
National Rural Livelihood Mission

Suggestions for Improving the Design and Implementation

National Network of Resource Organizations (NNRO)

National Network of Resource Organisation (NNRO) is network of Resource Organisations in community Based microFinance and Livelihood Enhancement of poor striving for Vibrant Women SHG Movement in India

Partners

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Centre for microFinance, Jaipur

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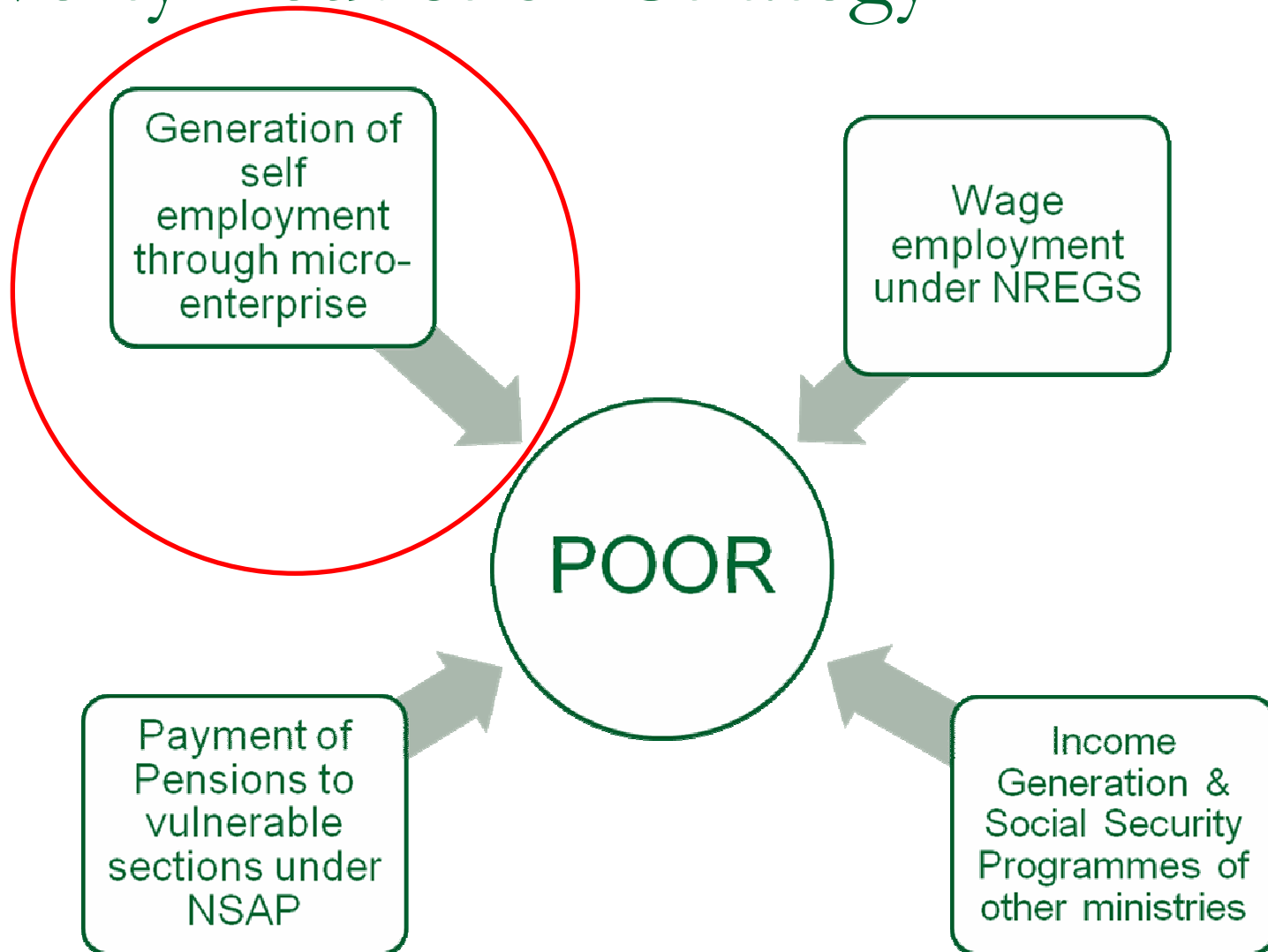
West Bengal SHG Forum

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Context:

- MoRD has comprehensive review of SGSY (1999-2009)
- Restructuring SGSY- National Rural Livelihood Mission
- MoRD is seeking inputs for improving the design of NRLM and its implementation
- NNRO has suggestions for consideration of MoRD

Poverty Reduction Strategy



SGSY: Issues & Challenges

- Uneven Spread of SHGs across states
- Challenge of targeting real poor and vulnerable sections
- Quality and sustainability of SHGs
- Challenge to mobilise credit- sufficient and timely
- Limitation in implementation structure- capacities
- Low rate of SHGs graduating to higher level
- Low survival rates of micro-enterprise
- Limited convergence with other welfare schemes

Assumptions in SGSY

■ Poor – A homogeneous group

Poor not a homogeneous group; Within 'poor' there are 'ultra poor'

Nature of exclusions varies; it may be due to

- Structural barriers in society
- Geographical distances (difficult regions)
- Financial exclusion

Poor need to be organized based on nature of exclusion

■ Poor prefers self-employment

Self employment is vulnerable & risky proposition (Return Vs Risk disproportionate)

Limited scope of self employment in the primary (high concentration of workforce)

Manufacturing & service sector holds potential

Poor need increased return on their labour – enhanced productivity; reduced leakages (finance playing a key role)

- **SGSY compatible with banking system**

‘Subsidies’ & ‘Credit’ are antithesis

Subsidies though desirable but adversely affect financial behavior impacting repayments

Bankers still doubt the credit worthiness of poor

- **Group approach in income generation**

SHG is a socio-economically homogeneous group of poor, not so much of common activity group/ common interest group.

Group enterprises through SHGs will have limited success

- **Implementing mechanism had requisite capacity**

Multiple implementing agencies: NGOs/ PRIs/ State owned structures

Limitation of capacity among implementers affect quality

- **Organic convergence**

Convergence doesn't happen automatically

Mechanism/ systems need to be put in place to ensure convergence

Operationalising NRLM:

“NRLM would help poor to reduce poverty; may not eradicate poverty completely”

Poverty reduction process will be inter-generational; NRLM would contribute to stabilize poverty condition, strengthen livelihood base and preventing deterioration of poverty conditions and enabling investment to build the abilities of next generation .

Suggested Approach to NRLM

Focus on two sub-programs:

- Impacting Financial Inclusion
- Livelihood Promotion/ Employment transformation

Impacting Financial Inclusion

- Promoting SHGs (involving poor willing to join)
- Federating SHGs at different levels
- Creating support structures – CRPs and other service providers
- Investment of Rs 15000 per SHG and additional investment of Rs 4-5 lakhs per block level federations
- Focus on developing Community Infrastructure for strengthening livelihood
- Provision of seed capital to SHGs (subsidy to be given in form of seed capital)
- Interest subsidy to SHGs accessing credit from banks
- SHGs promoted under SGSY may be dovetailed with other state specific livelihood enhancement projects to reduce confusions.

Livelihood Promotion/ Employment Transformation

- Appropriate institutions like 'cooperatives' or 'producer companies' be promoted under Federation to take up small & medium enterprises. These form of institutions should cut across SHGs and be of sizes as required by the enterprise.
- Such enterprises may be promoted in sub-sectors which holds potential for value addition of goods produced locally; enhance productivity or reduce drudgery.
- Federations can retain appropriate agencies to seek support for technologies; market survey; building supply channels etc. This can be done in partnership with private players.
- Rural youth can be trained on requisite skills to seek employment in such enterprises.

Implementation Mechanism

- Uniform mechanism for implementation of SGSY may not work for the whole country
- SHGs promoted under SGSY may be dovetailed with other state specific livelihood enhancement projects to reduce confusions.
- Implementation mechanisms may be chalked out for each district depending on the vibrancy/ capacity of PRIs; availability of good NGOs
- Wherever both the above does not exist, the NRLM should have provision for implementation through its own structure (May consider deputing 1-2 trained person with each panchyat guided by the DRDA)

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- NRLM should develop a comprehensive MIS to ensure/ facilitate convergence. Convergence may be made an integral part of reporting (Review committees at various levels should include this aspect in regular monitoring of the programme)
 - District specific plans be drawn to ensure timely delivery of credit.
 - NRLM should develop a comprehensive MIS to ensure / facilitate convergence with programs of other departments

Some specific suggestions

SHGs of 'only BPL families' are difficult; focus to be on affinity groups and therefore allow 30-40% poor (not in BPL list) in SHGs under NRLM

- Identification of eligible members for SHGs through wealth ranking (may include both identified BPL and those not in the list but poor – such families to be approved by Gram Panchayat)
- Formation of SHGs with membership from similar socio-economic background
- SHGs to carry out regular savings and thrift activities

Dedicated implementation structure

- SHG formation and nurturing is a full time task, requires special skills and dedication

Many NGOs have proven experience on this.

So, the task of SHG formation and nurturing should be assigned to competent NGOs (identified through selection process)

- Government to implement through full time Project Facilitation Teams (PFTs) at block level.

Role of District Project Units should be of monitoring and technical support to implementing NGOs and PFTs

- State and District units to take convergence on priority, if needed a dedicated person be put in-charge of convergence

Capacity Building

- Focus on technical skills- More/ equal focus needed on 'institutional development'
- Resource Centers/ agencies for specific services like training, market linkages etc. on service contracts be designated at state/district level

Delivery of subsidies

- SHGs carrying out regular savings & thrift activity may be appraised/ graded (after 6 months of operation)
- Grade 1: SHGs be issued a revolving fund of Rs 25000 or 4 time their group fund (which ever is less) under NRLM. SHGs are expected to revolve this fund through inter-lending among members.
- Grade 2: (After 6 month of issue of revolving fund) Based on grading and satisfactory management of revolving fund, each SHG be issued a seed capital of Rs 50000 (Rs 5000 x no. of BPL members – which ever is more)

Delivery of subsidies... contd.

- Grade 3: (After 6 months of issue of seed capital) Based on grading and satisfactory management of seed capital, each member in an SHG be supported to open a bank account individually with local bank. All the accounts may be issued a CC limit of Rs 7500 by the respective bank. For the BPL members, interest subsidy on the credit may be given under NRLM.
- Additional Capital subsidy of Rs. 7500/- to all BPL members may be transferred in their bank account
- Infrastructure development for helping livelihood enhancement of poor (@ Rs. 3000/- per BPL family) in district

Program Management and monitoring

- Base line/ benchmark data on each SHG member/ beneficiary
- Comprehensive database of SHGs- computerised
- Output based monitoring
- MIS on measurable indicators
- Mid Term Reviews for mid course correction and
- Impact assessment

Thank You