

## **SUSTAINABILITY OF SELF HELP AFFINITY GROUPS OR SAGS AS UNDERSTOOD BY MYRADA**

*Aloysius Prakash Fernandez May 2005*

**Edited and updated Nov 2008**

---

### **TABLE OF CONTENTS**

	<b>Topic</b>	<b>Page No.</b>
<b>I.</b>	Bankers, Economists and members of SAGs wear different coloured glasses:	
<b>II.</b>	Sustainability of SAGs or of individual member's livelihood strategies? -- Myrada's approach focuses on the latter	..
<b>III.</b>	What Does MYRADA understand by Self Help Affinity Groups	..
<b>IV.</b>	Indicators of Sustainability	..
		..
	<b>1:</b> SAGs have functioned effectively for around 8 years	..
	<b>2:</b> SAGs have been able to re-engineer in a professional and business like manner to promote institutional growth	
	<b>3:</b> SAGs have been able to set up new apex institutions to respond to emerging needs and challenges	.

# **Sustainability of Self Help Affinity Groups or SAGs As understood by MYRADA<sup>1</sup>**

*By Aloysius Prakash Fernandez, MYRADA, Bangalore*

*Sustainability is not just to keep going but to keep growing...*

## **I. Bankers, Economists and MEMBERS OF SAGs wear different coloured glasses:**

Over the years, we have had to respond to several queries about SAGs. Are they inclusive? Do they reach the poorest? and now: are they sustainable? Sustainability is one of those words that are subject to various interpretations depending on the field of expertise of the interpreter or the ideological lens that he/she uses during interpretation. Other similar words open to various interpretations are “participation” in the development field and “god” in the religious. Let us give a few examples of the various interpretations of “sustainability”:

- From a Bankers’ perspective an SAG is “sustainable” if it continues to function primarily (and often only) as a financial institution or rather as a “micro-micro finance” institution. Bankers are more concerned about the number/amount of loans extended by Banks to SAGs and the rate of repayment. Within this framework, Bankers envision a second level tier (a federation or grouping of SAGs) as a logical next step in order to harness the advantages of scale and standardisation, to reduce the level of risk that a widely decentralised community based system is exposed to (in their opinion), and to introduce a degree of supervision required to “sustain” institutions managing finance. Where these intermediate institution do not exist, they rely on the promoting NGO. Analysts of the history of co-operative societies abroad, present the progress towards federalising as an example to be followed since, in their opinion, “community based financial institutions” have failed where the second level tier did not develop. Understandably, in their view, the major (and often only) function of the second tier (and probably third tier) is to manage finance. Bankers largely follow this line of thinking.
- Economists also view the SAGs from the Bankers perspective, but highlight issues related to the need to add value to products and to establish appropriate marketing systems, infrastructure and linkages. More importantly they want to know the value of the product and the increase in income generated, rather than the rate of disbursement of credit and the performance in repayment which are the Bankers’ major concerns. Economists’ concerns also focus on the need for larger loans to sustain livelihoods; the size of each loan given by SAGs to their members is often considered too small to generate adequate and sustained income. They also tend to view SAGs as instruments that are appropriate to “smooth over consumption needs” rather than as sources of adequate credit to lift the member out of poverty. They look at each loans rather than at a livelihood strategy which each SAG member has and builds on.
- The word sustainability has no meaning for SAG members. So asking them whether the SAG is sustainable does not help. Yet it is precisely the SAG members whose opinion is critical. We

---

<sup>1</sup> MYRADA is an NGO with 450 staff working directly with 1.5 million poor; “Building poor people’s institutions” is its short mission statement. It manages 15 major projects in three Indian States and has major involvements in 3 others where it has deputed staff to Government or conducts regular training and visits. Its major activities are promoting self help affinity groups, watershed, water and wasteland management, forestry, community management of sanitation and drinking water, housing and habitat, improvement of primary school education, technical skills for school dropouts, micro enterprise generation, preventative health care, a major HIV/AIDS prevention programme, promoting local markets and communication networks. It manages 10 Training Centres, all based in its projects. It started an MFI called Sanghamithra which lends directly to SAGs. Besides, it is involved with bilateral and multilateral organisations in Myanmar, Cambodia, Indonesia, East Timor, Vietnam and Bangladesh largely in promoting the self help group strategy and participatory approaches to natural resources management; website: [www.myrada.org](http://www.myrada.org)

need to ask several questions to get an idea of whether they think the SAG is sustainable or needs to be, and, if so, for how long. The general approach today in workshops and seminars is to view the need for sustainability from the perspective of Bankers, Planners, Researchers and Economists. Let us not forget that the SAG movement emerged from the people. Thanks to RBI/NABARDs efforts and policies, Bankers have avoided imposing standard procedures for issuing loans, like loans to each individual member, standard unit costs and sizes and for asset loans only; at least many Bankers have done so – and this is why the movement has spread. It would be tragic if we now impose our requirements for sustainability on them. The following are some of the questions and answers that help us to understand whether people want their SAG to be “sustainable”:

*Why did you join an SAG? How has it helped you? Do you think it can continue to help you in some way? Do you want to be a member of the SAG till you die? Do you want to change anything within or outside the SAG? Can you do it yourself? If not –how and how long will it take? Would you be happy to take individual loans from the Banks at some stage?*

*How have you benefited?* The men’s SAGs response largely focuses on the benefits of obtaining credit at low rates when compared to money lenders and without hassle, security and in time when compared to the Banks. They also refer to the market linkages that the SAGs helped them to establish, and the options they now have of working in different places since many are no longer bound to work for the large farmer who lent them money. The women SAGs responses cover a wider spectrum. “We need a corner – a nukkad – where we can meet safely and without disturbance from men. In fact in the initial years men were suspicious of this “nukkad” and often tried to barge in and drag us out or remain close by to hear what was going on”. “We have learned to discuss, to take decisions regarding loans, repayments and fines for delays for not coming on time to meetings, not sending your child to school etc and to come to a consensus; in turn this has helped us to gain confidence when we discuss with men and others and to take up new income generating activities personally or through other members in the family”. “We are now confident to speak to Bankers and Government Officials. Since we go by rotation to deposit money in the Bank, we are now accustomed to deal with Bankers; formerly we dared not even talk to them when they visited us”. “We now have access to money for all purposes including domestic needs which we could not get before”. “Our husbands initially were against us leaving home to attend meetings. Now they agree because we bring in money when required in the home”. “Formerly our husbands used to slap us when we had an argument...now this has reduced considerably as we know how to argue and they are a little scared of us”; but a few in the groups say: “when our husbands are drunk or depressed they still beat us ..and we have to find a solution to this, which we will”. “We now have money to buy books and send out children to school”; “we have intervened in the village to settle disputes and to lobby for drinking water and sanitation”.. Etc.

*Do you think the SAG can continue to help you? How long will it take to influence change in the home and in the village, which you want to? We asked this question to members of group averaging 8 years. In response to the question can the SAG continue to help you, they responded as follows: Some groups had set a limit to the size of loans – Rs 10,000/ in many cases – members of these groups said that as their livelihood strategies developed they needed larger loans; hence they need to change this policy; otherwise they would leave the group and form another. Groups where they was no limit to the size of loans responded differently: Some members said they would continue to be members since they need larger loans which they were getting; others said that they wanted to meet regularly and support each other besides availing of credit and savings facilities for several purposes which emerged as their confidence and skills developed. They see no problem in being constantly in debt since they can repay their loans and are building up capital and assets which they could not do when they borrowed from money lenders at high interest rates. . They said that it will take time to change relations at home and to lobby for equal access and opportunity in public life; however, they are confident that the SAGs will continue to give them support to change situations and to lobby for their entitlements even when their need for credit is met. Many said that they would be willing to go to banks directly, but would prefer to deal with SAGs if they could get larger loans since they came to*

the group also to share views, discuss problems and find support. In fact some groups have persuaded SBI and Sanghamithra (MFI promoted by Myrada) to lend Rs 3- 6 lakh to each group which allows the size of the loan to each member to increase. From all their replies Myrada got the following insights:

1. Each member has a livelihood strategy which includes several income generating activities like local labour, migration for a short period, a few sheep, goats, poultry birds, or cows, collecting non forest products, homestead gardens and small fields – which they own or take on lease with help of loans from the SAGs; the livelihood strategy also includes several non-farm activities especially trading, small shops selling various commodities and services like cycles for hire; small household businesses including food processing and regular jobs for one member in the family at least. They also need money for education, health and social activities. The SAG model which lent for all purposes, quickly and often without fixing a standard size and restricting purpose suited them well to develop a livelihood strategy.
2. Their need for credit during the initial years is not for large sums but for several purposes that emerge often and which do not synchronise with their cash flow and which are not always asset based. Hence they need a credit source close at hand, easily accessible, where they can borrow for any purpose, any size; for example to repay high cost loans, to release their mortgaged tamarind trees and fields etc.
3. They need a place to save which is safe, in their control and readily accessible; this is the SAG common fund. They also start savings in Banks when they have decided that their savings in the group common fund is adequate.
4. Very often NGOs and Government give them several cows or a herd of goats/sheep which they cannot fit into their livelihood strategy because they need to move for work to earn a daily wage to survive. Besides since looking after a herd of sheep is a full time job and they cannot work elsewhere for their daily food, they sell some sheep to survive. Often they do not have enough fodder, grazing land or water and cannot maintain the cows . They therefore sell them off.
5. They are quite comfortable to be constantly in debt to the SAG since they need loans regularly to cope with their uneven income flows and urgent needs for money; they are able to borrow small amounts which they require and which they can manage; they can repay these loans without any distress and finally they are able to build assets and capital which they could not do before when they borrowed from money lenders since the interest rates were very high.
6. They look to the SAGs not only for providing a savings and credit facility but also for several other purposes. Women especially look for support of various types. Above all they are clear that the experience gained during SAG meetings and the opportunities the SAGs provide to interact with outsiders has built their confidence to talk, improved their skills to negotiate and their ability to take risks to build on and enlarge their livelihood strategies; finally their number and stable institutions give them a power base to lobby for change at home and in society which is a slow process but they now see that it is possible.

## **II. Sustainability of SAGs or of individual member's livelihood strategies? Myrada's approach.**

To understand what is meant by a livelihood strategy as opposed to loans/grants for livelihoods, we studied the loan pattern of several SAG members. Below 4 samples are given which show the diversity of loan purposes and sizes and a large number of loans which depend on the availability of labour in the home, on the confidence to undertake new activities and on the time schedule they find convenient to undertake different activities. These do not conform to the prescribed list of products under government programmes where one or two large loans are provided with subsidies nor to many of the products promoted recently by MFIs. These four examples are taken from Shree Sitara SAG, Chikkajajur, Holalkere Taluk, Chitradurga District Karnataka.

(1) Shanthamma*			(2) Sakamma		
Date of Borrowing	Amount (Rs.)	Purpose	Date of Borrowing	Amount (Rs.)	Purpose
1996	500	Household expenses	1996	500	Education
1996	1,000	Cow Purchase	1996	100	Medical expenses
1996	2,000	Education	1996	445	Medical expenses
1996	3,000	Cow purchase	1996	1,000	Education
1997	3,000	Agriculture inputs	1996	2,000	House repair
1997	3,000	Education	1997	2,000	Agriculture inputs
1997	4,000	Education	1997	2,000	Education
1998	5,000	Education	1997	2,500	Education
1998	6,000	Agriculture land purpose	1998	4,000	Education
1999	8,000	Education	1998	5,000	Agriculture land purchase
2000	11,000	For job in Railways	1999	7,000	Agriculture inputs
2000	15,000	Business	1999	10,000	House repair
2000	325	To purchase SHG uniform	2000	325	To purchase SHG uniform
2001	20,000	For telephone booth	2001	15,000	House site purchase
2003	8,325	Sewing machine (SGSY)	2003	8,325	Sewing machine (SGSY)
2004	35,000	Education	2003	22,000	House site purchase
2004	2,300	LPG for home use	2004	2,300	LPG for home use
2005	1,000	Jewellery loan	2004	40,000	Agriculture land purchase
2006	45,000	Agriculture land purchase	2005	1,000	Jewellery loan
2006	2,000	Jewellery loan	2006	2,000	Jewellery loan
<b>Total</b>	<b>175,450</b>		<b>Total</b>	<b>127,495</b>	
* <b>Note:</b> Her husband was a sweeper in the railways. After he died in service, the family spent considerable money to see if one of the sons could get appointment in the railways.			<b>Note:</b>		
<b>(3) Kausar Banu</b>			<b>*(4) Nagarathamma</b>		
1996	1,000	Trading	1997	2,000	Education
1996	3,000	Trading	1997	500	Education
1997	5,000	Trading	1997	2,000	Education
1997	500	Education	1998	4,000	LPG for home use
1997	5,000	Medical expenses	1998	5,000	Education
1997	299	Medical expenses	1998	5,000	Vehicle loan repayment
1998	4,000	Trading	1999	7,100	House repair
1998	5,000	Trading	1999	8,000	Vehicle loan repayment
1998	5,000	Trading	2000	8,000	Vehicle loan repayment
1999	5,000	Trading	2000	15,000	Vehicle loan repayment
1999	12,000	Trading	2000	325	To purchase SHG uniform
2000	25,000	To release house mortgage	2001	18,000	Business
2000	325	To purchase SHG uniform	2002	30,000	Vehicle repairs
2001	2,000	Education	2003	28,000	Vehicle loan repayment
2002	40,000	House purchase	2003	8,325	Sewing machine (SGSY)
2003	325	Household expenses	2004	2,300	LPG for home use
2003	8325	Sewing machine (SGSY)	2005	40,000	Vehicle repairs
2003	50,000	Agriculture land purchase	2005	1000	Jewellery loan
2004	2300	LPG for home use	2006	2,000	Jewellery loan
2005	58,000	To release agriculture land from mortgage	<b>Total</b>	<b>186,550</b>	
2005	6,000	House repair	* <b>Note:</b> The family purchased a used minibus on loan; she borrowed from the group to repay the loan in instalments and to repair and refurbish the vehicle.		
2005	1,000	Jewellery loan			
2006	2,000	Jewellery loan			
<b>Total</b>	<b>241,075</b>				

What learnings can we draw from the above responses to our questions and the 4 samples?

1. Each family requires a large number of loans. Shantamma and Sakamma have taken 20 loans each, Kausar Banu 23 loans and Nagarathamma 19. These loans have been taken over a ten year period. This is a common pattern in the SAGs in Myrada's projects. This is why we recommend that the SAGs should function effectively for at least 8 years since the livelihood strategy has stabilised by this time and our analysis of their income and expenditure patterns reveals that they are much above the poverty line and show clear signs of remaining there..

2. The total amount taken as loan is much higher than what is available under Government sponsored programs.  
Shantamma has borrowed Rs 175,450, Sakamma Rs 127,295 Kausar Banu Rs 241,075 and Nagarathamma Rs 186,550.
3. They need loans over a long period...at least over 8-10 years and not just one or two “doses”; many members say that they would continue to manage their SAG till the family is assured of a regular income and even then they would meet for social purposes - this was especially true of women's SAGs.
4. Each has a different livelihood strategy. Shantamma has invested in a cow, in Education, for getting her family member a job in the Railways and in Business; she finally bought agricultural land. Sakamma has invested in education, in purchase of a house site and of agricultural land. Kausar Banu is not interested in agriculture initially since her land was mortgaged, so she borrowed for Trading in which her whole family is involved; finally after 9 years she borrowed to get her agricultural land released from mortgage. Nagarathamma has invested largely in a vehicle which the family uses for transport on hire and in education.
5. It emerges that each one has invested according to their different capacities, as regards labour available in the home, skills and aspirations.

In conclusion therefore it can be stated that the restriction under IRDP and SGSY, that the loan purpose should be for assets, and only for those assets that are **listed as approved** does not take into consideration the **diversity** in soils, rainfall patterns, markets, livelihoods already undertaken, market integration, local resources and customs, differences in the pace of adoption, availability of labour, skills, confidence and people's ability to innovate and to find openings for investment. The sizes of each loan also vary.<sup>2</sup> Hence the credit system has to provide for this diversity, which can only be done at the local level. A credit management system is required which takes the diversity of needs and situations as well into account. The SAGs once again responds to this diversity not only in lending but also in repayment schedules which is required since their income flow is not regular but lumpy.

In recent papers and e-mails, the assumption that loans must be asset based in order to raise the poor family above the poverty line is emerging. We need to distinguish between ‘assets focused loans’ and ‘loans for livelihood strategies’. The portfolio of livelihood strategies is much broader; it goes beyond ‘asset focused loans’ and includes any activity that increases capital in the hands of the poor. Credit for livelihoods includes credit for any activity that increases capital in the hands of the poor and not just credit that provides assets. In other words, if the poor take loans to repay high cost private loans, this must be considered as credit for livelihoods, as capital increases in his/her hands to purchase essentials. If the poor take loans for urgent health problems, this must be viewed as credit for

---

<sup>2</sup> **The concern related to size results in the promotion of viable units** that are designed under IRDP/SGSY; but these large units also **demand full time management and adequate resources**: The requirement that the product had to be a viable unit, (like a sheep unit of 20 ewes and one ram) did not take into account the fact that the individual poor person/beneficiary was already involved in some livelihood activity; otherwise he/she would not be surviving. Managing a viable product, like the new activity, requires in most cases that he/she give up the old. How then will he/she survive in the short term? The answer usually is to sell part of the asset – like one or two sheep out of the 20; there goes the viable unit! Feedback from the SHGs showed that the poor person is more concerned about ‘manageability’ of a ‘unit’ or asset rather than its ‘viability’ in the short term. For what is viable may not be manageable at a point of time. If the poor were alive they must have managed to meet their essential need. These are the existing strengths, which should be built upon and not pushed aside. There is also the underlying assumption that all income necessary for a secure livelihood should come from a single activity of a viable size. On the contrary the poor in rural areas have several small and often seasonal sources of income enough to bring the poor person out of poverty. In many cases, like in Myrada's Dharmapuri project, crossbred cows purchased with large loans were pushed by government officials under the SGSY programme which they calculated would provide adequate income to raise the family above the poverty line, but there was not enough water or fodder to feed them. Hence they became a liability. On enquiry, it was learned that cows were selected as a priority in a drought prone district because the milk route was not viable!! On the other hand the SHGs never lend for cows unless there is adequate water and fodder and even then for 50% crossbreds only which are more ‘manageable’ than the over 80% crossbreds offered under SGSY.

livelihoods as he/she does not have to resort to private lenders and can also return to work and hence capital increases in his/her hands. If the poor take loans for education – is this not for a livelihood? None of us reading this paper would have been able to, unless someone had invested in our education.

MYRADA has always focused on the sustainability of impact on livelihood strategies of individual members of SAGs as the goal of its interventions, and not on the sustainability of the SAG itself. However, the two are linked, since Myrada's experience indicates that an SAG has to perform well for at least 8 years in order to provide each member with the space and opportunities he/she requires to build a livelihood strategy and the linkages such a strategy require to be sustainable. It must be noted that just as the affinity, which binds the members together, existed before Myrada's intervention, so too each SAG member, however poor he or she may be, has a livelihood strategy even before they join the SAG. If the poor have survived in a situation of scarce resources and limited access to resources, they must be good managers. This is their strength. In keeping with its approach, Myrada builds on these strengths – particularly on i) affinity by investing in institutional building through training and exposure and on ii) their livelihood strategies by providing the poor with the institutional space to avail of savings and credit facilities and to grow in confidence and skills (this is achieved in the SAG and thru exposure), by identifying their livelihood choices (*Footnote...Myrada uses a software called NAB-YUKTI to identify patterns in livelihood choices*) and providing support to add value and scale and to open market linkages (this is done directly by Myrada and also by the Community Managed Resource Centres)

The Rural Management Papers (RMS Series, authored by several colleagues in MYRADA), dealing with SAGs that appeared periodically throughout the late 80s and early 90s have repeatedly stated that SAGs are not the final answer that will continue forever. Hence the sustainability of SAGs in this sense was never an issue or a goal. On the contrary, SAGs were expected to provide members the support to take the first steps to develop/stabilise a livelihood strategy – and thereafter, either remain and evolve to meet emerging requirements under changing circumstances or dissolve amicably (and professionally!), having served a purpose. In general Myrada realised from experience that this takes about 8 years. But then again this time period depends on i) the confidence, skills and resource base from which the member takes off and ii) on the investments in the area that promote all round growth and reduce risk of their investment. This investment for all-round growth comes from Government (infrastructure, electricity, transport), from the private sector (marketing, communication, storage, technology) and from the NGO which invests in watershed management (which reduces risk of investment in dryland agriculture), in agriculture diversification, in technology to add value and scale to on and off farm activities and in promoting marketing institutions and linkages (SAG Clusters, Producer Companies, etc).

MYRADA did not adopt a position that the whole SAG should move towards larger and more profitable enterprises. Some will adopt this path –like those in Myrada Katterry project which have invested as a group in floriculture and organic vegetables- but most will give each member the freedom and support to move at her/his pace. Proof that this was indeed closer to the situation on the ground was the evidence gathered from an analysis of the purposes of loans that showed that even in the first year some members of SAGs took loans for income generating activities while others preferred to wait for a year or even two during which they borrowed to repay loans taken to moneylenders, for health, food and other social needs.

### **1. What does Myrada understand by Self Help Affinity groups**

Before proceeding further to describe the indicators of “sustainability” of SAGs which emerged, it may be useful to describe what MYRADA understands by an SAG. This is important since over the past 5 years the name Self Help Groups has been given to all kinds of groups. Even worse, in most States, groups were formed in a hurry to achieve targets, membership was based on externally set criteria for membership, not on affinity. Further hardly any investment was made in the institutional capacity building of the group. Instead, allocations made under SGSY for training groups have been spent on organising large gatherings, promoting political rallies and at best in conducting one day

sessions for leaders of Self Help Groups to introduce them to the “scheme” or a “project”. In many States, the Self Help Group movement has been taken over by official government agencies which have little experience in and less time to invest in building institutions; Government views all groups as extensions of their delivery system to carry out a programme, and not as people’s institutions in their own right –the only exception was the RBI and NABARD’s recognition of Self Help Groups as independent institutions in the context of finance management; it is precisely because of this recognition that the Self Help Group movement – largely devoted only to the micro finance management component - has spread throughout the country.

The history of how SAGs emerged may shed some light on MYRADA’s understanding of sustainability. Between 1983 and 1985 several of the Co-operative Societies<sup>3</sup> started by MYRADA with over 100 members broke up because of lack of confidence in the leadership and poor management. Others did not break up, but it was evident from their decisions that the poor were marginalised and even exploited. Members of these Cooperatives met MYRADA staff in small groups; they expressed their willingness to repay their loans to MYRADA, but not to the Co-operative Society, which was a large and heterogeneous group and dominated by one or two individuals. We informed them that they had not taken the loans from MYRADA; hence the issue of repayment to MYRADA did not arise. After several meetings, we asked: “Why not repay to the small group of people assembled here?” They agreed. The large Co-operative broke down into several small groups and the group members repaid their loans to whichever group they chose to join. Thus was born the first set of “**Self Help Affinity Groups**”.<sup>4</sup>

On analysis, MYRADA realised that there was a strong feeling of “**affinity**” which linked the members of each of these small groups together. This affinity was based mainly on **relationships** of trust, relations that were non-exploitative, on certain **social features** (like a degree of homogeneity among the members, a degree of voluntarism and self reliance and willingness to support one another in need), on certain **structural features** like a common origin (blood or ancestral village) or the same livelihood base (all daily wage earners, landless or marginal farmers, even though from different castes, religions or communities), on **gender bonds** (all women, or all men, though about 5% of the groups were mixed). In a few cases they were based on **similar activities undertaken by each member** (like basket weavers); a large group of households undertaking a similar activity often decided to break up into smaller groups of 10-15 on the basis of affinity. Interestingly no groups were formed on the basis of political party affiliations. Briefly, the affinity groups were unpolished diamonds hidden under stones; we just happened to kick these stones aside by accident; all that we can be credited for is that we stopped to look, to learn, to identify people’s strengths or the potential of the diamond and then to build on them.

---

<sup>3</sup> The Cooperative Societies in the rural areas at the primary level are composed of better off and poor, dominated by the landed, especially by the farmers who have irrigation, and usually controlled by aspiring local politicians who use these societies as a stepping stone for their rise in politics. Several studies of these societies have been conducted by committees set up by Government. They all agree on the reasons for the poor performance of these Cooperatives, namely: poor governance, the lack of adequate supervision and the excessive influence of politicians which has resulted in most of these societies incurring regular loss; there are examples of success, but they are few and are due either to their leaders capturing political power which they use to further the Societies’ interests or because of dedicated individuals; demands for recapitalisation by political parties have been a major and recurrent feature.

<sup>4</sup> Subsequently MYRADA identifies affinity groups through the following process: It conducts PRA exercises like wealth ranking which helps people to identify who are the poor and poorest in the village; then sessions are held with this group to explain to them what affinity means; they are then requested to form groups on their own based on affinity among members.



When these affinity based groups emerged in MYRADA in 1984, they were called Credit Management Groups; the focus was on management of savings and credit rather than on the provision of credit. When MYRADA entered into a contract with NABARD in 1986-1987 to take up a pilot project to promote these groups, the name was changed to Self Help Groups; several studies were carried out between 1988 and 1990 to assess whether the SHGs really offered a sound alternate credit strategy which could be accepted by official institutions. This was accepted in 1990 by the Reserve Bank and NABARD. Three major policy decisions were taken by RBI/NABARD: i) to lend to unregistered groups provided they functioned transparently; ii) to lend without asking for the purpose –to lend directly to the group as a group allowing the group to decide on individual loans and ii) to lend without collateral. In 1992 NABARD launched the SHG- Bank Linkage Program in whereby the banks extended loans directly to groups –not to individuals in groups – without asking for the purpose of the loan to the individual member in advance. In the late 1990s the SHG strategy was accepted by the Government of India as a major programme to mitigate poverty; funds were allocated in the Budget; targets were set and groups promoted by Government all over the country often without adequate capacity building. **It was then that MYRADA changed the name to Self Help Affinity Groups or SAGs. In this paper, these groups will be referred to as SAGs instead of SHGs;** this distinction will help to focus on the **affinity** required to bind the members as well as to distinguish between genuine self help groups and those groups that were formed under pressure to achieve targets, which were given grants a few days after formation with little or no investment in institutional capacity building and whose membership is based on external criteria rather than on affinity.

It is important to note that the affinity relationships existed before the intervention of an outside agent like MYRADA; they were adequate to support traditional actions like mutual help in times of sickness or childcare. We often referred to this complex of relationships as “traditional social capital”. Our strategy built on these strengths. However, with new functions emerging in the self help affinity groups, this traditional capital had to be built up to cope with the demands of effective financial and organisational management, as well as with the social role that the groups had begun to play, for example, to initiate change in society and in the home, to protect and further their interests, as well as to establish linkages with supporting services and institutions

Identifying affinity groups is only the first step. More important is the investment required to build the institutional capacity of these groups. This is where most of the Government sponsored group’s fail, as Government Departments do not realise the importance of building people’s institutions; they either assume that they exist or that their function is to implement Government programmes. In several cases only the leaders of the groups are trained, thus increasing the gap between them and the others. The Capacity Building Modules which MYRADA offers to all the members of each SAG over a period of 12 to 16 months include: 1. A structural analysis of Society; 2. Analysis of local credit sources; 3. Self-Help Affinity Group – A concept; 4. How a meeting of the Community Based Organisation is conducted; 5. Communication; 6. Affinity; 7. Vision Building; 8. Organisational Goals; 9. Planning, Resource Mobilisation, Implementation, Monitoring & Evaluation (PRIME); 10. Rules and Regulations; 11. Responsibilities of Group Members; 12. Bookkeeping and Auditing; 13. Leadership; 14. Conflict Resolution; 15. Collective Decision Making; 16. Common Fund Management; 17. Self-Assessment; 18. Group Graduation; 19. Linkages with other Institutions; 20. Building Credit Linkages; 21. Federations; 22. Credit Plus, and 23. Analysing Gender Relations in the Family and Community. These modules have been published in a training manual entitled “The MYRADA Experience: A Manual for Capacity Building of Self Help Affinity Groups” which has been translated into several languages.

One of the assumptions behind Myrada's approach described above was that power plays a critical role both in keeping people in poverty (or returning them to this state after temporary project interventions) as well as in liberating them from the poverty cycle. **For MYRADA "it is not enough to teach the poor people to fish when they cannot reach the river"**; the obstacles on the way relate to power relations which are oppressive and exclusive like caste, to relations which force them to be dependent for their essential needs – for example they need to borrow money to survive on the way and end up working to repay the debt all their lives - , to the lack of basic skills like literacy –they cannot read the sign posts to the river, to unequal gender relations –the women carry a heavier load and therefore move slower, and finally when they get to the river they find that the fishing rights have already been captured. MYRADA highlights the need for sustained group action both at the level of each group as well as in federations to overcome these hurdles. MYRADA therefore, would ask whether the SAGs have built up the social capital which is adequate to introduce and sustain changes in society and at home. MYRADA recognises the value of SAGs possessing and managing finance, but it focuses more on the SAGs skills in the management of finance than on its provision, since it believes that it is the management of finance in a transparent and fair manner which is empowering rather than its provision, at least in the first stage of development.

Institutions, by themselves, do not empower. In fact they have the potential to disempower if their structure is inappropriate, if they are used as implementers of programmes designed by others, if they are forced to follow the timetable and agenda of the project managers, and if their systems are inflexible and unresponsive to emerging situations (threats and/or opportunities). They also disempower if the official organisational and financial management systems are imposed on them and standardised. MYRADA holds the position that these SAG groups should not be 'mainstreamed' by the official institutions; on the contrary the official institutions should recognise and respect their systems provided they are transparent and adequate. Mainstreaming is disempowering when the mainstream imposes its system and culture. Genuine people's institutions provide the space within which the poor can build up their confidence and skills to establish relationships with other institutions on an equal footing.

In this scenario, an SAG is deemed to be "sustainable" if it functions well enough to achieve the goal of each member's self-development; no one in the SAG can be left out. Sustainability, therefore, was not understood in the sense that the SAG would live forever. In fact if it lived forever and continued to perform the same functions, it would indicate that it was not really sustainable, in the sense that it did not have the inner institutional strength to morph into new institutions or group into new federations and undertake new roles and functions to respond to emerging situations.

#### **IV. Major indicators of sustainability of A SAG**

**1: The SAG has functioned effectively for 8 years.** - the time required to stabilise a livelihood strategy provided there is all-round growth in the area.

The period of 8 years is not an arbitrary choice but is based on experience; it is roughly the time required for capacity building and empowerment processes to develop into a sustainable livelihood strategy; this period of 8 years is also required for each member to go through at least 10-12 loan cycles with incremental loan sizes.

Functioning effectively in Myrada's understanding implies:

- a) That the SAG is able to help each member to take the first steps towards building a sustainable livelihood strategy. Briefly this means that the members have borrowed for income generating projects, not once but many times. The loans may be small, but several have been taken over a period of 8 years. This feature needs to be stressed, because one regularly finds comments (often

disparaging) in well-authored papers that the SAGs only “smoothen consumption needs”. This is not a true picture

- b) That its institutional strengths enable it to build stronger relations of trust, mutual support and commitment to promote a common good among its members and to acquire greater skills in order to support new and more complex functions and relations/linkages in response to emerging needs and priorities of the members during these 8 years.

A key instrument in promoting effective functioning is regular assessment of the SAG carried out in a participatory manner. Part of the monitoring system set up within MYRADA is to train SAG members to assess themselves. The key domains are: organisational and financial management, organisational accountability, ability to establish linkages to add value and scale, to learn and to evaluate and to have a vision/mission. This assessment is done in a participatory manner with staff from MYRADA assisting the SAG; often members of more experienced SAGs also participate. The criteria for assessment also includes social and organisational indicators (like changes in gender relations at home and in society, issues related to effective participation of all members in decision making, change in SAG leaders/representatives) as well as financial indicators related to access to loans (whether all had accessed loans and maintained the discipline of repayments as decided by the group, or were there significant biases that were not addressed), whether there were changes in the purposes of loans, for example, if the loans for food and clothes which were larger in number during the first year or two decreased after that due to interventions to add value and scale to livelihood activities resulting in higher and more sustained incomes. Changes in size of loans are other criteria; if the loans do not grow larger then more options need to be created through all-round growth, reduction of risks and investments in various types of infrastructure, communication and linkages.<sup>5</sup>

**MYRADA’s overall strategy for supporting livelihood strategies.** This strategy has the following components:

- 1) Provision of larger loans. Our experience indicates that Banks hesitated to give loans larger than Rs.25,000. Then Sanghamithra, the MFI promoted by MYRADA started lending Rs.1 lakh to SAGs. Banks then raised their limit to Rs.50,000. Sanghamithra is today lending over Rs.3 lakhs to SAG; the Banks loans however have hovered around Rs.1.5 lakh; there are exceptions.
- 2) Analysis of the purposes of loans taken by SAG members: The software developed by MYRADA AND SUPPORTED BY NABARD CALLED NAB YUKTI helps us to identify patterns in the purposes of loans. The assumptions are that since the SAG member is not under any pressure to conform to predetermined loan purposes he/she is able to clearly state the purpose of the loan required without trying to make it fit to what is considered acceptable. Further, we know that the SAG checks whether the loan was used for the purpose mentioned at the meeting in order to establish the members credibility. If certain patterns emerge, our assumption is that there must be some comparative advantage. Note: we do not find that loans for similar purposes are taken by all the SAG members – a strategy which many Government programmes foster – but we do find that one or two members from several SAGs in a particular area take loans for similar purposes. For example we find that two or three members from each SAG in a particular area take loans for buying and selling hides or for small poultry units

MYRADA brings these members together and trains them. In the case of those buying and selling hides, training was given to do tanning. In the case of poultry, training focused on larger units and better management. These members return to their SAGs and borrow from there if they intend to invest further. MYRADA also suggests that these members (not SAGs) can come together to purchase inputs or do marketing in bulk. However, the biggest stumbling block here to increase the portfolio of enterprises is the lack of infrastructure like cold storages, hygienic handling, power, water, markets which function transparently without middlemen who monopolise the trade and transport. Information is not a problem any longer as cell phones and telephone are available.

---

<sup>5</sup> For further details refer to Putting Institutions First Even in Micro Finance by this author and to Rural Management Systems Papers on SAGs which are available on our website.

MYRADA also encourages the SAG members to stand for elections to the PRIs so that priorities can be given to investment at least in village roads and to lobby so that better management systems related to power and water can be introduced.

Linkages with the private sector and markets are also promoted. The Community Managed Resource Centres play a major role in this area especially in agricultural and related products.

**2. The SAGs are able to re-engineer themselves in a professional and business like manner to cope with emerging needs and pressures. This criterion of sustainability emerged as a result of what actually happened in many SAGs.**

Reports from projects revealed that some SAGs had decided to restructure their membership as well as their common fund. This was a rich source of learnings for MYRADA. The findings from one rapid study of SAGs in MYRADA's Chitradurga Project that have re-engineered themselves are briefly described below.

The study conducted covered 35 groups which had "re-engineered" themselves. Of these 35 groups, (a) 6 groups, over 8 years old, decided to share their income component of the common fund which comprised membership fees, fines, interest or service charges, bank interest earned, donations and income earned from a few group activities and from visitors who came to study their functioning. They did not share their savings, but retained them in the common fund. After sharing the income component, all these groups started anew with all the members. There was no change in the membership. The reasons for their decision will be discussed below.

(b) 3 groups, over 8 years old, decided to disband and to share their entire common fund. They started the group again, but a few members decided not to join (or were given a message that they were not welcome because they had not abided by the groups discipline)

(c) A further 20 groups also over 8 years old decided to divide only the interest earned from lending to members and the income from group income generating activities, but they did not distribute their savings, fines, donations from guests, bank interest. After this, all the members continued in the SAG; none were added and none left.

(d) Finally, 6 groups disbanded and reorganised as Stree Shakti groups. These, however, were new groups (less than one and a half years old); each group receives a grant of Rs 5000. This was the major motivating factor.

The reasons for their decisions were the following:

- With reference to the SAGs in groups (a) and (c). Some of the groups were concerned throughout their existence that members may not be able to repay large loans. Hence these groups limited the amount to a maximum of Rs.10,000. This resulted in accumulation of a large sum of money in the common fund which was placed in a local Bank. As long as the Bank interest was high, they were quite happy to leave the money in the Bank, but with the falling interest rates after 2001-2, they did not think it worthwhile to park the funds in the Banks. The groups, therefore decided to share a portion of the common fund. With due caution, it could be said that the members were quite aware that their savings had to be managed in a way that their yields were increased, on the other hand the hesitation to increase the size of loans did indicate a lack of confidence to take risks
- Other SAGs of these two categories (a) & (c) did not impose a limit to the loan amount to each member. Each of the members was given loans as per her necessity; in many cases Rs.50,000 had been given to the member who was regular and whose repayment was good. Yet the group had money accumulated in the common fund and decided to distribute part of it.

- In general, the reasons why the SAGs decided to distribute part of their common fund were the following:
  - Falling interest rates in Banks
  - Knowing that the group has a lot of money, many people from outside the group began to ask for donations; the group felt that if they continue accumulating money these requests will increase, hence they decided to distribute part of their common fund and restart.
  - Knowing that there were large sums of money in the common funds, husbands of some members began to pressure them to ask for larger loans which the members were not willing to give.
  - Members felt that the group is earning because of their investment of time and effort, and hence they should get a return for their investment; therefore, a portion of the groups own fund was distributed
  - Some groups had taken up “group income generating activities” periodically and earned profits which were invested in the common fund. After a period of five years they thought they should share this amount
- With reference to the three SAGs in group (b) which changed their membership, some of the members wanted to quit; they felt that they could manage with out the support of the group. Others were advised to leave. Hence it was decided to disband the group after sharing the entire common fund

In general however, it was clear that all the groups took decisions that were discussed and accepted by all; the result was that each member benefited from lump sums and the SAGs continued to function in many cases even more effectively than before, having gained from the experience of re-engineering in a professional manner. MYRADA adopted this successful restructuring as an indicator of the SAG’s organisational strength which contributes considerably to its potential to continue functioning in a socio-political-economic context which is changing even more rapidly than before.

### **3.The SAGs are able to set up new apex institutions to cope with emerging opportunities and threats.**

During discussions with SAGs, it emerged that they wanted some kind of MYRADA’s presence in the area after withdrawal of the programmes. MYRADA’s, first reaction was that they have claimed to be functioning very well and therefore should be able to continue on their own. MYRADA also suggested that the SAGs would first have to group themselves on the basis of geographical proximity, set up a new management structure (and A management Committee) over which they had full control in terms of membership, functions, staff etc. and an Office for the MYRADA staff and others who may be appointed by the SAGs. Many SAGs had already grouped into Federations of 10-15 SAGs. The functions gives to these Federations to the SAGs were restricted to monitoring SAGs, resolving disputes and collecting data for Myrada to process and feed back. But these Federations were too small to be sustainable. Besides the Federations were not given the function of managing funds. The SAG opted to go directly to Banks or MFIs.

As regards staff, after several discussions, MYRADA decided to retain a senior staff who was competent, who had experience in the area and in whom the people had confidence; MYRADA however, made it clear that the staff should be willing to report over a period of time to the management structure set up by the SAGs. MYRADA in turn would ensure their emoluments till the SAGs could take over.. The Centres that eventually emerged were called Community Managed Resource Centres (CMRCs), each covering about 100-120 SAGs and in some cases Watershed management Institutions.<sup>6</sup> Local Government/Panchayats have donated land and buildings in many cases to establish the CMRC’s offices.

---

<sup>6</sup> For further details refer to RMS Paper 38

Since support for the staff will no longer be available, from donors, MYRADA made it clear that the SAGs will have to pay for all services that this support structure provides so that over a period of time, the supporting staff and structure could be fully paid for from internally generated revenue. Till such time –a period of 3-4 years was identified –MYRADA agreed to pay the salaries of the MYRADA staff and some overheads. MYRADA also agreed to train the Management Committees of the CMRCs, to help them to set up their accounting systems and records, to monitor monthly their statements of income and expenditure so that a clear picture emerged of their financial position, to help the Centres to prepare reports which indicated the services asked for and those that could be provided and to plan future strategy on the basis of this feedback and analysis and to conduct workshops and exchange visits so that the various Centres could share experiences and improve their management systems and performance.

The CMRCs had a legislative body (the elected Committee), an executive (MYRADA staff and other resource persons directly recruited) which supported even the federations where they continued to function. By 2008, 91 CMRCs have emerged in MYRADA's projects of which 35 have already broken even including meeting the salaries of the MYRADA staff.

### **3.1 The following have been identified by evaluators as the core features of these Community Managed Resource Centres (CMRCs):**

- 1) The CMRCs governance structure, rules and functions are set up by them. In all cases, only institutions (community based organisations) are eligible for membership, not individuals. The majority of the CBOs who have opted for membership are the SAGs; but there are also several Watershed Management Associations.
- 2) Membership in the CMRC is not governed by geographical proximity alone or by the fact that the CBO was supported by MYRADA. Membership depends on the quality of the CBO which is assessed by the CMRC in a participatory manner. The CBOs are assessed annually; if they fail to reach the standards required, they lose membership of the CMRC. Even if the CBO exists in the "service area" of the CMRC and even if it is a MYRADA sponsored CBO, it does not become eligible automatically for membership. Interested NGOs in the area are approached to retrain such CBOs in order to bring them up to standard. SAGs formed by any NGO are eligible for membership, if they come up to the standard required by the CMRC.
- 3) Each eligible member CBO pays a monthly membership fee to the CMRC which entitles it to certain services decided by the CMRC management committee. Most CMRCs have started with a figure of Rs.50 per month per CBO; this figure is emerging as the standard norm and it entitles the CBO to certain services which are mutually agreed upon.
- 4) All other services are paid for on an ad hoc basis. (Examples of services given by the Community Managed Resource Centre are given below)
- 5) The CMRC is managed by a Management Committee elected from the CBOs annually. The Management Committee meets monthly. Annual General Body meetings are held and printed annual reports and audited accounts are circulated.
- 6) One CMRC serves around 100-120 CBOs; if more CBOs emerge another RC is formed to support them; the number of CBOs served depends on the distance; however CMRCs with less than 100 CBOs find it difficult to meet all costs at present. It costs around Rs.18,000 to Rs.20,000 per month to run a CMRC including the MYRADA staff's salary. CMRCs have to be supported financially till they become sustainable which takes about 3 years; in more remote areas it could take longer.
- 7) The CMRC Manager must be competent, committed and with entrepreneurial skills who is trusted by the people; he/she reports to the RC Management Committee, The CMRC Manager is an experienced staff of MYRADA who played a key role in promoting and training the CBOs and has good relationships with the CBOs in the area. After the NGO withdraws, he/she is engaged by the Community Managed Resource Centre, if the Committee is satisfied with her/his performance;
- 8) The functions of each CMRC are determined by the demand coming from the CBO members. Each visitor enters his/her name and the purpose of his/her visit to the CMRC in a register which is analysed weekly to decide whether the CMRC can respond to a particular need. Each CMRC

decides whether to respond to non-CBO members and if they decide to respond, on the terms and conditions. Most in fact respond to non-CBO members but charge higher rates for their services.

- 9) Lending money has not been identified as a function of the CMRC – this has been left to the Financial Institutions.

### **3.2 An analysis of the services provided by the CMRCs fall in the following broad categories:**

- 1) Training for CBOs, mainly for SAGs, book writers, animators. These trainings are conducted initially by the CMRC Manager, however, within a few months trainers are selected from experienced SAG members. Several of these CMRCs have been asked by NGOs and Government Departments to conduct trainings for SAGs and paid for their services.
- 2) Organisation of Camps and Campaigns: Examples are Health Camps, Dental Camps, Eye Camps, Cancer Detection and Advice Camps, Animal Husbandry Camps, RCH/STI/HIV-AIDS campaigns, Tuberculosis Campaigns, Legal Awareness Campaigns.
- 3) Bringing up issues related to women's harassment due to dowry, safety, domestic violence and helping to solve them. Some CMRCs have organised sex workers into affinity groups; these sex workers have willingly come forward since they were not approached as "sex workers" but as women living in the village who needed support.
- 4) Information support and utilities: Many CMRCs provide members with updated prices of agricultural products in surrounding markets on a day-to-day basis. Members of CBOs and others visit the CMRC to use the Internet, fax, etc. They also approach the CMRC to help them to write applications for old age pensions and for other Government programmes.
- 5) Mobilisation of Bank loans under the SHG Bank Linkage Programme and Government Schemes for Toilets, Bathrooms, Housing, Agricultural Inputs, Grain Storage, Rainwater Harvesting, etc.
- 6) Insurance Services: The CMRCs mobilise Life Insurance, Animal Insurance and help to settle claims. They have mobilised sixteen thousand life insurance policies during the past 6 months.
- 7) Service to CBOs: They help CBOs to sort out problems with accounts, arrange annual audits, and help them to grade themselves.
- 8) The CMRCs have also begun to identify skilled Resource Persons who could train families in various livelihood skills particularly in off-farm enterprises.
- 9) Several CMRCs have taken up agencies like gas cylinders, provision of agricultural inputs etc.

**Aloysius P. Fernandez**  
**MYRADA, Bangalore**