

Developing a National Policy Framework for Saving Groups in UGANDA

UGANDA Team Visit to APMAS

Hyderabad, Telangana State, India



1 - 8 May 2022

Report

Background

Government of Uganda's National Financial Inclusion Strategy (2017-2022) and the Fin scope (2018) Study, Savings Groups are identified as critical to Uganda's financial inclusion and transformation towards Vision 2040. With the support of the Bill and Melinda Gates Foundation, CARE International Uganda engaged the services of Makerere University Business School (MUBS) to assist in the formulation of a policy that will guide Government of Uganda's (GoU's) efforts in ensuring a vibrant financial sector that incorporates aspirations from the Savings Groups subsector and aligns with GoU's financial inclusion and national development strategies. The involvement of the WECs in this vision to enhance women's participation is intriguing. MUBS is assisting MoFPED in developing the Savings Group policy framework through a consultative and participatory process. In this connection, CARE International Uganda wants to seek inputs from APMAS based on its experience in Self-Help Group approach in India to add international perspectives in drafting a policy framework, in the above context, a six member team visited to Self-Help Group approach under financial inclusion in India is organized in Telangana State.

Objectives

- Increased understanding of the strategies adopted by key stakeholders to support Savings Groups and their federations in India (composition, structures, working modalities etc.).
- Increased understanding on what are the policy interventions to be taken up in order to achieve financial inclusion in Uganda

Program design

The expectations from the team was collected and the programme was designed with focus on three key elements: Interactions with eminent institutions / persons in the sector, field visit and policy recommendations to be taken up.

- The first two days were dedicated to interactions with APMAS and other prominent institutions like **Telangana State Cooperative Apex Bank (TSCAB)** and **Stree Nidhi Credit Cooperative Federation Ltd** an Apex Federation model and interactions with their Management. The major focus of the discussions is to understand their roles in providing services to member institutions, profitability and long term sustainability of the institutions. Later the team reflected on their understandings, best practices and key interventions required in the context of Uganda.
- On the third day visited, the team went to SHGs and their federations promoted by **Society for Elimination of Rural Poverty (SERP)** Govt of Telangana and **Mulkanoor Co-operative Rural Credit & Marketing Society**, Mulkanoor village in Bhemadivarapally Mandal, Hanumakonda district of Telangana State for a practical experience the working of institutions at different levels.
- On day four, the team visited **National Bank for Agriculture and Rural Development(NABARD)** & interacted with Chief General Manager, NABARD and also

interacted Deputy General Manager, **Sate Bank of India (SBI)** on their role in leading the SHG- Bank linkage program in India.

- On day five, the team reflected on their key learnings and formulated tangible outcomes for customising to Uganda context

Training venue: APMAS training center, Hyderabad.

Process:

1. Welcome & Introductions

Mr. CS Reddy, founding CEO of APMAS initiated the training with a welcome address. Each of the team members have introduced themselves, their roles and responsibilities of their respective organizations and expressed thier expectations of the program.

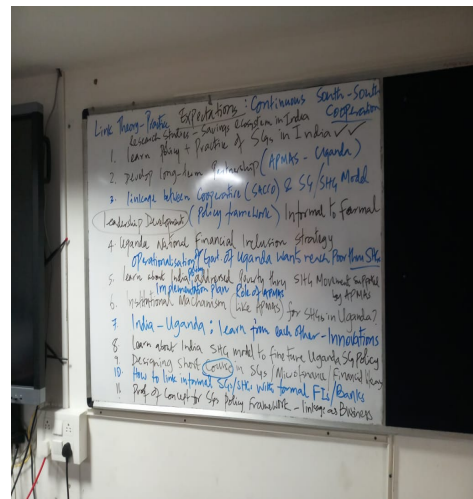
The details of Uganda team:

1. Henry Paul Mbaguta – Ministry of Finance Planning and Economic Development
2. Edward Muhairwe – Ministry of Finance Planning and Economic Development
3. Issac Nabeta Nkote – Makerere University Business School
4. Geoffrey Nkuutu – Makerere University Business School
5. Edton Babu Ndyabahika – Makerere University Business School
6. Melch Muhame Natukunda – CARE Internaitonal in Uganda

Along with uganda team members, Mr. G Srinivas and Mrs. S. Rama Lakshmi also participated in the visit.

Expectations received from the team are:

- Learning policy + practice of SGs in India
- Develop long-term partnership (APMAS – Uganda)
- Linkage between Cooperative (SACCOs) & SGs/SHG model (policy framework) informal to formal;
- Leadership development
- Uganda National Financial Inclusion strategy.
- Operationalization of the Government of Uganda policy to reach poor through SHGs. Implementation plan – Role of APMAS in India
- Learn about India policy to address poverty through SHG movement
- Support to SHG movement by APMAS
- India – Uganda: learn from each other – innovations
- Learn about India SHG model to fine tune Uganda SG policy
- Designing short course in SHGs / Microfinance / Financial Inclusion



- How to link informal SGs/SHGs with formal FIs / Banks
- Proof of concept for SGs policy framework – linkage as business.
- Link theory – practice
- Continue South-South Cooperation

Interactions with TSCAB:

Mr. Ravinder Rao, President, TSCAB welcomed Uganda and APMAS team. After the introductions, Mr. Nethi Muralidhar, MD, TSCAB made a presentation on role of TSCAB in strengthening Cooperative System in the state.

The key learnings from the presentation:

- Telangana Cooperatives are providing Short term, Medium term and Long term loans to farmers by adopting single window system
- Cooperative have 3-tier institutional structure (Primary Agriculture Cooperatives – PACS: District Credit Cooperative Banks – DCCBs and TSCAB). However each tier is independent, autonomous and inter dependent institutions
- In addition to providing financial services to member institutions and other institutions, TSCAB is supporting member institutions in recruiting the staff, capacity building, managing technical operations (digitisation of PACSs & DCCBs)
- 60% of DCCBs lending going through PACS.



- TSCAB is creating confidence among the members by working with them. Through long years of experience there was a chance in working on sustaining operations which have created confidence among the members.
- Each level risk sharing is there. The risk mitigation mechanisms are followed by cooperative institutions such as Audit; Recovery link to refinance; Insurance; Regular monitoring
- RBI is playing crucial role in bringing professionalism in the system through inspection and supervision of cooperative institutions along with NABARD
- Mechanism to build internal capital is share capital linked to the loans; assured dividend to the members to create confidence etc.



Inteactions with Stthree Nidhi

Mr. GVS Reddy, Managing Director, Stree Nidhi invited team followed by introductions of the team members and brief about Savings Groups in Uganda. Later, an interactive presentation of Stree Nidhi was also presented. Key take aways from the interactions:

1. Telangana State has 1 million groups with 5 million members. Rs.2.5 billion USD managing . Average finance per SHG is half million (Rs.7 lakh).
2. Enterprise promotion requires high interest. Hence, need external loans. Saving alone is not sufficient for an organization to operationalize actively. Wherever banking is not happening, Stree Nidhi type of orgnaization.
3. Any instituions will grow only by facing the risks
4. Creating data base of SHGs is important to bring a policy. With the help of the available data base, planning is made to maximize the financial services to its members



Day – 2

The team recollected learnings of day one and plan in customising with Uganda context. After the discussions, major areas emerged are;

1. Develop an institutional framework
2. SG Policy
3. Strengthening of SG movement

For an orderly growth and performance of the SGs, below are the action points to be followed:

- Develop a database for Savings Groups – different models
- Performance indicators and Rating Tools for SGs to be developed
- Facilitate SG – FI linkage for loans building on experiences of Uganda
- Promote Networks / Federations of SGs
- Computerisation of SGs and their financial management
- Promote APEX of Savings Groups – Financial Institution
- Desk review on best practices, models should be collected and develop the conclusions & recommendation

Day – 3

Field visit to SHGs, Village Organisations (Primary Level Federation) & Mandal Samakhya (Secondary Level Federation). Success factors of SHG model:

SHG level:

- Member are self selected
- Growth in savings & loan services
- Generating income from through interest coming from the loans, resource fee and subsidies
- Self financing of: Regular Book keeping, paid book keepers among the SHG members
- Leadership rotation – sharing of responsibilities among the members





VO level:

- Supporting SHGs in regular monitoring, problem solving, managing credit discipline through sub-committees
- Platform for SHGs: Sharing & Learning; convergence with local governance
- Facilitating loans for Income Generation activities
- Facilitating with banks and Stree Nidhi
- Meeting government departments, accessing rights and entitlements
- Generating income through interest on loans and margin from Stree Nidhi
- One member from each SHG become board for VO to management & decision making
- Formation of sub-committees ensuring proper implementation of activities and performance of SHGs

MS level

- Strengthening of VOs and SHGs at community cader
- Financing SHGs through VOs for higher order Income Generation activities
- Focus on livelihoods promotion
- Coordinate with Banks through Community Based Recovery Mechanism (CBRM)
- Convergence with line department and assit SHG member to access government schemes, rights and entitlements
- Training and capacity building of SHGs and VOs

Visit to MCRC&MS

The cooperative has become a mojour player in providing various services of farmers. The cooperative service portfolio has expanded from economic activity to value chain support services and to welfare services.



Over the years, with the support of members, banks related a processing infrastructure for cotton, paddy and seeds to provide various value added services.

Success factors:

- No outside interference in society activities
- Dedicated and accountable management
- Timely provision of adequate credit for agriculture activities
- Constant building up of internal resources
- Performance motive of the members and employees
- Efficient marketing management

Day – 4

Team visited NABARD to understand the working of SHG Bank Linkage in India, its success stories & challenges faced by the organization. Mr. Y K Rao, Chief General Manager, NABARD welcomed the team. Introductions followed with the elaboration and evolution of SHG movement and bank linkage in India.

Key learnings:

- SHG bank linkage is win-win model for Government, Banks and Community
- Risk mitigation & monitoring mechanism are important for the success of bank linkage
- Development financial Institutions are required to ensure SHG bank linkage
- Create an agency like NRLM to promote and nurture the SGs
- NABARD like institutions are required to oversee policy implementation



Interactions with Mr. Natarajan, DGM, State Bank of India



APMAS invited Mr. Natarajan, DGM, SBI to interact with participants on working structure of SBI in SHG bank in the state. After introductions, Mr. Natarajan, briefly spoken about graduation of SHGs bank linkage. Facilitating SHGs to reach investment grade requires lot of handholding support. SHG federations are playing that role. SHG should access Micro Enterprise finance. Currently, food processing industry can be more focused.

Hence, banks are now focusing more on economic activities by SHG members. The federations are playing a major role in sustaining the SHG bank linkages as it is cost intensive model and can be politicised.

Day – 5

Day started with inviting Mr. Mohaniah, Sector Specialist and APMAS Board member. Later participants shared their learnings of last four days. Team made a presentation on their learnings by incorporating them with policy framework.

Mr. Mohaniah and Mr. CS Reddy has given following recommendations:

- Recommendation required strong justification. Draw conclusions based on experience from India and international perspectives
- Plan wider consultations on the drafted Policy and also circulate it widely for feedback
- Organise policy workshop. For that APMAS can bring policy makers to share their experiences
- Policy group to take into consideration of unacceptance of stakeholders on various aspects of recommendations
- Refer SG policies developed by other African countries
- Timeframe and process of developing policy need to be developed
- Recommendations should be kept close as possible as to current practices
- Recommendations should be made keeping based on the culture/ social condition of the country

- Continuous support will be provided virtually from India
- APMAS provides its support in reviewing the developed policy and will give the feedback
- An MoU can be signed for the support in operationalising policy guidelines

At the end of the visit, team shared experience on overall visit. Later Mr. CS Reddy, CEO, APMAS concluded visit with vote of thanks to Mr. Mohanaiah and Uganda team.

Evaluation of the visit

- Team expressed that, most of the aspects which could be carried out in their country's policy include facilitation of bank linkages, institutional framework & setting-up monitoring mechanisms for development of Savings Groups.
- Overall team expressed their satisfaction providing a rating of 5. However one member felt that conclusion and way forward could have more discussions at the end of the visit.
- All the team members have expressed that their expectations and the objectives of the seminar were met during the course of the program.
- Overall rating on organisation of visit is satisfactory including information exchange during the program. However few members suggested accommodation and food can be improved.