

Chapter-9

Summary and Conclusion

Part-1 : Summary

9.1 Introduction

The Government of Andhra Pradesh has been implementing SHG-centred rural poverty alleviation programmes for more than two decades. The approach has achieved significant results in terms of increased savings, inter-lending among the members, access to external finance/credit, livelihoods and public services. The strategy has catalyzed significant public and private investment into the livelihood portfolio of the poor households. The SHG-centred programmes have also resulted in social empowerment of most vulnerable groups including the women from the SCs and the STs. In view of the massive amount of resources invested in the SHG-centred programmes, it is only imperative that a detailed assessment of the impact of the SHGs and their federations on the rural poor households is made. Equally important is to assess the impact of the strategy on the functional efficiency and sustainability of the community institutions created and their actual role in mediating the livelihood concerns of the rural poor. Such a study assumes significance in the context of the fact that the National Rural Livelihoods Mission, a centrally sponsored programme implemented in all states, is based on the strategy adopted in Andhra Pradesh. A review of literature reveals that a large number of studies are primarily focused on empowerment of women and micro-finance aspects of SHGs. No major study has been undertaken on the functioning of SHGs and their federations, their potential sustainability and more significantly their impact on the livelihoods of the member households. The present study is undertaken to fill this gap in the literature.

9.2 Objectives of the Study

More specifically, the study was undertaken:

- (i) to examine the growth of SHG movement in Andhra Pradesh with particular reference to SHGs and their federations in different parts of the state (the successor state of Andhra Pradesh);
- (ii) to assess the functioning and performance of SHGs;
- (iii) to critically examine the functioning of village organizations and their inter-relationship with the SHGs;
- (iv) to understand the functioning and performance of Mandal Samakyas;
- (v) to assess the functioning and performance of Zilla Samakyas;
- (vi) to assess the benefits received by SHG member households and in particular the impact of SHG membership on household income and assets; and
- (vii) to examine the impact of SHG membership on the status of women in the households.

9.3 Hypotheses

In order to study the above objectives, the following hypotheses were formulated and tested:

- (i) the SHGs and their federations have no impact on social inclusion and financial inclusion of the poor;
- (ii) the SHGs promoted do not exhibit features of functional efficiency, self-reliance and sustainability;
- (iii) the VOs do not exhibit features of functional efficiency, self-reliance and sustainability;
- (iv) the MSs and ZSs are not effective in terms of their apex role and self-reliance and sustainability;

- (v) membership of SHGs has no significant impact on the income status of the member households; and
- (vi) the SHGs and their federations have no significant impact on the empowerment status of the women members.

9.4 Growth of SHGs in Andhra Pradesh

SHG-centred poverty alleviation approach has emerged as a principal alternative to individual household-centred approach over the years. Assistance provided to individual household tends to be self-extinguishing in nature, while financial assistance provided to SHGs could act as a 'resource in perpetuity' for all the members. It is with this purpose that SGSY was designed to promote SHG-centred poverty alleviation programme. However, SGSY has not had a uniform impact across the country. Not all states had sensitive support organizations to nurture and handhold SHGs. Moreover, SHGs promoted without federal structures to sustain them, has resulted in a high rate of mortality among the SHGs. To overcome the deficiencies of the SGSY programme, the *Radhakrishna Committee* has recommended the introduction of a Mission approach to rural poverty alleviation centered around SHGs and their federations. Thus, NRLM was launched on June 3rd, 2011 in the place of SGSY. In fact, the NRLM is modeled after the SHG programme promoted in Andhra Pradesh through the World Bank supported projects viz., APDPIP and APRPRP.

The SHG-centred rural poverty alleviation programme implemented in Andhra Pradesh and elsewhere, is primarily designed to promote the economic empowerment of the poor by enabling their access to financial, technical and other resources. The SHGs and their federations are also expected to promote socio-political empowerment of the poor in general and the women in particular. Experience in *Andhra Pradesh, Tamil Nadu and Bihar*, where the World Bank supported projects have been implemented suggests that SHGs contribute to women's influence over economic resources of the household, besides

contributing to self-development. SHGs have been found to be promoting role of women in PRIs and other local bodies and contribute to empowerment. Involvement of women in the management of SHGs and their federations contributes to the financial management and negotiating skills of women as well.

An examination of the growth of SHG movement in the AP reveals three distinct phases. In Phase-1 (up to 1992), the promotion of SHGs was largely undertaken in IFAD funded projects. During 1992-98, the SHG programme had received a fillip from the SHG bank linkage programme of NABARD which was later incorporated into many state funded and externally-aided projects. The introduction of SAPAP programme in AP catapulted the SHG movement into a different trajectory. Coupled with SGSY and the World Bank funded projects, built around SHGs, the SHG-centred poverty alleviation programmes gathered momentum during the last 15 years. The launch of NRLM has given a further boost to the SHG-centred poverty alleviation programme in the country in general, and in Andhra Pradesh, in particular.

9.5 Functioning of Sample SHGs in AP

9.5.1 Democratic Functioning of SHGs

The ultimate impact of the rural poverty alleviation programme on the poor member households depends on the quality of the SHGs as revealed by their democratic and financial functioning and sustainability features. The sample study covering 72 SHGs from four districts of Andhra Pradesh reveals that 65% of the sample SHGs were practicing monthly meetings, while weekly meetings by 13%. About 10% of the SHGs were not regular in their meetings. Further, the study revealed that two-thirds of the sample SHGs were holding more than 75% of the meetings expected. More than two-thirds of the SHGs recorded high attendance of members (above 75%). The members recalled that the average duration of the meetings varied between half an hour to one hour, with the

meetings primarily focusing on saving, inter-lending, disbursement and recovery of CIF and bank loans. Rotation of leadership was not practised in 64% of the sample SHGs. Those that practice, change the leaders at irregular intervals. There were significant inter-district variations in the adherence of SHGs to democratic practices. Sample SHGs of *Chittoor* district appeared to be better in most of the parameters among the four sample districts.

9.5.2 Micro-Finance

Micro-finance is the life-blood of SHGs. SHGs flourish or perish due to micro-finance. A study of the micro-finance practices of the sample SHGs reveals that 88% were practicing monthly savings. The amount of savings per person varied between Rs.30/- (18%) and Rs.100/- (31%) per month with about 50% saving at the rate of Rs.50/- per person per month. A majority of the SHGs were actually saving at a rate higher than the accepted norm. Some (17%) were even undertaking additional savings. Cumulatively 50% of the sample SHGs had accumulated savings up to Rs.25,000/- to Rs.50,000/-. Some had even more than Rs.50,000/-. On the average, each sample SHG had about Rs.30,000/- accumulated as savings which works out to Rs.2,700/- per member. The practice of sharing accumulated savings was also observed in certain SHGs. Internal lending was practiced by all SHGs and the corpus of the SHGs (own funds) varied widely, with an average amount of Rs.36,689/- per sample SHG. Both big and small loans, were being advanced to the members. In a small number of SHGs (32%), the practice of internal lending was not found due to poor internal dynamics. This was particularly the case in *Kadapa* and *Vizianagaram* districts. In terms of equity, not all members of the sample groups borrowed nearly equal amounts. About 20% of the outstanding loan portfolio was against a single member in the sample SHGs, pointing to the need for greater equity in the distribution of loan funds. The velocity of rotation of internal funds was less than 1 in respect of 89% of the sample SHGs, while only 11% of the sample SHGs had a velocity coefficient of more than 1. This is also reflected in substantial idle

funds lying with the SHGs, often exceeding 25% of the corpus. More than 60% of the sample SHGs had idle funds exceeding 25% of the corpus, reflecting less efficient utilization of funds.

9.5.3 SHG-Bank Linkage

One of the central elements of SHG based poverty alleviation programme is the leverage that it facilitates to bank loans. The study reveals that all sample SHGs were bank linked. The average bank loan per sample SHG exceeded Rs.3.00 lakhs and more than 90% of the sample SHGs were credit linked at least twice. Thus, SHG-bank linkage has emerged as a major successful initiative of the SHG programme in Andhra Pradesh. The interest subsidy programme implemented in the state has further strengthened the initiative. On the average, each sample SHG received an interest subsidy of Rs.6,125/- up to March, 2013. However, the SHG programme suffered from certain issues. The bankers were insisting on SHGs holding their funds in fixed deposits. Some were requiring the SHGs to subscribe to insurance. There were some inter-bank variations in interest rates charged on the loans.

9.5.4 Capitalization of SHGs

Capitalization of SHGs through Community Investment Fund (CIF) is an integral part of the SHG-centred approach. The SERP has provided CIF to strengthen the capital base of the SHGs and create a community resource in perpetuity from which members could borrow and repay on a need basis. It was found that on the average, each sample SHG had accessed Rs.84,000/- as CIF in the sample districts, based on *inter se* priority established among the SHGs on the basis of *wealth ranking*. The SHGs were also guided to making micro-credit plans to ensure priority based allocation of CIF. The VOs have emerged as community banks from which the sample SHGs could borrow and repay at frequent intervals. However, there was a certain degree of inequity in the

distribution of CIF among SHGs and members. All sample SHGs had been maintaining prescribed books of accounts, but the quality of bookkeeping needs improvement. This in turn calls for the use of services of trained bookkeepers or training one or two members from each group, bookkeeping to maintain books of accounts as per the norms. The bookkeepers also need to be continuously supported by the VO/higher level bookkeepers. Equally important is to institute community auditing systems to ensure transparency and downward accountability in the micro-finance system. Further, it is important to ensure that the funds borrowed from the SHG corpus, CIF and bank loans are productively invested to strengthen the existing livelihoods and diversify into new livelihoods.

9.6 Functioning of VOs

The VOs are the first level federations of SHGs. The VOs provide both governance and financial support to the SHGs, while SHGs participate in the functioning of the VOs. The sample study of 24 VOs scattered over 4 sample districts revealed the following.

9.6.1 Inclusiveness

In terms of social inclusion, the sample VOs comprised a vast majority of BPL households from the SC, ST and OBC social groups. This is suggestive of the inclusive approach adopted by the SERP in the promotion of VOs. The leadership was also inclusive. The leaders were largely drawn from the vulnerable communities and as such there was a great degree of homogeneity and social bonding required for pro-poor management of the VOs.

9.6.2 Democratic Functioning

The sample VOs were functioning as democratic institutions. A study of 24 sample VOs reveals that most of them (70%) were adhering to the democratic norms of regular EC meetings and participatory decision-making, though most of them were not complying with the statutory requirement of annual GB meetings and filing of statutory returns. All the sample VOs were self-managed and the key members had the required knowledge and capacities for self-management. The key leaders were familiar with the concept of VO, roles and responsibilities of OBs and EC, relationship between VO and MS and VO and SHGs, agenda and meeting process and decision making.

9.6.3 Finances

CIF is the major source of funds for the VOs. The VOs receive CIF from MSs and use the same for on-lending to the SHGs. The VOs recover the CIF from SHGs and repay the borrowed funds to the MSs, making in the process some differential interest income (lending rate to SHGs – borrowing rate from MSs). The interest differential varies between 4 to 8%.

The fund base of the VOs was not only limited but getting rapidly depleted due to repayment of CIF without fully recovering the amount from the SHGs. Besides the practice of making advance payments for *Abhayastam* and other project driven insurance programmes, without recovering such amounts fully from the member beneficiaries, were affecting the fund base of the VOs.

On the other hand, the establishment expenditure of the VOs was also found to be on the increasing, resulting in a significant number of VOs incurring a loss (e.g., 24% sample VOs in 2012-13). This appears to be a major emerging concern in the VOs which could eventually affect their sustainability.

The VOs were basically governed by immediate economic needs of the members and as such the vision of the members was limited to accessing CIF and other sources of funds to meet their priority livelihoods, food security and home needs. No special efforts were made to promote long term vision on the part of the VOs. The sustainability of the VOs could be promoted by improving their own fund base through better recovery of CIF and of advance payments made on behalf of the members for *Abhayastham* and insurance programs. Reducing idle bank funds and improving recycling could also promote the fund base of the VOs. The VOs could also charge service fee for all the services provided by them to line agencies. Sustainability of the VOs could also be promoted by systematic improvement of the management capacities of the EC and OB members as well as sub-committees. And finally, sustained vision building among VO members could also contribute to the long term sustainability of the VOs.

9.7 Functioning of Mandal Samakyas

9.7.1 Democratic Functioning

The MSs are the second level federation of SHGs. The sample study of 8 MSs from 4 districts reveals that they are mature democratic institutions exhibiting features of self-reliance and sustainability. A three-tier governance structure was promoted to facilitate democratic functioning of MSs. However, the composition of the General Body (GB) varied across the sample districts. It is essential to promote uniform guidelines governing the composition of GB. The meetings of GB were not conducted in all MSs as per norms.

The ECs of MSs, however, regularly conducting their meetings, on a fortnightly basis, primarily to manage CIF insurance (*Abhayastham*), BMCUs/ Mini dairies, CRPs and other social capital and convergence related issues. A small proportion of VOs were not regularly attending the EC meetings. The EC of sample MSs were very inclusive with a predominantly large proportion of the members from the SC, the ST and the OBCs in the management committee.

9.7.2 MS Office Establishment

All MS offices were located in mandal headquarters. Most of the MSs were located in independent government buildings or rented premises. The offices had all infrastructure including telephone, internet connectivity, training equipment and other complementary facilities. The MSs had fulltime staff. The size and structure of staff had undergone significant changes. Each MS was found to be supported by an APM, one or two CCs/MBKs and one accountant. In addition, a bank mitra and livelihood specialists were also appointed as part of the programme staff. Except MS Accountant, all were treated as the programme staff, while bank mitra was a community resource person accountable to the MS.

9.7.3 Financial Resources

The financial resources of the MSs revolved around CIF. The total turnover of sample MSs indicates a declining trend. The average turnover per MS had declined from Rs.81.55 lakh in 2010-11 to Rs.70.51 lakh in 2012-13. The average CIF provided to MSs stood at Rs.81.32 lakh on the average at the end of March 2013, while the average total funds available stood at Rs.115.21 lakh for the same period (March 31, 2013). The total CIF disbursed by MSs cumulatively up to March 2013 varied between Rs.67.00 lakh in *Peddaraveedu* MS and Rs.266.00 lakh in *Mentada*. The annual disbursement of CIF made by MSs also varied significantly across the sample.

Recovery of CIF along with interest charges regularly is the only way to ensure that CIF available with MSs is not depleted. The growing gap between demand and collection of CIF points to the need for instituting and strengthening mechanisms to ensure recovery. This is particularly needed in *Kadapa* and *Vizianagaram* districts with relatively low recovery rates.

The engagement of MSs in a number of other activities such as insurance, *Abhayastham*, promotion of NPM activities and capacity building without appropriate support from the DPMU/ SERP on the one hand and shortfalls in the contribution to be made by SHG members on the other, are responsible for the declining financial resources of the MSs. If MSs are to sustain as viable community institutions, it is necessary to rationalize the activities of MSs, identify reasons for declining finances and address them. In addition, the MSs also need to augment their incomes by undertaking regular recovery of interest from VOs, economizing on expenditures and undertaking surplus generating activities such as procurement. The SERP may also suitably increase its IH-CB grant and such other grants required for maintenance of MSs. Unless, each MS generates that amount of income that is necessary to maintain its own staff and other establishment, it will only result in depletion of corpus. Further, idle funds available with MSs also need to be minimized so as to generate additional income. The sample study indicates that the idle fund with the MSs varied between Rs.75,000/- to Rs.12.00 lakh per MS. Regular and timely audit of MS accounts, identification and recovery of bad loans, economy in expenditure and generation of additional income are some of the essential steps that are required to be taken to strengthen the finances of the MSs.

9.8 Functioning of Zilla Samakyas

9.8.1 Governance

A study of the third level federation of SHGs viz., the ZSs indicates that a three-tier governance structure comprising GB, EC and OBs were promoted. The governance structures were highly inclusive in terms of their composition. However, the awareness of members of the transactions of ZSs leaves for room for improvement. It is important to assess the knowledge and capacities of the members and provide for suitable capacity building in order to facilitate larger and more effective participation of members. The functioning of the sub-committees of ZS also needs to be improved through systematic capacity building and regular reviews of work done by them.

The regularity of conduct of meetings and participation of representatives of MSs also needs to be improved. It is essential to ensure that the GB meetings are conducted every year as per the norm and the approval of the body is sought for all the activities of the ZSs. As the GB is a manageable body in terms of its size, the ZSs should be advised to hold the meetings regularly as per the statutory provisions. Further, the annual reports on accounts and activities should be thoroughly discussed in the GB in true spirit of the MACS Act. The implications of the statutory provisions should be disseminated among the ZSs. As the ZSs are largely guided and supported by the project staff in their day to day management, it is imperative that the DPMUs take the responsibility to organize GBs and facilitate discussion of all issues. If the ZS has to emerge as an autonomous apex organization, it should be nurtured into an organization adhering to the statutory norms relating to the conduct of annual GB meetings and approval of the activities and accounts. The ECs need to be guided to taking autonomous decisions subject to the overall project norms. Apart from promoting larger participation, there should be greater focus on developing member understanding of different issues.

9.8.2 Capacity Building

The services provided by ZSs include capacity building of CRPs and SRPs, MSs, delivery of outsourcing services for DRDA, MEPMA and insurance companies. ZSs were also promoting social activities that affected the SHG members at large through liaising with the line departments and PRIs. Engagement of ZSs in training of youth and providing them to job placement with the support of agencies such as NAC, Reddy's Labs, G4 Security Services, OC Fit, Skylark, Karvy Consultants etc., was very significant. Apart from resolving several individual social issues, ZSs were engaged in campaign against child labour, child marriages on celestial wedding day (*Srikalahasti*), illicit distillation, Jogini practice, prevention of distress migration, support for anti-trafficking for tribal children and facilitating issue of job cards.

9.8.3 Finances

Grants-in-Aid from SERP for specific activities such as training, health and nutrition, gender and livelihood activities are the principal source of receipts for the ZS. As part of some service delivery for third party agencies, the ZSs receive small receipts. The major source of payments for ZS includes salaries of staff and other office establishment, travel cost of members and other miscellaneous expenditures. The average fund available with ZS varied widely across the years from Rs.6.7 Crore to Rs.7.93 Crore. However, the researcher was not able to access full information on receipts and payments in all sample ZSs for all years. A few ZSs were also found to be making surpluses due to insurance and other activities undertaken by them. It was found that accounts were not regularly getting audited and placed before the GB. It is essential to complete audit of accounts and comply with statutory requirements. Further, ZS was making certain insurance and other payments to the SHG members, even before the relevant funds were received by them. In some sample ZSs it was found that such payments were not finally received by them. It is necessary therefore to ensure that all funds are received and accounted for.

9.9 Impact on SHG Member Households

The central objective of the SHG centered programme is to bring about a sustainable improvement in the livelihoods of the poor and protect them from risks and vulnerabilities. The SHG approach has been adopted by SERP to enable the poor to acquire adequate asset and skill base and employment. While development of the SHGs and their federations is the immediate objective, the ultimate objective is to bring about sustained development in the well-being of the poor rural households in the state. In order to assess the impact of the SHG-centered programme on the poor households, a sample study was conducted in 4 districts effectively covering a total of 290 households. The study of sample households revealed the following:

9.9.1 Member Perceptions on Functioning of SHGs

- 72% of the members indicated that there SHGs were meeting at monthly frequency while 17% at weekly frequency;
- Only 43% of the members reported to be attending all meetings while another 43% most meetings, suggesting that their participation in the groups was effective. However, only 26% of the members were fully aware of the decisions made, while about 50% were moderately aware of them;
- 91% of the sample members indicated that they were saving at monthly frequency;
- About two-thirds of the members reported that the savings at a monthly rate of Rs.30/- to Rs.50/-, while about 30% above Rs.50/-;
- A vast majority of the members were aware of their total savings and relevant financial transactions;
- A majority of the members' savings/ loan transactions were properly recorded;
- However, about 80% of the members indicated that only about 20% of the members participated in training programme outside the village, although all the sample members had participated in community based trainings organized through CRPs;

9.9.2 Member Perceptions on Benefits Received

- Apart from savings and inter-loaning benefits, a significant proportion of members admitted to receiving other benefits such as food credit line (11%), NDCC (5%), educational support (8%), SGSY/RF (6%), land and other development benefits (14%);
- 41% of the sample members were enrolled into life and accident insurance policy, while 47% that they were covered under *Abhayastham* and 23% under old age/widow/disability;

- 41% of the sample households indicated that they had accessed MGNREGS job cards as well as Arogyasree cards;
- Nearly 50% of the sample households indicated that they were able to access housing subsidy, while 37% cooking gas connection;

9.9.3 Perceptions on Household Income

- 97% of the sample members indicated that their household income had recorded an increase after joining SHGs, primarily due to the greater access facilitated by SHGs to internal loans, CIF loans and bank loans at relatively lower rates of interest;
- The sample members indicated a 100% increase in household income over a period of five years;
- The sources of income got diversified after joining the SHGs with non-farm and other sources of income emerging as principal alternatives to agricultural/wage income. The income from self-employment, non-agricultural sources and animal husbandry appeared to have increased considerably, as reported by the members;

9.9.4 Perceptions on Non-Economic Benefits

- The sample members also admitted that their participation in the SHG movement had promoted family planning, immunization of children and enrolment of eligible children into *anganwadis*, primary and upper primary schools;
- A majority of the sample members stated that their membership in SHGs has contributed to their general awareness, mobility, status and respect within the household, personal expenditure and role in household decision-making;
- However, the sample study indicated that the aspirations of the SHG members have been increasing with the raising overall awareness, mobility, income and well-being.

Part-2 : Conclusions

9.10 Conclusions

The study of the functioning of the SHGs leads to the following important conclusions.

9.10.1 Monitoring Adherence to *Panchsutras*

In view of the need for promoting long term sustainability and self-reliance of SHGs, it is necessary to ensure that all SHGs adhere to *Panchsutras*. The study reveals that there is no mechanism at present to track the adherence of SHGs to *Panchsutras*. The MIS information is not analyzed and used to assess the adherence of SHGs to the *Panchsutras* on a regular basis. Therefore, a system needs to be instituted to undertake assessment of SHGs and grade them on the basis of their adherence to *Panchsutras* at quarterly intervals. Such a grading of SHGs could be used for planning capacity building and other interventions to improve the performance of SHGs.

9.10.2 Improvement in SHG Bookkeeping

Second, bookkeeping has emerged as an important area for improvement. To improve the quality of bookkeeping, it is essential to identify, train and facilitate engagement of community bookkeepers. Ideally, each SHG has a bookkeeper of its own. However, in order to ensure adequate remuneration to bookkeepers, VOs may be required to identify train and position optimum number of bookkeepers who could provide services to the SHGs. The VOs could collect a service fee from the SHGs for the bookkeeping services and make payment of honorarium to the bookkeepers. It is only by ensuring quality maintenance of manual books of accounts that SHGs can be sustained. Mobile bookkeeping should not result in replacement of physical books of accounts which should be available for ready reference with the SHGs at any point of time.

9.10.3 Augmenting Velocity of Funds

Third, the velocity of internal funds is lower than 1 on the average indicating that there is need for improving rotation of funds. Idle funds available with the SHGs should be reduced to the barest minimum to increase rotation of funds. Further, reducing the rate of interest on internal funds to a reasonable level could also improve rotation. More significantly, the non-borrowers should be encouraged to borrow loans and there should be greater equity in the distribution of loan funds among members. A related issue is to enforce penal provisions to increase recovery rate and reduce defaults. Instituting appropriate mechanism to ensure productive utilization of loan funds for the intended purposes could also minimize loan defaults. However, this would require closer supervision of the utilization of loan funds by the VO sub-committees on the one hand and a more objective scrutiny of loan requests.

9.10.4 Productive Utilization of Bank Loans

Fourth, an important area that requires improvement is the utilization of bank loans by the members. It is understood that a significant portion of the SHG funds is utilized for repayment of loans borrowed from other sources including informal sources. While the objective of interest subsidy on bank loans is to reduce the cost of borrowing so that the members should be encouraged to invest in livelihood activities. It is therefore essential to institute a mechanism to promote productive utilization of bank loans for diversification of existing livelihoods as well as new livelihoods. This requires greater focus on livelihood promotion activities on a much larger scale. The SERP may provide the support of livelihood CRPs and other technical support required to encourage the member households to invest in productive livelihoods. New livelihood collectives could also be promoted to undertake value chain related activities.

9.10.5 Effective Utilization of CIF

The study reveals that livestock assets procured with CIF support were not insured as the mortality risk of the livestock was relatively higher. It is essential to ensure all the livestock assets and other assets procured are insured against different types of risks. Apart from promoting insurance, education among the members, the SERP needs to liaise with the insurance company to facilitate redemption of clients.

9.10.6 Village Organization

9.10.6.1 Improving Governance

Study of Village Organizations (VOs) leads to four important conclusions. First, as all VOs are registered under MACS Act, it is imperative that they conform to the provisions of the MACS Act in terms of conducting annual General Body/ representative general body meetings and submission of audited annual financial returns. It is imperative that a system is put in place to ensure that annual general body meetings are conducted and the approved audited financial returns are submitted to the competent cooperative authority. This in turns requires appointment of auditors and completion of audit of all registered VOs within the stipulated time period. A key indicator on the proportion of VOs complying with statutory norms should be developed and the monitor through MIS.

9.10.6.2 Additional Capacity Building

The second important conclusion that emerges from the study is that the capacity building and training requirements of all SHGs and VOs should be assessed at frequent intervals and plans designed to provide capacity building inputs to the OBs, members of ECs and sub-committees. Adequate budgetary provision needs to be provided to all the VOs for this purpose. Alternatively, each MS may be provided specific funds for this purpose.

9.10.6.3 Enforcing Financial Discipline

The study reveals that there is a gradual decline in the annual turnover of VOs, primarily due to the declining recoveries of CIF and regular repayment of CIF to MSs from own funds. The velocity of rotation of CIF funds by VOs is also found to be on the decline, resulting in growth of unutilized funds with the VOs. It is therefore imperative that norms of CIF recovery and repayment are strictly enforced by the VOs. Further, some VOs have been incurring large amounts of expenditure on establishment such as rents, salaries and honorarium and other miscellaneous items, while incomes are not increasing proportionately. It is therefore essential that uniform norms of expenditure are determined and enforced for VOs belonging to different size classes. Unless such norms are defined and enforced the financial self sufficiency of the VOs cannot be maintained for long. Finally, the functional role of VOs needs to be clearly defined. The institution of VO should not be allowed to get into multiple areas involving expenditures. Priorities should be clearly determined such that VOs emerge as sustainable institutions.

9.10.7 Mandal Samakyas

9.10.7.1 Improving Governance

The study of Mandal Samakyas also brings out the need for enforcing adherence of all MSs to the norms of democratic governance incorporated in MACS Act. Apart from conducting GB or RGB meeting as per norms the MSs should regularly file their approved and audited annual returns to the competent cooperative authority. It would also be important to ensure that there is no deviation between the composition of GB as stipulated in the bylaws and as actually practised. More importantly, the member awareness of the composition needs to be promoted as there was a certain lack of clarity on the size, composition and purpose of GB.

9.10.7.2 Additional Capacity Building

As in the case of VOs, there is need for providing continuous capacity building to MS bodies, based on CB needs assessment. All new and continuing EC members who have not received training should be identified and provided inputs on a priority basis. In fact, it would be ideal to introduce a condition that only those who have received minimum amount of training are selected as OBs. Ideally the training is organized at Area Coordinator/Cluster level by drawing resources of the sr. SRPs and DPMs.

9.10.7.3 Quality Fund Management

The third important area for improvement is fund management at the MS level. Factors causing lower disbursement of CIF and higher float of funds at the MS need to be analyzed and corrective action taken to disburse funds to VOs that have not received funds or received lower amounts. Norms need to be defined for each category of expenditure and enforced effectively for promoting economy. All cases of misappropriation or misuse of funds need to be investigated and corrective action taken to recover funds without further delay.

9.10.8 Zilla Samakyas

9.10.8.1 Improving Governance

The ZSs too need to adhere to the provisions of the MACS Act or Societies Act under which they are registered. All ZSs should be required to adhere to the governance and statutory financial provisions including timely submission of audited annual returns.

9.10.8.2 Rationalization of Activities

As ZSs are involved in multiple activities, it is essential to clean-up their transactions and balance sheets and clearly identify sources of profit or loss and take corrective action. The services provided by the ZSs should also be reexamined to rationalize them and minimize them such that the ZSs do not stray into areas in which they are no comparative advantage. If necessary separate accounting units should be set up under ZS for insurance, training and job placements and convergence activities such that unit wise contribution to ZS finances would be clear. A closely related issue that needs to be addressed is the financial literacy of the members.

9.10.8.3 Additional Capacity Building

A capacity building needs assessment should be made at frequent intervals for this purpose. The most important area is the autonomy of the OBs and ECs in decision making. The researcher found that the district programme staff had larger role in decision making in all the ZS. The project staff should be guided to give up control over the ZS decisions gradually, while at the same time providing additional capacities for the OBs. The focus should be on building educating the members about their current role and responsibilities as well as the future roles when ZS emerges as an effective CBO. Finally, the ZSs would continue to require close supervision and monitoring of the project management. But what is important is to promote autonomy in informed decision making.

9.10.9 Impact on Member Households

The study of sample member households points to a few areas for improvement. First, as a significant proportion of members were not fully aware of the functional norms of SHGs and their inter-relationship with the federations, it would be necessary to build the awareness levels and capacities of the members for self-managed of SHGs, through a systematic programme. There

should be a system instituted to promote member awareness of the *Panchsutras* and the importance of the SHGs adhering to them. Member should create to adequate pressure on the SHG management to promote adherence to *Panchsutras*. Related to awareness promotion is the promotion of member awareness of financial transactions including savings, inter-lending, bank loans and utilization of other funds. It is important to ensure that most of the members participate in training and indicator needs to be developed to measure the extent of member participation in training, through the MIS.

As the non-financial services provided through the SHGs have assumed significance over the years and as beneficiary members perceive a significant impact of these services, it is important for the SERP to expand the coverage of the services to cover all SHGs, particularly, SHGs of the SCs and the STs. These services would include NDCCs, supplementary education support, food credit line, insurance, pensions, NREGS job cards, *Arogyasree* cards and such other convergence benefits.

Further, as SHGs have been found to be effective in resolving individual and community level social issues affecting the poor, it is imperative that social agenda is mainstreamed in all SHG and federation meetings. The recent decline in the importance of social activities needs to be arrested and issues such as mainstreaming of out of the school children, improving the quality of mid-day meals programme, improving community sanitation, maintenance of community water works etc., should be promoted on a much larger scale through the SHGs and their federations.

The sample households have perceived a significant increase in the average household income as a result of the multiple benefits received by them from the SHG network. The study also reveals a change in the composition of household income in favour of non-agricultural sources. This clearly points to the need for promoting productive utilization of internal loans, CIF and bank loans for

diversifying livelihoods. This in turn requires a much greater effect on activities that would promote livelihoods. Area/mandal specific livelihood issues need to be identified, analyzed and interventions planned and promoted to increase the productivity of investments. The SERP needs to focus more on study of value chains of agricultural and non-agricultural commodities and livelihoods to identify areas for interventions. Market aggregation activities as well as promotion of new livelihood collectives may also be promoted for this purpose. Specially trained livelihood professionals/community resource persons may contribute to the livelihoods of the member households. While, planning the interventions, special emphasis may be laid on women-friendly activities that would not only increase women's income but also reduce their drudgery.

9.11 Hypotheses Validated

The analysis carried out in the study disproved several hypotheses proposed. First, that the SHGs and their federations have no impact on social inclusion and financial inclusion of the poor has been disproved. The SHGs and their federations had a very high proportion of members and leaders from vulnerable social groups. Further, the financial resources of the SHGs and their federations were found distributed in a fair manner, meeting the needs of the socially and economically weaker sections. Second, the hypotheses that the SHGs promoted do not exhibit features of functional efficiency, self-reliance and sustainability was also not verified. A vast majority of the sample SHGs adhered to Panchsutras and exhibited features of functional efficiency, self-reliance and sustainability. However, the study revealed that there is scope for improving the efficiency of fund used by minimizing the idle funds and increasing the velocity of rotation. Third, the hypothesis that VOs do not exhibit features of functional efficiency, self-reliance and sustainability was not fully verified. All sample VOs were found to be adhering to norms of democratic governance. However, the study of sample VOs indicated that there is scope for improving the fund based by minimizing establishment expenditure, improving recovery of CIF and

reducing idle funds. The fourth hypothesis viz., that MSs and ZSs are not effective in terms of their apex role and self-reliance and sustainability is also not proved conclusively. Both the institutions of MS and ZS were effectively discharging their apex role by providing necessary support to the lower level institutions. However, the net financial position of MSs indicates a declining trend which needs to be arrested in the interest of long term sustainability. There is also a vast scope for improving economy in expenditure and recovery of CIF. Fifth, the ZSs were found to be effective in terms of their apex role. The ZSs had features of financial self-reliance and sustainability. Sixth, the study also disproved the hypothesis that the membership of SHGs has no significant impact on the income status of the member households. In fact, the study revealed that the membership had conferred multiple benefits on the member households including on assets and income. Finally, the study disproved the hypothesis that the SHGs and their federations had no significant impact on empowerment status of women members. The SHG-membership had contributed to the status of women both within and outside the household.