

# Institutions, Credit & Rural Livelihoods

CSOs' Consultation..

Priorities for the 12th Five Year  
Plan; 15<sup>th</sup> & 16<sup>th</sup> December 2010



# Participants

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- Swamy & Gouri, The Livelihood School
- Sudha Kothari, Chaitanya
- Samatha & Arun, Chetna Organic
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# Need for Institutions of the Poor

- To overcome resource deficit and vulnerability at individual & community level
- To gain (a) Identity; (b) Strength; (c) build capacities and skills; (d) Space to express & fulfill aspiration; (e) interface with outside world; and (f) improved bargain power
- Self-help, Self-management & self-reliance
- Effective as pressure groups & to access their rights & entitlements
- Inclusive & sustainable development
- As a part of rural social infrastructure



# Types of Institutions

## Demand Side

- Formal – Producer Companies, Cooperatives, Registered People's Institutions
- Informal – SHGs, User Groups, WCs, CIGs, etc
- Traditional groups / institutions
- Local bodies – PRIs
- Supply side
  - Line departments, service providers – financial institutions, NGOs, private sector, knowledge institutions

*At different levels (village, Panchayat, block, district.....)*



# Few good practices

- APMAS: Swayin SHG/ fed
- MYRAD: Community Managed Resource Centers
- Chetana Organic: SHGs of cotton farmers – Cooperatives – Producer Company
- Chaitanya: Jankars as social change agents
- Bagnan – Multiple institutions/ divisions to deal different kinds of activities
- SKDRDP – Farmer level plan with assured credit



# Issues with existing institutions

- Inadequate & inappropriate investment
- Inadequate capacity building of CBOs and promoting agencies – lack of clear vision & strategy
- Sustainability???? Better off dominate & capture
- No ownership, highly dependent on promoters
- Unequal participation by different categories
- Less focus on institution building', emphasis on implementation of activities (Target orientation)
- Inadequate support services
- Not a part of the demand system. Developed to become a part of the supply channel



# Recommendations

- Primary members controlled & affinity based CIGs to access all kinds of LH services
- Ensuring participation of marginalized sections
- Informal Groups (say SHGs) to form a strong foundation to promote diverse higher level institutions to provide variety of services (e.g. SHG → coop → PC; SHG → VO → BLF)
- Long term involvement of Promoting Agencies with evolving role – funding to NGOs
- **Adequate investment in Institutional Capacity Building (ICB) over a period of 5-10 years**



# Recommendations..

- MACS-type laws plus self regulation skills and tools are need in all states
- Livelihood plan at individual, family, community & Panchayat level with assured credit and support (untied funds)/ services
- Ensure women's ownership on creation of new assets
- **Invest in livelihood Infrastructure: warehouses, cold storages, drying platforms, weighing & quality testing machines**





# Recommendations

- Interface between research institutions & livelihood orgs for technology solutions for LH
- **Assured bank lending for federated institutions – guidelines needed for banks to lend to producer organizations**
- Financial assistance – start up capital, seed capital, one time grant, capacity building fund
- Synergy between financial services and livelihood services
- **State/ district level livelihood resource centers**



# Recommendations..

- Tax exemption to Producer Companies and Other People's Institutions
- **Adequate funds for Pilots and innovations based on identified good practices**
- Allocate specific funds to support NGOs promote different producer organizations and SHGs / SHG federations.
- **Allocation of a % of SHG promotion under NRLM thru NGOs**

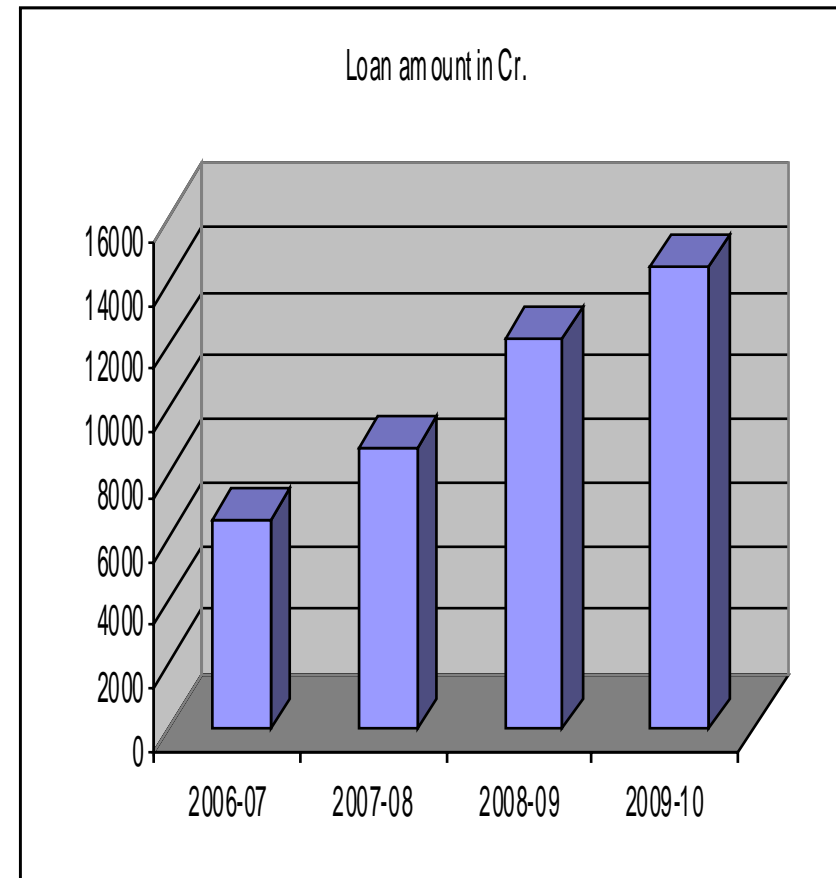
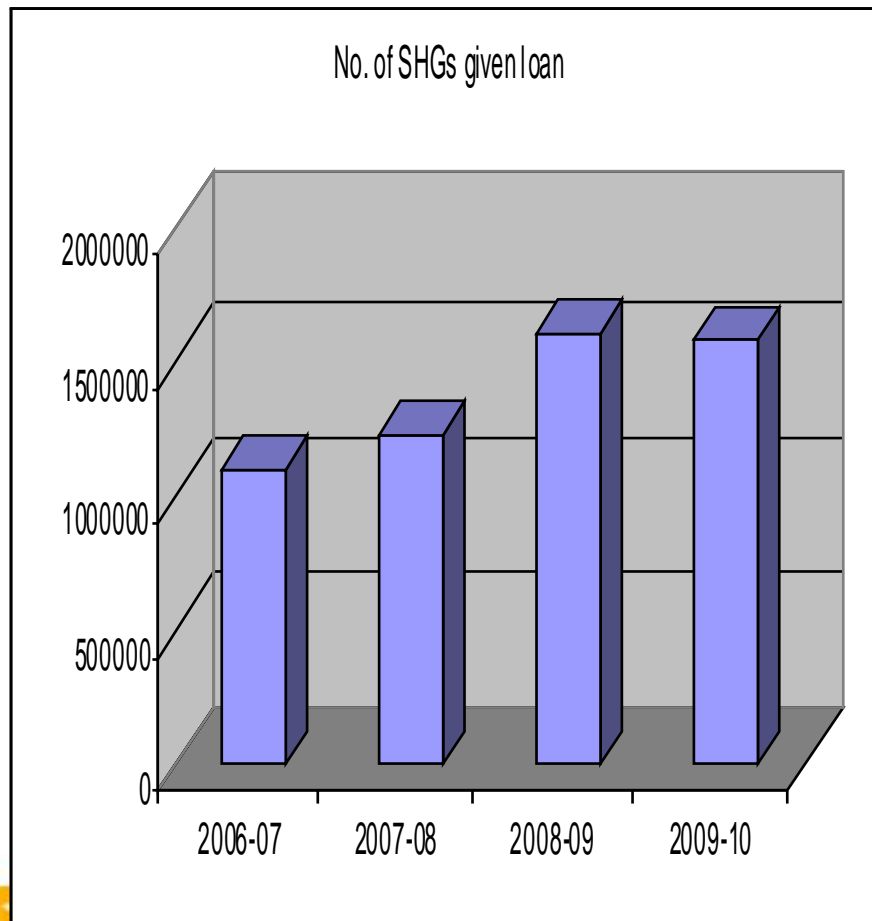


# SHG banking – Fact Sheet (31<sup>st</sup> March 2010)

- Number of SHGs savings linked with banks : 69.53 lakh
- Estimated number of of families covered : 97 million
- Exclusive Women SHGs : 53.10 lakh
  
- Savings amount of SHGs with banks : Rs. 6198.71 crore
  
- Number of SHGs credit linked (2009-10) : 15.87 lakh
- Amount of loans disbursed (2009-10) : Rs. 14453.30 crore
  
- Number of SHGs having loans outstanding : 48.51 lakh
- Loans outstanding against SHGs : Rs. 28,038 crore
- Average loan outstanding per SHG : Rs. 57,795
- Average loan outstanding per member : Rs. 4,128



# Trends in SHG banking during 2006 to 2010



# Huge inter-regional inequalities

Parameter	Unit	Southern region	All India	% share of South
No. of SHGs with bank account	Number	3,223,434	6,953,250	46
No. of SHG given loan in 2009 – 10	Number	995,718	1,586,822	63
Loan amount in 2009 – 10	Rs. crore	11,041	14,453	76
SHGs with bank loan outstanding	Number	2,582,112	4,851,356	53
Loan outstanding amount	Rs. crore	19,023	28,038	68



# Status of SHG banking in 2010

Parameter	Unit	AP	Rest of India
No. of SHGs with bank account	Number	1,448,216	5,505,034
SHGs with bank loan outstanding	Number	1,471,284	3,380,072
Loan outstanding amount	Rs. crores	11,740	16,299
Average loan outstanding	Rs.	79,791	48,220
% of total SHGs with bank loan outstanding	%	102*	61
No. of SHG given loan in 2009 - 10	Number	564,089	1,022,733
Loan amount in 2009 - 10	Rs. crores	6,707	7,747
Average loan amount in 2009 - 10	Rs.	118,893	75,745
% of loanee SHGs in 2009 - 10	%	36	64
% of loan amount in 2009 - 10	%	46	54



# Challenges of SHG movement

- SHPIs pay limited attention to Savings – potential of the SHGs savings not fully exploited
- Target-oriented approach in SHG promotion
- Lack of vision & capacity of a large number of SHPIs.
- Limited investments in Institutional Capacity Building of SHGs and SHG federations
- Poor quality groups – **Low member awareness, limited group dynamics, book keeping**
- **Women continue to face serious problems in opening their SHG bank accounts & getting loan**
- Many MFIs break the SHGs & form JLGs.
- Quick loans from MFIs result in women loosing interest in their own SHGs.
- Multiple lending by MFIs & strong arm recovery practices affecting repayments in SHGs.



# Recommendations

- SHG membership may be treated as financial inclusion
- **SHG – bank linkage needs a big push in North India, including a cash credit facility**
- Bulk loan to MFIs should not be treated as priority sector lending.
- MFIs to be asked to lend to SHGs, federations, PCs
- Bulk loans to cooperatives, PCs and federations be treated as priority sector lending
- **NABARD to issue specific guidelines to banks for lending to livelihood organizations**
- Financial literacy campaign & credit counseling through SHGs, SHG federations, Producer Orgs
- Livelihood finance through livelihood institutions (Commodity Coops & PCs)





# Recommendations

- Promote different savings products through Business Correspondent model and through SHG federation
- **Individual subsidies could be given as seed capital to federations/ cooperatives**
- Replication of good health mutuals (e.g. Uplift) experience
- Insurance & pension products to be offered by SHGs and SHG federations
- Redesigning of crop/ livestock/ labor insurance products
- **Establish a fund to support NGOs engaged in promotion of SHGs, federations & producer organizations**

