MYRADA **Rural Management Systems Series** **Paper – 71**	**No.2, Service Road, Domlur Layout, Bangalore – 560 071, India Telephone : 25352028, 25353166, e-mail id : myrada@myrada.org website: http://www.myrada.org**

THE HISTORY OF THE SELF HELP GROUPS

Are they different from the Grameen Bank Groups?

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Chairperson Sanghamithra , (Former Executive Director MYRADA)

1. The differences between the Self Help Groups (SHGs) and the groups of the Grameen Bank are often glossed over, yet these differences are a source of learning and I have received many requests to explain them. Both models are successful because they emerged as innovations which were appropriate to two different national ecosystems. Comparing them, therefore, is out of place. This narrative which provides some insights into the differences focuses more on the process through which the SHGs emerged as a nationwide movement In India. Many are unaware of the proactive and innovative role that the Reserve Bank of India (RBI) and the National Bank for Agriculture and Rural Development (NABARD) played and the close interaction they had with NGOs who had skills and culture to build poor people's institutions during this process. I have managed to extract from Myrada's archives several official notifications starting from the late 80s which were issued by the RBI and NABARD. This narrative also pulls together the role that Myrada played throughout this process.

2. Though there are similarities, between the two models, the crucial differences are imbedded in the origin and structure of SHGs and their full control over decisions related to financial operations (savings, loans, repayments, and sanctions); the SHGs related directly to the Banks; no staff was engaged by the Banks to cover the last mile. The SHG-Bank Linkage program brought in thousands of Branches of several Banks, and Cooperatives. There was no need to start a separate institution. The Grameen Bank was established as a formal financial institution to provide the credit needs of the poor; the groups it formed

were more akin to the joint liability groups; the last mile is managed by the Grameen Bank's staff out of local branches, with support from the groups. They did not start with savings from which loans were given as the SHGs did. The SHGs deposited their (weekly) savings in a group common fund, from which loans were given, much before the Banks extended credit. As a result, the degree of freedom that the SHG groups had in decision making and their role in managing the last mile of savings, loans, and repayments was far greater than in the Grameen model which followed the formal banking model. The SHGs were primarily civil society institutions which also managed financial operations. They played a proactive role in the education of the girl child and in lobbying for the availability of water and public sanitation and in the use of toilets; they intervened to solve the problems of women and the poor at Gram Sabha meetings; nearly a thousand members were elected to local bodies.

3. Considerable investment was made by NABARD and NGOs in the Institutional Capacity Building of the SHGs to equip them to take on new responsibilities. This required upfront expenditure. Once they fulfilled NABARD's criteria, the SHGs were free to select any Bank in their vicinity for a loan, unlike the Grameen Bank groups which are attached to it. This introduced an element of competition among the Indian Banks and exerted pressure to keep the interest rates attractive. The interest rates averaged around 10%, much lower than what prevails today in NBFC/MFI operations. Perhaps the most striking feature were the three innovative decisions taken by the RBI and NABARD between 1987 and 1995 leading to the RBI's circular of 1996, which extended the SHG Bank Linkage program all over the country; it approved the innovative features which enabled this linkage to take place without hurdles. These are some of the major substantive features which distinguish the two models.

4. Columnists and researchers seldom go back to the mid-80s to access the history of how the SHGs emerged and how the policy decisions required to create a favorable ecosystem for them to scale up was put in place by NABARD and the RBI. Unfortunately, documents prior to 2000 are not easily accessible from NABARD; hence many start their research from documents found in other institutions which record the progress of the SHG Bank Linkage program which was launched in 1992, as if this innovation was pulled out suddenly by NABARD and the RBI, like a rabbit from a hat. The history before 1992 (between 1987 and 1992), as well as between 1992 and 1996 when insights and learning from the pilot SHG-Bank Linkage project linking 500 SHGs to Banks, were incorporated fully into Bank policy, is important to understand the structure of the SHGs, why

and how they spread through the SHG-Bank Linkage and their features which were different from the Grameen Bank model.

5. As proof that a major initiative did exist before 1992 to prepare the ground for the SHG Bank Linkage program, may I draw attention to the grant of Rs 1 million from NABARD to Myrada in 1987. The SHGs had emerged in Myrada in 1984-85, as a reaction by poorer families to the domination of the office bearers of Primary Agricultural Cooperative Societies (PACs). They were called Credit Management Groups, which started with savings; after adequate training to build their institutional capacity, they extended credit to members from the group fund. I applied to NABARD in 1986 describing Myrada's experience and the features of the SHG groups, requesting a grant of Rs 30 lakhs (Rs 3 million) to train the SHGs and to match their savings. After a meeting in Mumbai and exchanges with Chairman Shri P.R. Nayak, who knew Myrada as he had been the Development Commissioner in the Karnataka Government, a grant of Rs 10 lakhs (Rs 1 million) was approved in 1987. He was also the Deputy Governor of RBI which provided an organic link between RBI and Nabard. His request was to change the name from Credit Management Groups to Self Help Groups. An extract, of the letter of approval, is given below:

ECONOMIC ANALYSIS AND PUBLICATIONS DEPARTMENT

NABARD, Mumbai

<u>R&D Fund Division</u>

Ref.No.NB.EAPD/1434/R&D/Proj.56/97-98

24 October 1987

02 Kartika 1909(S)

Shri Aloysius P. Fernandez, Executive Director, MYRADA, Bangalore

Dear Sir,

Sub: Request for financial support from R&D Fund of NABARD for Credit Management Groups

"Please refer to your letter No.15-1.66/86-4 dated August 29, 1986, and the subsequent correspondence (c.f. our letter No.NB.EAPD/1074/r&d/Proj.56/87-88 dated September 24, 1987) and discussions on the above subject. We advise that our sanction of a lumpsum grant of Rs.10 lakhs to MYRADA to be used as a seed money support to the Credit Management Groups is subject to the following terms and conditions:……….”

sd/ M.R. Krishnamurthy Manager.

I have not come across any reference from researchers or columnists to this communication from NABARD.

6. Meetings were held at the instance of Shri P.R. Nayak with Senior officers from Banks and NABARD between 1989 and 1991. I had the privilege of participating in some of them in Bangalore and Mumbai. I doubt if the minutes of these meetings were preserved in a way that can be accessed. NABARD commissioned a study by Dr.V. Puhazhendhi, a NABARD officer in 1991, which was later published by the Foundation for Development Co-operation, Brisbane, Australia which invested in supporting a similar movement in Nepal. It was entitled “Transaction Costs of Lending to the Rural Poor”. The transaction costs of the SHG model were found to be far lower than others currently in vogue. Recent researchers and columnists may wish to access this study.

7. Several visits to SHGs in Myrada’s projects were organised by NABARD to get insights into how they functioned. The first initiative to incorporate or mainstream the SHG strategy in a State-sponsored program was taken in Tamil Nadu (TN). It was incorporated in a project supported by the International Fund for Agricultural Development (a specialised agency of the United Nations), co-funded by the TN Government and implemented by the TN Women’s Development Corporation with the support of NGOs. It started in Jan 1990, before NABARD had launched the SHG-Bank Linkage Program in 1992. But NABARD was involved in the TN program, as initiatives to adopt the SHG model had progressed considerably in the institution. The Indian Bank took the path-breaking decision to lend to SHGs in TN. This project which involved several NGOs informing and training the SHGs took off in Dharmapuri District, TN, where Myrada had already promoted SHGs in many villages. The Dharmapuri experience provided NABARD with several insights between 1990 and 1993. Dr. P.Kotaiah who succeeded Shri P.R. Nayak as Chairman played a crucial role in carrying the SHG movement forward at this stage.

9. After the 1987 grant to Myrada, NABARD also involved other NGOs which had accepted the SHG model; one was PRADAN which had been exposed to Myrada’s Credit Management Groups in a project in Talawadi, Tamil Nadu in the mid-eighties. The experiences of these NGOs provided a wealth of insights which

NABARD incorporated in its policy and innovations. Finally, a meeting was held at the National Institute of Bank Management in Pune after the pilot project launched in 1992 of linking 500 SHGs to Banks was reviewed; it was agreed that to expand the linkage with Banks, instructions from RBI were required. These were issued on April 2, 1996. Much work, therefore, was done prior to 1992 when the pilot SHG-Bank Linkage program was launched and immediately after this period by the RBI and NABARD to formalise this innovative program and to take it to scale in 1996.

10. The **RBI issued a circular Ref RPCD.No.Pal.BC.13/PL-09-22/90-91 dated 24 July 1991** advising commercial Banks to participate in the pilot project for linking 500 SHGs to Banks. The SHGs, on their part, had to follow basic systems and procedures to win the confidence of the Banks; these were outlined in **NABARD's circular of 26 February 1992 (** No. NB DPD. FS/4631/92-A/91-92); it was signed by Shri Y.C. Nanda then General Manager. This document, an important one, covers 8 pages. But, in spite of all my contacts with NABARD, I failed to access a copy. I, therefore, sympathise with columnists and researchers who have the same problem. Fortunately, my colleague Ms. Chandra Singh, Chief Accounts Officer, who keeps records meticulously, was able to locate it in Myrada's archives. Below are a few relevant extracts:

"The guidelines have been deliberately kept flexible"……"the credit needs of the rural poor are determined in a complex socio-economic milieu, where it is difficult to adopt project lending approach as followed by banks and where the dividing line between credit for consumption and "productive" purpose is blurred"….. "The democratic functioning of the successful SHGs, their adroitness in assessing and appraising the credit needs of members, their business like functioning and efficiency in recycling the funds often with repayment rates nearing cent percent, are additional welcome features that the bankers may wish to utilise for serving the credit needs of the poor."

This shows the respect that NABARD and the RBI had for the informal sector. They sought to link the SHGs with the formal system but with innovative reforms in both partners which made this "linkage" possible.

11. The 26 Feb 1992 document of NABARD goes on to list seven criteria for the selection of SHGs. It includes the necessity for the SHG to be active for at least six months during which period it should have successfully undertaken savings and credit operations from its own resources (group fund) over which it has full control. This was drawn from Myrada's s experience with SHGs. Myrada also

included the need to expose the SHG to several modules of training in Institutional Capacity Building before the SHG was eligible to access Bank loans.

12. The guidelines for Banks under the SHG Bank Linkage program, as prescribed by this document, are several but I will point to three which were features of the SHGs in Myrada and which were incorporated in this circular; they were the result of insights and learning that Myrada gained from its SHG experience and contributed to the structural features of this model.

i. "the banker is expected to provide credit in bulk directly to the group which may be informal or formal (i.e. registered). The group, in turn, would undertake on-lending to the members" ;

ii." The purpose for which the group will lend to the members should be left to the common wisdom of the group" and

iii. "The SHGs would be free to prescribe appropriate repayment period and terms for loans as determined by the group"

I find echoes of these statements (especially iii) which came out 30 years ago in the recent messages from the RBI.

13. Myrada also made a survey with SHGs asking them whether they wanted to be registered; the response was an unanimous NO! The reason they gave was that they would be vulnerable to the harassment of petty government officials. The RBI responded in a circular dated January 4, 1993, to all Scheduled Commercial Banks as follows: "….it is decided that such Self Help groups, registered or **unregistered** may be allowed to open Savings Bank Accounts with banks" (Ref. DBOD.No.BC 63/13:01:08/92-93); it was signed by B.D. Nitsure, Deputy Chief Officer, RBI. This decision was taken by Dr. C. Rangarajan the Governor of RBI based on evidence that the SHGs maintained minutes of meetings and decisions taken as well as books of accounts. Initially, Myrada staff maintained these books; later the SHGs engaged one of the member's children.

14. The Bangaluru Regional Office of NABARD has this to say about the emergence of SHGs before 1992.

> "Between 1984 and 1985, Myrada, a non-governmental organisation, based in Karnataka, engaged in rural development, promoted several co-operative societies that were enabled to give loans to their members. Subsequently, the large co-operatives broke up into small groups, which were the genesis of the first SHGs, referred to at that time as Credit

Management Groups, with a focus on the management of credit. The concept of each member making a saving in the group soon followed, as also the establishment of a system of regular meetings, bookkeeping and records, and collective decision-making. This pilot study gave Nabard the confidence to mainstream the SHG-Bank Linkage Program in 1992 as a normal lending activity by the Banks. The program then spread rapidly across the country, making it by 2002 the largest micro-finance program in the world."(Source: Nabard, Karnataka Regional Office Report "Micro Finance in Karnataka 2014-2015)".

15. The three policy changes mentioned above, evolved mainly through NABARD's initiatives, between 1991 and 1995 through exchanges between NABARD and NGOs; the RBI put its stamp on them in 1996. These were to allow Banks to **i**. lend to **unregistered** SHGs, provided they kept records and accounts and met regularly to collect savings which were put in a common group account from which they disbursed and recovered loans; this had to go on for about four to six months before any linkage to a Bank took place; the SHGs were considered to be Associations of Persons; **ii.** extend **ONE bulk loan to the SHG** leaving the group to decide on the size and purpose of loans to the individual; this reduced the Bank's transaction costs considerably as it was one loan to the group based on its performance and cash flow; it also gave the SHGs space to decide; this enabled the SHG to support several purposes which formal Banks would not allow or hesitate to do, and **iii**. **Lend without physical collateral or security**; this had precedent in the Integrated Rural Development Program (IRDP) and other poverty alleviating programs. In the case of the SHGs, the affinity among the members who were all poor, who self-selected themselves, and the experience of building and managing their savings which they initiated before any Bank linkage, was considered to be adequate security.

16. The pilot project of linking 500 SHGs to Banks which took off in 1992 was assessed by a Working Group set up by RBI in 1994. Based on its report the RBI issued a Circular in 1996. This document from the RBI pulled together the circulars of NABARD and put its stamp on all the features that emerged in the process of promoting SHGs since the mid-1980s and from the insights and learnings after linking them to Banks in 1992; this process covered a period of

nine years, starting with the grant to Myrada in 1987; extracts from this Circular are reproduced below.

RESERVE BANK OF INDIA

Rural Planning & Credit Department

RPCD No.PL BC 120/04.09.22/95-96

April 2, 1996

Chaitra 13, 1918 (Saka)

All Scheduled Commercial Banks (Excluding RRBs)

Dear Sir,

Linking of Self Help Groups with Banks Working Groups on NGOs and SHGs Recommendation - Follow up

Please refer to our circular letter RPCD.No. Plan BC 13/PL-09.22/90-91 dated 24 July 1991 advising banks to actively participate in the pilot project launched by NABARD for linking 500 SHGs with banks. Pursuant to this, NABARD vide its circular letter No. NB DPD. FS/4631/92-A/91-92 dated February 26, 1992, issued detailed operational guidelines to banks for implementation of the project. Beginning from 255 SHGs linked with banks during 1992-93, it reached 620 SHGs in 1993-94 and 2122 SHGs by 1994-95 and up to 31, December 1995, around 2700 SHGs were linked and the amount of bank loan disbursed to SHGs was about Rs.332 lakhs. ………………

2. With a view to studying the functioning of SHGs and NGOs for expanding their activities and deepening their role in the rural sector, the Governor, RBI had in November 1994 constituted a Working Group comprising eminent NGO functionaries, academicians, consultants, and bankers under the Chairmanship of Shri S.K.Kalia, Managing Director, NABARD. The members of the Working Group visited a number of NGOs and SHGs, held widespread discussions, and studied several issues concerning SHGs and NGOs through a sample of 171 SHGs, 49 NGOs, and 97 bank branches. The Working Group has since submitted its report.

Important Recommendations

3. Working Group is of the view that the linking of SHGs with banks is a cost-effective, transparent and flexible approach to improve the accessibility of credit from the formal banking system to the unreached rural poor, it is expected to offer the much-needed solution to the twin problems being faced by the banks, viz. recovery of loans in the rural areas and the high transaction cost in dealing with small borrowers at frequent intervals. The Group, therefore, felt that the thrust of the policy should be to encourage the formation of SHGs and their linking with the banks and in this regard, the banks have a major role to play. The Group has recommended interalia, that the banks treat the linkage program as a business opportunity for reaching the rural poor and making it a part of their **corporate strategy**, the program be made a part of the Service Area Approach and LBR reporting system and regular training curriculum of banks, lending of banks to SHGs being made a separate segment under the priority sector, introducing review and monitoring of SHGs linkage program, etc. Simultaneously, the Group has suggested for capacity building of NGOs, training of their staff, etc. The recommendations of the Working Group have since been examined and generally accepted by us.

Follow up Action

SHG Lending as Normal Lending Activity

4. As the efficacy of the SHGs as an effective model for rural savings mobilisation and credit delivery to the poor has been demonstrated in the pilot phase and since the linkage of targeted 500 SHGs has already been achieved, it has been decided to extend the SHGs linkage program beyond the pilot phase as a normal business activity of banks to improve the coverage of the rural poor by the banking sector. Accordingly, the banks may consider lending **to SHGs as part of their *mainstream credit* operations both at the policy and implementation level.** They may include SHG linkage in their corporate strategy/plan, training curriculum of their officers and staff and implement it as a regular business activity and monitor and review it periodically.

Separate Segment under Priority Sector

5. To enable the banks to report their SHG lending without difficulty on account of divergent purposes in ground-level disbursements from SHGs to members, it has been decided to incorporate an additional segment under the priority sector advances. Accordingly, the banks should report their lending to

SHGs and/or to NGOs for **on-lending to the SHGs/Members of SHGs/ discrete individuals or small groups which are in the process of forming into SHGs under the new segment, viz. 'Advances to SHGs' irrespective of the purposes for which the members of the SHGs have been disbursed loans. Lending to SHGs should be included by the banks as part of their lending to the weaker sections.**

Inclusion in Service Area Approach

6……….. If an NGO/SHG feels more confident and assured to deal with a particular branch other than the Service Area Branch and the particular branch is willing to finance, such an NGO/SHG may at its discretion deal with a branch other than the Service Area Branch. The lending to SHGs by banks should be included in the LBR reporting system and reviewed to start with at the SLBC level. However, it has to be borne in mind that the SHG linkage is a credit innovation and not a targeted credit program.

Opening of Savings Bank Account

7. In terms of the RBI circular letter DBOD.No.BC.63/13.01.89/92-93 dated 4 January 1993, banks were allowed to open Savings Bank Accounts of SHGs financed under the pilot project. In order to facilitate the promotion of SHGs and their eventual credit linkage with Banks, it has been decided that SHGs which are engaged **in promoting the Savings habit among their members may be allowed to open Savings Bank Accounts.** It is clarified that SHGs need not necessarily have already availed of credit from the banks before the opening of Savings Bank Accounts. …Contd

Sd/ J.R. Prabhu Executive Director

As a result of this policy and the priority given to the SHG Bank Linkage movement by RBI and NABARD, the SHG Bank Linkage program scaled up fast and was widely recognised as the largest participative microfinance ecosystem in the world as Dr. C. Rangarajan, the Governor of RBI stated.

17. The objective of the Indian strategy differed from that of the Grameen Bank. It was to provide a parallel system of savings and credit which could be managed by the people especially the poor and with which the Banks would be comfortable. There was a large network of Public Sector Banks, Regional Rural Banks, and Cooperatives which was mobilized to link with the SHGs; there was no need to start another Bank for microfinance like Grameen. The SHG-Bank Linkage was also viewed as a transition strategy to enable each SHG member to

take the first step towards all-round progress in a supportive ecosystem which the SHG provided, as well as to build the confidence of each member to work with the Banks so that when ready they could migrate to the formal system. In the SHG model, one member was selected to go to the Bank with the savings after every meeting, to repay the loan installment falling due, or to draw money for loans. This gave the members experience of dealing with the Banks. The Banks did not send their staff to the SHGs to lend or collect repayments. When the SHG members were requested to list the benefits of the movement as part of a survey in the 90s, high on the list was the change in the relationship with and the attitude of Bankers; they were now welcomed when they visited the Bank. Many Branches are dedicated one or two days a week for SHG transactions.

18. As a result of this regular contact with Bankers, many members opened personal accounts with the Banks after being in SHGs for 2-3 years. Many of these went on to borrow from the Banks who checked their record in the SHGs to assess their creditworthiness. This was in sharp contrast to the pressure from Government on Banks in the recent past to open Jan Dhan accounts. The World Development Report (1998-99) on page 125 has two paragraphs on Myrada's SHG program. It also refers to the Indian objective: "Myrada, a rural Indian NGO,………goes a step further (*than the Grameen Bank*) in seeking to establish self-sustaining links between Banks and the rural poor".(*Italics mine*).

19. In 1995-1996, I realized that there were remote areas where Myrada was working where Banks were too far or Bankers were not forthcoming to promote relationships with SHGs. I started Sanghamithra, a Not for Profit Micro Finance Institution in 1996 to fill these gaps; it followed the SHG-Bank Linkage model. Its mandate was to withdraw, if and when the Banks came forward. This happened in two districts. An Impact Assessment of Sanghamithra carried out in 2003 by Dr. Girija Srinivasan, brings out the changes in Bankers' attitudes and Sanghamithra's decision to withdraw when banks made the extra effort to link with SHGs in remote areas. Extracts of this assessment are quoted in my book:" Sanghamithra-a Micro Finance Institution with a Difference"(2004). As a result of this linkage with Banks all livelihood activities undertaken by clients in Myrada's projects since the 1990s have been based on loans, not on grants.

20. After 2002 when the Government co-opted the SHG model in the Swarnajayanti Gram Swarozgar Yojana (SGSY), the purpose, structure, and financial management model of the SHGs changed; it adopted several features

of the Grameen Bank groups. Myrada then changed the name of the groups which followed the original model to Self Help Affinity Groups. But this is another story, which I will recount in a separate article. For a detailed comparison of the features of the SHGs before 2000 with those of SHGs formed after 2000, please refer to my book: “50 Years of Learning” pgs 454 to 473. Those requiring further information can access the RMS series on Myrada’s website www.myrada.org

21. The features of the SHGs which are specific to it originated from the ecosystem from which they emerged; I will briefly describe two of these features which are structural :

The origin of SHGs was the result of pushback by the poor against injustices in the Primary Agricultural Co-operative Societies (PACS): In Myrada’s experience, the SHG model did not originate due to the efforts of an external organization like a Bank. It emerged from an initiative of the poor families against the hidden exploitation in the PACS. This had an impact which explains many of the differences. Rural society in India is heavily structured into layers; those with land, social and political power are on top, with the landless and marginalised groups at the bottom. A Cooperative structure like the PACS does not work, to the benefit of all members, as it should, in this ecosystem. Myrada worked with the PACS in the early 80s. We soon discovered that the PACS were dominated by the powerful families who captured positions of the President, Vice President, Treasurer, etc. They used the PACs to further strengthen the powerful position they held in society. For example, they borrowed from the PACs at low rates of interest (approx. 8%) and on-lent to the poorer families at 30-40%. That was not all. The borrowers were compelled to work on the farms of the President etc. and were at their beck and call. Myrada did encourage the poorer families to question this situation. Eventually they decided to meet in small groups with us, to discuss how to level the playing field; we called these Credit Management Groups till 1987. As a result of this origin, they were primarily civil society institutions.

22. Myrada later discovered that they self-selected the members of the group based on relations of mutual trust and support which we called “affinity”. They were institutions of poor people and had the features of a genuine cooperative which was motivated by self-reliance. The two major traditional strengths, we discovered in the mid-eighties, were i. a strong sense of affinity; this affinity was a diamond in the mud which existed; all we did was pick it up and polish it

through institutional capacity building to enhance its potential to cope with new roles and responsibilities, ii. the culture of saving which was inhibited by the lack of safe places around the home to hide cash; women were often harassed by intoxicated husbands to surrender it. The SHGs provided this safety and the opportunity to use it for the family. An added incentive was that the SHG meeting provided a safe space for women where they could discuss their problems and find solutions. Men had their village pubs and tea stalls. Men tried on several occasions to break up SHG meetings and to eavesdrop. Dragging women out of a meeting and throwing stones on the roof of the meeting place were common occurrences in the early days. The SHG women resisted these attacks.

23. The primary source of credit was the Group Common fund. Each SHG built a group common fund; it started with regular savings of each member. Each SHG decided on the amount; it was common to all and accepted by all. The groups' common fund remained in its control and had a dedicated Bank account which two of the group members operated. The SHG members in rotation visited the Banks to deposit or draw funds; the Banks had no field staff to visit the SHGs.

24. The origin of the SHGs and the ownership that the members had of their group, had an impact on the outcome, especially in the constitution of the group common fund and on the purposes (and sizes) of loans. Examples are given below:

A profile of the content of the total common fund of 682 SHGs in one project of Myrada namely, Dharmapuri, is given below:

Composition of the Total Common Fund of 682 SHGs of Myrada Dharmapuri Project, Tamil Nadu.

Total No. of Groups: 682 **(Women 675; Men 5; Mixed 2)**

Total No. of Members: 13,218 **Date: As on 31-12-99**

Membership Fee	**80582. 00**
Savings	**31,247,460. 00**
Fines	**420,375. 00**
Others	**650,829. 00**
Donations	**127,225. 50**
Interest Collected from Loans	**24,241,982. 62**
Bank Interest	**825,514. 23**
Capital Mobilised from Government	**1,706,899. 00**
Capital Mobilised from NABARD	**20,000. 00**
Community Contribution	**574,293. 00**
Refund (-)	**177,268. 00**
Total	**59,143,599. 35**

Note. Myrada manages 16 projects; the SHGs is Dharmapuri had an average age of 8 years.

25. The largest component of this fund (53%) was mobilised from the savings of each member. This was the basis of ownership. Grameen Bank introduced savings only in the 90s and then it was compulsory, deducted from the loan prior to disbursement. Next in size is the amount of interest that the groups earned on loans; it comprises (41%) percent of the common fund. This was not a feature in the Grameen model. The SHGs added about 3% to 4% to the interest levied by Banks (average 10%) which they retained in the common fund. Fines indicate that the Groups are willing and able to impose sanctions and that members are ready to accept them for dysfunctional behavior. Members are fined for failure to repay loans in time, being late or absent for meetings without prior intimation, smoking in a men's group, disturbing meetings, not sending children to school, not installing and using a toilet after the group has decided that this is a duty of every member, etc. The ability to "fine" indicates a healthy institution. It is based on a realisation of the fact that rules are of no use unless they are enforced and

accepted, and that sanctions, particularly where the members have themselves elected to introduce them, are a major instrument of promoting self-discipline which is the basis for self-reliance. After 7-8 years many SHGs had saved enough in the group fund to meet their requirements; they borrowed from Banks only when required.

26. Analysis of the purposes and amounts of loans given by the SHGs to members reveals a rich diversity. I will continue with the same set of groups in the Dharmapuri project. As I pointed out earlier, in the original model, the SHGs received one bulk loan from the Banks which they credited to their common group fund. They then decided on the purpose and size of loans to individual members. the wealth of information that the SHG has is overwhelming. The SHG was the Facebook of the 80s and 90s. I find it difficult to accept that Bank Managers can assess about a thousand loan applications with any degree of objectivity. They will look for safety by choosing traditional purposes.

27. The following table shows that if the groups are free to decide on the purpose of loans, the diversity that emerges is amazing. The general trend of loans indicates that in the first year the average number of loans for consumption is large (around 40% to 50% of total loans), while the total amount is comparatively small (around 20%-25%). In the following years, the number of loans for livelihood activities including trading, release from moneylenders and mortgaged land and assets tend to increase. The number of loans for larger assets rises in the third year.

Patterns In Lending for the 682 SHG Groups in Dharmapuri Project

As on 31-12-1999

ACTIVITY	NO. OF LOANS	AMOUNT LOANED (RS.)
Clothing	1,016	2,177,393
Education	1,184	2,834,028
Food	5,422	6,499,510
Health	3,348	5,276,899
Household Expenses	24,361	36,603,059

ACTIVITY	NO. OF LOANS	AMOUNT LOANED (RS.)
Socio-Religious	2,987	11,083,840
Repaid To Money Lenders	5,131	17,560,204
Crop Loan(labour, fertilisers etc)	24,445	65,935,205
Equipment (Agriculture)	23	348,300
Irrigation	137	213,356
Land Development	187	979,553
Bullocks	19	58,490
Seeds	12	3599
Cow/Buffalo	8,100	30,228,745
Poultry	24	11,575
Piggery	22	7,084
Sheep/Goat	205	365,882
Cottage Industry	477	3,163,080
Tailoring Machine	4	10,000
Petty Business	1,937	8,289,201
Sericulture	140	211,545
House Construction	4,419	14,358,580
House Electrification	43	51,731
House Repairs	760	2,740,322
House Purchase	13	18,700
Rent	7	4,950
TOTAL	84,411	209,031,232

Note: The SHGs involved were on average eight years of age. The area has poor and erratic rainfall.

28. The SHGs are homegrown civil society institutions owned by the poor which helped them enter the growth process and stay there. They realised that it was not enough to learn to fish when they could not reach the river due to obstacles created by unequal power relations arising from social privileges, the caste system, and the capture of economic assets. They had to come together to forge a new path to the river. They are a good institutional example of Atmanirbhar Bharat (Self Reliant India), the slogan currently in vogue which need not be restricted to technology. Their self-reliance was based on traditional strengths among which relations of affinity and the propensity to save are predominant. Hopefully, other traditional societies of governance like the Gram Sabhas and Panchayats as well as civil society institutions of more recent origin, both in rural and urban areas, will find a place in the renewed effort to build a self-reliant Bharat, a country which is inclusive of various categories of groups, decentralised in planning and governance and with a bias towards the poor.

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