Rao. This cooperative does not have a secondary level association body and hence does all the work by itself. The cooperative movement here started in 1957 with this cooperative being set up in 1990. Earlier the paddy growers all went to brokers for their seeds but now

they decided to instead start a cooperative, pool in money and provide these services themselves. They started with 500 members but it has been reduced since they decided not to include any brokers in the cooperative. Now they have only paddy growers who are in the cooperative. The farmers have to pay an initial membership amount of Rs. 10,000. They are given seeds at a less price than the market rate and they have to return the crop from the seeds that they have brought from the cooperative. The cooperative buys this return crop at Rs. 10-20 higher than the market rate. Thus the farmer benefits in all manners. They have also kept some funds aside for member education through exposure visits etc.

We also got the opportunity to see their godowns and processing units where they keep the collected seeds. They buy initial seeds from the Agricultural University in Warangal. The cooperative does constant inspection for farmers and gives help wherever needed. During times of drought or other problems, they cannot help the farmer much, but they do not expect the mandatory amount of returns and accept whatever the farmer can afford to give them. The main problem faced by them is funds because the operating cost of the unit is over Rs. 60 lacs that get recovered only after the farmers pay. Hence they need the initial amount for which CDF is not supporting them further. Hence they are now borrowing from thrift cooperatives but feel the need for a regular channel of funds.

We then turned our attention to the milk cooperative in the area and we visited a milk collection center and a dairy farm in Wardhanapet. In the milk collection center, we found that over 30 women in the village were members of the cooperative. The milk was collected twice a day with milk production being anything from 40 to 90 litres in a day. The milk van from Wardhanapet came twice in a day, in the evening and in the morning. The members were paid twice in the month. The price of the milk was ascertained according to the fat content of the milk which was measured in the collection centre. This was then recorded after informing the member about the details and about how much she was supposed to receive for the amount that she had brought.

The collection centre had been given weighing scales, fat measuring equipment and other basic equipment for the centre. They had only recently rented a room for proper functioning and had bought a fan for their workers' comfort. The members felt benefited from this whole exercise since they did not have to travel long distances to sell their milk now. They also earned some profit from their usual domestic work.

Our next visit was to the Wardhanapet Dairy Farm where we saw the working of a dairy farm and the processing of milk. This farm is relatively new and hence it only processed milk, but it was soon going to increase the number of members in the cooperative as well as diversify to other milk products. All these processes made us aware of the amount that can be achieved when large numbers come together to pool in resources and make a successful business.

Discussions with Resource Persons

During our APMAS induction programme, we had the fortune of interacting with some experienced practitioners in the field. Their insights helped us to clarify our understanding about the field. On our first day at the programme, we had a session with Mr. C.S.Reddy, the CEO of APMAS. He mainly spoke on the microfinance and the SHG federation movement in India and explained how the whole process had started in the country. He spoke about the dynamics of access to credit in the country and mentioned staggering figures like the fact that over 70% to 80% of the country does not have access to credit with 25 million out of the 30 million enterprises in the country being self financed.

He also mentioned that when money is lent to the people in need of credit, it is usually given for two purposes, namely for production and for consumption. But he maintained that it was not a very good idea to bring strict measures to differentiate both since they overlap and would make MFIs unable to address the needs of the poor. He then spoke in details about some established facts that have become guiding principles in the field of microfinance.

These included facts like the knowledge that the poor always need more than what they have and hence microfinance is a tool to address these needs. The other fact is that the poor can and want to save. They also understand the importance of their larger life cycle needs and want to exchange small sums of money for larger sums in order to meet these needs.

He made an important observation when he said that giving small and inadequate sums of money to the poor only make them poorer and catch them in the death trap further. The poor also look at spending in life cycle needs as investments where expenditure for celebrations is investments in social relationships. Mr. Reddy also called it a phenomenon of spreading risks and building the network within which they live. After having said all this, he maintained that one of main principles of the SHG movement is that the money of the poor must be used for the benefit of the poor only. With this in mind, the federations of SHGs have been working in order to strengthen systems that are working for the poor.

With these discussions, he emphasized on the fact that federations must be opened only when SHGs themselves feel the need for a federation. The organization promoting the federation must also gauge whether the SHGs are mature enough to have a federation and make best use of its strengths. Another important aspect of a federation that was harped upon was the fact that a federation must do only those things that a SHG cannot and thus must play a complementary role at all times. The crux of his discussion was that federations must complement the work of SHGs and must try to move SHGs towards a stage of sustainability and self dependence.

Another person we interacted with was the Chairman of the National Rural Employment Guarantee Scheme, Mr. Murali who had some very valuable suggestions. He mentioned that some basic steps had to be ensured to see that SHGs function well. To begin with the facilitating organization must ensure that there is proper participation in group processes as this is a basic prerequisite. There are further some non-negotiables that have to be adhered to such as the fact that all SHGs and federations must have regular meetings and attendance must be ensured. The models of development or service delivery must be designed through people's participation and in keeping with the needs of people.

Mr. Murali, through his vast experience also shared with us that the main role of a facilitating organization must be to create an enabling environment for empowerment of people. Organizations must also maintain a continuous process of quality facilitation based on the needs of the federations. He also gave an interesting example when he spoke of the need to have clarity of purpose and target group. He said that for the Government of India (GoI) the Department of Rural development is the same as the Department of poverty alleviation. Thus he pointed out that the government had equated the rural population with the poor and also had not taken up any schemes to address the issue of urban poverty. He said that such lack of clarity in conceptual and planning stages would not allow the desired effects to be attained. Hence, the main criterion to be kept in mind is that there should be clarity about the target groups and their needs when implementing any programme.

Towards the end of the immersion programme, the APMAS coordinators discussed a few basic rules that must be kept in mind before promoting or facilitating a federation. These are as follows –

Dos in SHG Federation Formation

- Members should be motivated
- Initiative must come from the members
- Capacity building of members should be done before promoting a federation
- Homogeneity as in geographical area, social status etc
- Clarity of objectives
- Basic literary functionality

- Preparation of bye-laws
- Promotion of leadership
- Sharing of responsibility
- Transparency should be maintained
- Self ownership of the federation should be encouraged
- Information dissemination
- Long term goals should be set
- Conflict resolution mechanisms should be set
- Community understanding and acceptance should be achieved

APMAS has been in the activity of promoting SHG federations for many years now. They also shared with us that they took into consideration the maturity of the group and did extensive work to prepare the ground before setting up a federation. They explained the concept to the community and the SHGs and also did a geographical & social mapping in order to ascertain the homogeneity of the federation that they aim to start. They also design appropriate capacity building techniques suiting the needs of the SHGs. They ensure that they conduct a visioning exercise before they begin their work so that the community is clear about the objectives of this work.

Apart from this they of course clarify legal aspects to the group, set up initial MIS systems, help the federation fix general norms for their working and also help them design the best products for their members. The one thing that the staff of APMAS mentioned that one has to be careful about was that the Self Help Promoting Institute (SHPI) should in no circumstances start providing services to the federation such as book keeping etc. In this case usually the federation tends to get dependant on the SHPI and does not become sustainable.

General Observations

This was my first glimpse into the working of SHG federations and also my first visit to the hub of microfinance Andhra Pradesh in order to understand the microfinance movement there. Hence the experience was very rewarding and learning and gave me the insight into a vast amount of knowledge that I am yet to gain. The most important aspects that came to my mind during these 5 days at Hyderabad were –

- The first thing that struck me was the sheer volumes of money that was circulating in the area. We visited a federation where we found that it has a idle fund of 17 lacs since they did not need to on lend it. But on further discussion we also found out that despite so much of money flowing, the average amount available to per member is still as low as Rs. 2000 since there were many members who were a part of the microfinance movement and thus the amount was not much in proportion to the demand.
- The loans were utilized mostly for investive expenditures such as agriculture, education or business development. The members were very clear that they did not give loans for expenditure such as marriages or festivals. In one way this was very good since it ensured that money was being given for necessary purposes. But on the other hand was this not contradicting Mr. C.S.Reddy belief that one has to understand the needs of the poor in their cultural context and hence not be too strict on loan purpose. Also how much attention did they give to actual loan utilization and did they ensure than the money was used for no other purpose?
- The important point that most APAMS staff members mentioned was that the microfinance movement was so successful in Andhra Pradesh because there was an enabling atmosphere for the same. They also got immense support from the government and hence they could take up such initiatives easily. They mentioned that the active government role helped the NGOs and other organizations to function well and thus set base. They of course felt that the non governmental organizations have also played a very important role and urged us the do the same in our states.

- I saw the concept of MACS (Mutually Aided Cooperative Societies) for the first time. The idea takes the concept of federations further and thus helps the members to get better services.
- I also saw the working of cooperatives closely and felt that a huge deal can be achieved the resources of a number of people are pooled in to make exiting situations better. This was especially clear when we visited the paddy seed growers cooperative where I felt that the paddy growers had greatly benefited from this cooperative.
- Another unique feature of the trip was that I noticed that people were usually well enterprised and had some income generation activity or the other. There were milk businesses, agriculture, or any other activity that ensured monetary returns. In general, I felt that the issue of livelihoods was being addressed in these villages to some extent though I have not seen enough to comment much on this.
- The awareness levels were also high in the villages where women knew about accounts and book keeping, legal aspects to some extent and other things necessary to run a group but more than this, they seemed also aware of their own status as women and the fact that no one had the right to treat them badly or abuse, not even their husbands. I cannot say that they will actively fight their husbands if they abused them or did not give them their rights, but atleast they do not feel that husbands have the inherent right to beat them or take away their property.
- The awareness of importance of education is also visibly seen where women say that unless they invest in their children, they will not get anything in their old age.
- There is a general sense of realization, according to me, of the strength that they command in numbers. They are using their federations to solve some burning issues, like caste marriages, and also contribute to help the destitute during difficult times such as drought. Thus they seem to be taking responsibility for bringing about social change to some extent.
- Above all, I feel that as women, they have grown to a great extent fro the role that their social situations had prescribed fro them. They are women who have been given a chance to assume roles of leadership, handle cash and take decisions. Most of them say that their husbands and in-laws respect them and do not hinder their work, while there are looked up in the village even by the panchayat members. The struggle of this long journey and the ensuing change is evident in their present sense of confidence and self dependence.
- There were some further aspects that raised some questions in my mind which I have been trying to clarify. The women in some cases said that if some lady did not repay her loan despite her ability to do so, the federation women would gauge if she needed help or not. If they felt that she wanted to default and need no help, then they would often seize her goods such as sheep or other cattle and not release them till she repaid. As a professional working in the field in did not understand what to make of this. In one way, I understand that such steps are necessary to operationalize credit activities, but this act by itself is what we have known moneylenders and oppressors to do traditionally. I felt that violenece as means was still prevalent, albeit now being in hands of the women. This whole issue raised a number of questions in my mind.
- I also felt that when we talk of federations, we mean that their main function is to give capacity building inputs to the groups and also to become their voice in media of collective bargaining. In case of bargaining, the need for federations shall always remain, but where does one draw the line between capacity building and hand holding and the need to make groups sustainable. How does a SHPI keeps these two aspects in mind and where does one decide that a group has become sustainable? The question also is what role does the SHPI play once this stage has reached and what remains its relevance then? Above all what is the ultimate aim of a federation and what does it work towards?
- I also had another technical clarification. The MACS system is prevalent in some states and seems to be very beneficial for the people. Why has this model not been adopted by governments of other states? I asked this question to some members in the group but I did not get any satisfactory answers.

Above all the APMAS Immersion Programme was great learning experience. The group consisted of many members from very varied backgrounds. There were government employees, ex- government employees, NGO members, staff from MFIs, staff from capacity building & research organizations and also a federation leader. This large group with such intense experience variation generated very good and wide ranging questions during the sessions. Thus the interactions and field visits left us with a lot of learning and with the understanding that there are immense amounts that we are yet to learn and understand.