

# SHG FEDERATIONS IN INIDA

## SHG Federations in India – Report Structure

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## Evolution and Growth SHG Movement:

- Phase I: NGOs promote women SHGs as an alternative to mainstream financial services to reach un-reached segments of society.
- Phase II: NABARD takes the lead in partnering with NGOs, particularly MYRADA, to pilot the well-known SHG-bank linkage model
- Phase III: State Governments, particularly in the South, take a proactive role in the promotion of SHGs in a big way, by way of revolving loan funds and other support.
- Phase IV: SHG-Bank linkage reaches the scale of over a million bank-linked SHGs
- Phase V: SHG federations emerge to sustain the SHG movement and to provide value-added services.
- Phase VI: SHGs and SHG federations gained widespread recognition to be partners of various mainstream agencies such as financial institutions, corporate sector, and government.

## Definition of Federation

- The dictionary meaning of federation is “an association of autonomous bodies uniting for common perceived benefits”
- *According to APMAS, “Federation is a network, association, and coalition of primary organizations to collectively achieve what they cannot do alone”*
- *Ajay Nair (2005) defined federation as “an association of primary organizations. Primary organizations may federate to realize economies of scale or to gain strength as an interest group”.*

## Why SHG federations?

To overcome the inherent limitations of a small unregistered group, and as part of a withdrawal strategy, promoters facilitated the formation of federations.

The benefits of federations include:

- ✓ Those arising from economies of scale
- ✓ Reduction in transaction costs
- ✓ Reduction in default rates at all levels
- ✓ Provision of value adding services
- ✓ Reduction in the cost of promoting new SHGs
- ✓ Increasing levels of financial discipline & accountability among SHGs.

## Typology of SHGs Federations

Federations differ widely in different parts of the country, and even within the same region. The reasons for the variations include:

- Variations in objectives of promoting them
- Differences in promoter philosophy and resources on command
- Primary stakeholders' interest, absorption capacity, etc.

Federations can be classified according to:

- Geographical coverage
- Their functions
- Legal status
- Structure and mode of functioning
- Source of funds
- Size
- Promoter

## Typology of SHGs Federations

### Geographical coverage

Federations are commonly known by their geographical units. SHGs get federated as primary level federations (PLF), which in turn get federated as secondary level federations (SLF) and finally these get federated as apex level federations (ALF)

### Federation functions

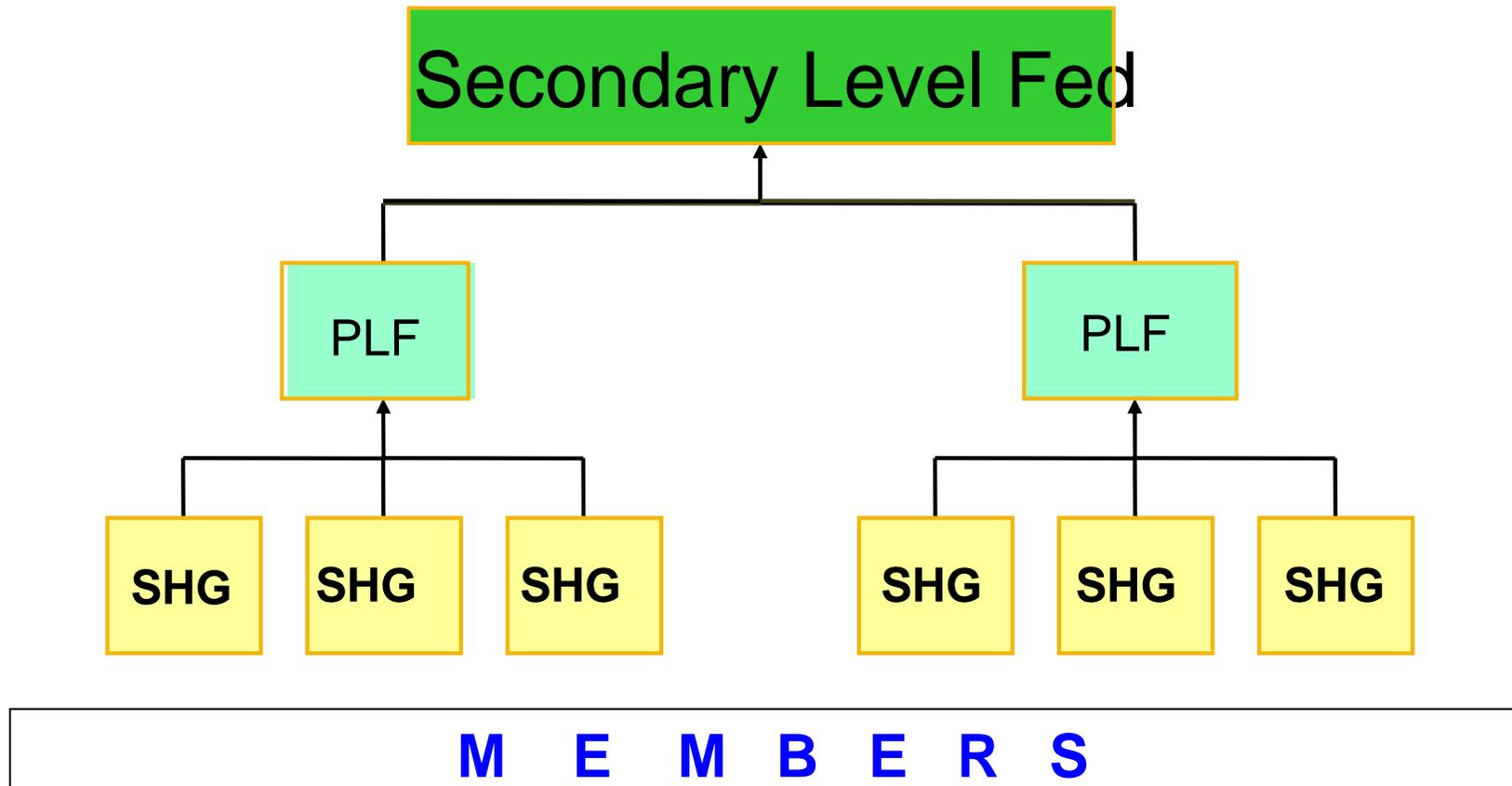
- Functions of different federations could be another important basis for classification of federations. The basic difference in functions of federations is:
  - Financial
  - Non-financial
  
- The non-financial functions, which are also known as social functions, could be further divided into
  - Sector development functions
  - General development functions

## Growth of Federations

Regional Spread of SHG Federations as on September 2007					
		No. of SHG Federations			
	Region/State	Primary	Secondary	Apex	Total
A	Northern Region	121	26	0	147
B	North Eastern Region	122	10	0	132
C	Eastern Region	5,745	107	0	5,852
D	Central Region	487	334	0	821
E	Western Region	663	1	0	664
F	Southern Region	59,172	2,093	22	61,287
	All India Total	66,310	2,571	22	68,903

# SHG model

: 3-tier



## Emerging practices

SHG federations by the virtue of their inherent strength and credibility are able to nurture some of the best practices in the process of their evolution.

- Facilitating bank linkage to SHGs
- Matured federations serving as a model for others.
- SHG federations effectively manage insurance, distribution of pensions
- SHG Federations are able to offer services to their members for a fee
- Responding to natural disasters
- Concerned about sustainability
- Mobilize funds to meet their cost, at least partially
- Performing roles such as SHG monitoring, social audit

## Major Issues & Challenges

- Governance and Systems are weak
- Almost all the federations are dependent on their promoters to meet their costs and to perform their functions effectively. Sustainability of SHG federations is a real issue
- Majority of the SHG federations in the country are multipurpose – can they manage?
- There are too many expectations of the SHG federations
- Governments use federations as implementing agencies of various schemes and programs.
- Investments made in building the capacities of the federations is limited.
- Appropriate legal forms are not there in many states.

## Enabling Environment

- As mainstream institutions recognized the potential of federations, they started adopting them as their partners, delivery channels, agents and facilitators.
- Mainstream institutions which have developed an interest in federations, include RBI, NABARD, banks, NGOs, government departments and the corporate sector.
- Apart from engaging in sector development and general development services and facilitating the withdrawal of promoters, another potential of federations recognized by the promoters is that they can be powerful instruments in self governance.
- RBI circular about an innovative concept called Business Facilitator and Business Correspondent is an important development in recognition of federations by the central bank.
- In September 2007, NABARD issued a circular to provide grant support for promoting SHG federations.

## Enabling Environment

- 11<sup>th</sup> Plan of the Planning Commission proposes SHG federation model poverty reduction.
- The MF bill proposes regulation of SHG federations registered as cooperatives (under liberal laws), societies and trusts.
- Regulation of SHG federations registered liberal cooperative laws is against the spirit of the liberal cooperative laws and would negatively impact them.
- APMAS is piloting a Sector Own Control (SOC) system in collaboration with DGRV and InWEnt of Germany in Kamareddy cluster of Nizamabad district, AP. This may evolve as a model for self regulation

## Legal Options

- Though there are around 69,000 federations in the country, a large majority of them are unregistered.
- There are several legal forms that are used for registering SHG federations by the promoting organizations. Majority of the federations registered have opted for liberal cooperative acts (like APMACS Act), some registered under the Public Societies Act and some under the Indian Trust Act
- In nine States, there is a liberal cooperative act that suits the requirements of the SHG federations as per their objects.
- Registered federations are not fulfilling the legal compliance requirements.

## In Conclusion

- SHG federations have been evolved as a model that promotes sustainability of the SHGs and provides the much needed institutional base for poor women to realize their dreams and aspirations.
- The SHG federation model has achieved significant scale and widespread acceptance. Though not a panacea, there is great potential for the SHG federation model to address poverty.
- In many ways, the model is unique – the women are the owners, managers, users and beneficiaries.
- **The federation is here to stay.**
- While there are many benefits of the SHG federation, it has several limitations.

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