Chapter 2

Self Help Groups

Andhra Pradesh has gained reputation and stands first in the formation of Self-Help Groups (SHGs). This policy initiative based on group approach was taken by Government of India in 1983-84 with the introduction of Development of Women and Children Rural Areas (DWCRA) programme during 1983-84. Policy makers focused on women empowerment through SHGs to combat socio-economic deprivation. At present SHGs are formed under Swarnajayanthi Grama Swarojgar Yojana (SGSY) programme of GOI. SGSY came into existence in 1999 by merging all the rural development programmes like Integrated Rural Development Programme (IRDP), Development of Women and Children in Rural Areas (DWCRA), Training of Rural youth for Self Employment (TRYSEM), Supply of Improved Toolkits to Rural Artisans (SITRA), Ganga Kalyan Yojana (GKY) and Million Wells Scheme (MWS).

The Government of Andhra Pradesh has also taken a conscious effort in promoting this programme in order to empower women and to achieve socio-economic development with bank credit and government support. SHGs are popularly known as DWCRA groups, started as thrift and credit groups where women are saving “rupee a day”, started lending money to group members in need from the corpus available. This group corpus consists of group savings, government assistance and bank loan. SHG movement is a mass movement, as Andhra Pradesh alone has half of the groups existing in India.
SGSY scheme aims to bring assisted poor family above poverty line by ensuring appreciably sustainable level of income over a period of time with bank credit and government subsidy. The objective is to organize rural poor into Self Help groups through the process of social mobilization, their training and capacity building, and provision of income generating assets. Training, Infrastructure, Revolving fund to SHGs and Subsidy for Economic Activity are the important components under this scheme. Self-Help Group consists of 15-20 women generally homogeneous who are below poverty level come together for mutual benefit to offer financial and other services to its members. The members meet regularly based on the established norms. Savings are mandatory for every group. They lend money among themselves to meet their credit needs.

**Evolution of SHGs in Andhra Pradesh**

**Development of Women and Children in Rural Areas**

Government of India introduced DWCRA as sub-scheme of IRDP with support from the United Nations International Children’s Emergency Fund (UNICEF) in 1982-83 as a pilot project in 50 selected districts. There were 1000 groups in the first year of the programme. The objective of the scheme is to focus on women members of the families of IRDP target groups to increase their income and also to provide supporting services needed to enable them to take up income generating activities. It targeted at women to create awareness and to take advantage of the facilities already available under IRDP and other programmes. It is found that women individually are not able to get benefit from these, so group clientele was advocated, to organize themselves into homogeneous group to take up economically viable activities on group basis and
establishing linkages with other social development programmes. The criteria for selection of district and beneficiaries is given to backwardness of the district, low female literacy and high infant mortality rates. In addition to it, preference is given to places where Integrated Child Development Services (ICDS) is already grounded.

**The Objectives of the Programme**

- Promoting self employment among the rural women who are below poverty line by providing financial assistance, skill training etc.
- Assisting individual women through group approach
- Organizing the beneficiaries in group activities and promote economic and self reliance
- Generating income for rural poor by creating a venue for production of goods and services
- Imparting suitable training to non officials under TRYSEM
- Increasing women’s access to welfare services
- Providing necessary supportive services to women like Balwadis, Anganwadis, Creche System
- Organizing child care facilities to provide security, health nutrition and nursing children at National Rural employment Programme (NREP) work sites while mothers are working
- Inculcating self-sustenance even after the help is withdrawn
This group approach is different from earlier programmes implemented by Government of India (GOI). It is not only a welfare scheme but also recognizes women as economic providers. Through this programme, women below the poverty line come together and make a group of 25-30 for savings and income generating activities. This programme also promises to provide access to basic services like health, education, childcare, nutrition, water and sanitation. It aims at sustainable development and quality of life. Government provides financial as well as technical assistance through linkages with other programmes and institutions. The basic aim of this programme is to assist individual through group approach to become self-reliant and to inculcate self-sustenance by promoting self-employment. This programme aimed at women as their target as they constitute half of the population who also contribute 50% (work participation along with domestic work as reported by NSS data) to the development of the country but unfortunately the development processes is not benefitting them. Criteria for selection of districts and beneficiaries are backwardness of the area, low female literacy rate and high infant mortality rates. Selection of group activity depends on their interests, skill, raw material, marketing and other local needs are to be taken in considerations.

**Linkages with Other Programmes**

DWCRA which is a sub-scheme of IRDP has linkages with other programmes like TRYSEM, ICDS, NREP, Council for People’s Action and Rural Technology (CAPART), National Literacy Mission (NLM. Child Care Activities, Multipurpose Community Centres (MCC), Information Education Communication (IEC) and Community Based Convergent Services (CBCS) are the centres help in achieving the
goals of the programme. CAPART through voluntary agencies helps to reach out the poor since its inception and under TRYSEM programme, beneficiaries are given training. Child care activities are taken under the ICDS and MCC project. Educating the women and children is covered under NLM.

**Savings and Credit Movement**

In the history of Andhra Pradesh, savings and credit movement gained momentum in 1993 in Nellore district when Total Literacy Campaign was launched in 1990 to bring change in attitudes by educating women in various social and health issues. They adopted campaign approach and formed Mahila Mandalis. Women in this district started agitation against the sale of arrack (Cheap Liquor) and demanded its ban. Later in 1995 ‘Total Prohibition’ as demanded by them came into enforcement by the then Government of Andhra Pradesh. Having achieved their goal, women where encouraged by officials to save ‘a rupee a day’ and to start thrift and credit groups called “Podupu Lakshmi” groups. Starting from here, the number of groups spread rapidly.

To help and promote savings and financial conditions of the DWCRA beneficiaries “Women Thrift and Credit Scheme” was introduced as a pre-DWCRA activity to achieve cohesion among group members in 1989 in three districts of Adilabad, Cuddapah and Srikakulam. Taking inspiration from the concept “save rupee a day” by Mahila Mandalis of Total Literacy Campaign who spearheaded anti-liquor movement in Debugunta town of Nellore, these Podupu Lakshmi groups were formed. These groups were later called as DWCRA groups. Once thrift and credit was introduced the entire scenario changed in Andhra Pradesh. As they are thrift and credit
groups, bank credit is also available for groups along with state’s revolving fund to start any income generating activity. Along with these, child care activities, information education and communication, community based convergent services, multipurpose community services and linkages with other programmes like TRYSEM, ICDS, NREP, Jawahar Rozgahr Yojana (JRY), NLM and MCC. CAPART through voluntary agencies reaches out to the poor and has assisted all the projects since inception. For marketing of the products, State Government of Andhra Pradesh organized DWCRA bazaar/mela. Even the Government had tie-ups with corporate sectors for both training and marketing.

**DWCRA in Andhra Pradesh**

Dwcra was introduced in Andhra Pradesh as a pilot project in 1983-84 in selected 3 districts- Srikakulam, Cuddapah and Adilabad on the basis of their backwardness.

**Year- Wise Selection of Districts in Andhra Pradesh**

1983-84-- Srikakulam, Cuddapah, Adilabad.

1986-87-- Mahabubnagar, Anathapur.


1989-90-- Prakasam.

1990-91—Karimnagar.

By 1994-95, all the districts were covered in Andhra Pradesh with total number of groups rising to 25071 groups against the target of 9890 groups with 3,70,925 women benefited with a total allocation of 1410.061 lakhs.

**SHGs formed by South Asia Poverty Alleviation Programme (SAPAP)**

Taking the example of SHGs in different South Asian countries and with an objective that poor should combat the poverty by themselves through social mobilization and realizing the strength of the group which was declared by SAARC Dhaka Declaration in 1993 (on eradication of poverty by 2002 in all SAARC countries). Under the inspiration of this declaration, UNDP has started SAPAP programme as a pilot project in 3 selected districts in 1995. So in Andhra Pradesh DWCRA groups formed by District Rural development Agency (DRDA) and SHGs groups under SAPAP which are running parallel recognized the capabilities of the poor especially when they are formed as a group.

Poverty Eradication Mission was formed to combat poverty. Under this mission, “Velugu” (Andhra Pradesh District Poverty Initiatives Project) was initiated by SERP in 2000 June with Chief Minister as its chairman. During 1995-2000 SAPAP was implemented by UNDP in 20 mandals of three drought prone districts of Kurnool,
Mahbubnagar and Anantapur and later extended to three more districts Chittoor, Srikakulam and Vijayanagaram. Under this programme, SHGs were formed by identifying the poorest of the poor in order to combat poverty through social mobilization and active participation in development process.

Later, Poverty Eradication and Employment Generation Mission was formed where Government officials were also part of the programme unlike earlier one. With the support of World Bank, in order to cover the rest of the districts, Velugu was introduced in other 16 districts under Andhra Pradesh Rural Poverty Reduction Project-APRPRP in 2002 June 1st.

**Velugu’s Vision**

The disadvantaged communities shall be empowered to overcome all social, economic, cultural and psychological barriers through self managed organizations. They will attain higher productivity with improved skills and asset base and utilize resources to full potential and gain full access to services.

The non negotiable of the project are indentified as

- Focus on the poorest of the poor
- Promote self reliant, self managed and vibrant people’s organisation
- Enhance social capital of the poor by promoting activities and para professionals in the community of the poor
- Works on all the issues that are identified as critical to empowerment and poverty reduction in a given habitation.
Velugu addresses empowerment as a political process through right based approach. Poverty and marginalization and systematically reproduced through chronic denial and violation of right of certain sections of people based on caste, clan and gender. These marginalized groups (Dalits, BCs, women, tribal, child labour, migrant labour, differently abled person) lack access and control over natural resources, political and social processes and institutions.

**Major Area of Intervention**

- Creating livelihood and employment opportunities
- Food security to the poor
- Enable income generation activities and micro enterprises
- Distress migration in drought areas
- Social discrimination, untouchability and dalit empowerment
- Child labour
- Status of women
- Infrastructure development including water and sanitation
- Health and education, especially of women and children
- Information education communication dissemination
- Risk cover through insurance
Means of Intervention

The project aims at reducing poverty in the project areas through

- Nurturing self managed grass roots organization of the poor and building their capacities to manage their affairs and enable them to access commercial credit.
- Building capacity of local institutions (government departments, local bodies and NGOs) to be inclusive of the needs of the poor.
- Supporting investment in sub-projects proposed by grass root institutions of the poor to accelerate their entry and expand their involvement in socio-economic activities.
- Improving access to the education to the girls to reduce the incidence of child labour among the poor.
- Improving livelihood opportunities to the poor and reduce the percentage of people living below the poverty line.
- Qualitatively affect the change in the lives of the poor and eliminate large scale of distressed migration.
- Achieving gender equity to enhance role of women in household and community levels.
- Achieving changes in the entrenched caste and power relations.
- To increase the state of poor in the social systems through individual and collective actions.
Velugu Strategy

SERP uniqueness is its blend of professionals and trained activities within the community. This makes it a sustainable model.

Rural/Village Development Professionals

Community co-coordinators (CCs)/ Social Organizers (SOs) are stationed in village. The CCs are trainees professional who responsible for 1000 families and facilitate building the three pillar of Velugu the institution of the poor, knowledge and capacity building and access to resource support to prepare the poor to fight against poverty.

Para Professionals

Working hand in hand with the CCs are community leader selected from the community. They are trained variously as social/ community activists or barefoot botanist or veterinarian. They function as para professional within the communities and become the agents of change in their habitations.

Project Components

- Institution and human capacity buildings
- Community investment fund
- Child labour eradication
- Project management, process monitoring and evolution
- Action oriented approach, special interventions
- Food security- Rice Credit Line
- Information Education Communication (IEC)
Information and Communication Technology (ICT) for poverty reduction

Special Projects

- United Nations fund for International Partnerships (UNFIP)
- Social discrimination project
- Child labour elimination
- Media and advocacy campaign
- Sustainable dry land agriculture
- Social mobilization and community empowerment for poverty alleviation

Social Mobilization Experimentation Learning Centre (SMERLC)

In partnership with UNDP, SERP is setting up a social mobilization Experimentation Learning Centre (SMERLC) at Kurnool district. The objectives of the centre is to take SAPAP lessons to scale in Andhra Pradesh by taking up field training for development professional of the government and non-governmental agencies in social mobilization for community empowerment.

The centre will disseminate the best practices of SAPAP research and documentation and SERP will identify Action Research Pilot Projects of the centre that can bring to higher successful development methodologies, useful and appropriate technologies, best catalytic practices and certain area specific or community specific empowerment strategies.

SMELC has two tier system-Advisory board and management team. The following are the four core ideas identified for action research pilot projects.
- Information and Communication technology for poverty reduction
- Market linkages and micro enterprise development through partnership between CBOs and Corporate Sector
- Micro-insurance for the poor
- Rating the federation for bank Linkages

**Livelihoods Enhancement Program**

The three pillars of livelihood enhancement are social mobilization filling the knowledge gap and resource support to help the poor move up the value chain. More than 60% of Velugu outlay is for the people’s projects through community Investment Fund to enhance their livelihoods, to earn decent income.

As community organizations get built, the Livelihood Enhancement Action Plan (LEAP) are being facilitated in all the villages. It is comprehensive programme starting from social and resource maps (livelihood) of the village to finding the opportunities available to the poor. Since the canvass is so large SERP has launched a partnership programme called STEER (Social Transformation of Economy with Enterprise). STEER philosophy is when business promotes business results in a vibrant sustainable economy. STEER invites corporate, management and financial institutes, scientists, NGOs and non-resident Indians to lend a helping hand to improve lives of the poor.
Swarnajayanthi Gram Swarojgar Yojana

Despite several anti-poverty programmes or poverty-alleviation programmes have been introduced and strengthened in India, poverty levels in terms of percentages have come down but rural poverty continues to be significant and draws the attention of policy makers and government of India. In order to address this pernicious and perennial problem, self-employment programmes assumed significance for sustainable development of rural poor. SGSY programme aims at establishing a large number of micro enterprises in rural areas based on the ability of the poor and potential of each area. It is different from earlier programmes, in terms of strategy envisaged for its implementation. It has been concerned as a holistic programme of self employment.

In order to eradicate rural poverty, multiplicity of rural development programmes were introduced by GOI like IRDP in 1973, TRYSEM for training, a new approach was adopted by GOI, group approach for development of women and children in rural areas in 1983, SITRA for supply of toolkits, etc. Each programme was focused on different aspects for development purpose instead of desiring to have linkages with other programmes, they started to look at achieving individual targets. The lack of proper social intermediation is observed. All the programmes were merged together in order to have a holistic approach to combat socio-economic poverty under the title SGSY. SHGs were formed under this programme where the poor people will form a group for income generation, self-employment, training, credit, technology, infrastructure and marketing.
SGSY is funded by the Centre and States in the ratio of 75:25 from 1.4.99 and the unspent balances are utilized under SGSY programme guidelines. The objective of SGSY will be to bring the assisted poor families (Swarojgaries) into APL in next 33 years, Through micro-enterprises. SGSY started with a goal for providing income-generating assets through mix of bank credit and government subsidy to ensure a family of Rs. 2000/- income. The effort was to cover 30% of poor families in each block by 2004 (5yrs time) and quality is given importance.

**Social Mobilization of the Poor**

A major shift of the SGSY programme from the erstwhile programmes is in terms of its emphasis on social mobilisation of the poor.

**Salient Features of SGSY**

- To establish micro-enterprises in rural areas, recognizing the competencies of rural poor, given the right support, they can be successful producers.

- Assisted families are called swarojgaris, either individual or SHGs but emphasis is on group approach.

- Main objective is to bring Below Poverty Line (BPL) into Above Poverty Line (APL) in next 3 years.

- SGSY is a holistic programme of micro-enterprises covering all aspects of self-employment, viz, organization of rural poor into SHGs and their capacity
building, planning of activity clusters, infrastructure build up, technology, credit and marketing.

- Emphasis on cluster approach for establishing micro enterprises (for this 4-5 key activities are identified for each block based on resources, occupational skills and availability of markets.

- Ceiling 20% and 25% for North East states of SGSY funds are allocated to each district and maintained by DRDA’s as ‘SGSY-Infrastructure Fund’ to fill the identified gaps.

- SGSY aims to cover 30% of poor in each block in next 5 years ensuring maximum number of panchayats being covered for key activities without compromising for quality.

- SGSY is a group approach where poor people organized into SHG and group activity is preferred (and Capacity building).

- Gram sabha plays key role in identifying the BPL category and participatory process is followed to select key activity.
SGSY is a credit-cum-subsidy programme; where credit is the critical component and subsidy being a minor and enabling element.

SGSY envisages greater involvement of banks, as they are involved in planning, preparation of objects, identification of activity clusters, infrastructure plans, as well as capacity building and choice of activity of SHGs, selection of individual swarojgaris, precredit activities and post monitoring including loan recovery.

SGSY seeks to promote multiple credit rather than a onetime credit ‘injection’. Credit requirements are carefully assessed and allowed to take increasing credit intake over years.

SGSY emphasizes on skill development through well defined training courses. Those who have been sanctioned loans are assessed and given necessary training, design, duration and curriculum according to the needs of activity.

DRDA’s are allowed to set apart 10% as ‘SGSY-Training Fund’.

SGSY ensures up gradation of technology, the technology intervention seeks to add value to the local resources.
➢ Marketing facilities are provided for the produced goods which involve providing market intelligence, consultancy services, development of markets, as well as institutional arrangements including exports.

➢ Subsidy is uniform at 30% of the project cost and subject to a maximum of Rs.7500/-. In respect of SC and STs, it is up to 50%, that is Rs10,000/-. For SHGs, it is 50% of the cost of the scheme, subject to a ceiling of 1.25 lakh. There is no limit on subsidy for irrigation projects. It is back-ended subsidy.

➢ SGSY focuses on vulnerable groups among rural poor. Accordingly, the SC/STs will account for at least 50% of the swarojgaris, women for 40% and the disabled for 3%.

➢ SGSY as implemented by the DRDAs through the Panchayat Samithis.

➢ The process of planning, implementation and monitoring integrate banks and other financial institutions, PRIs and NGOs, as well as technical institution in the district.

➢ 15% of funds under SGSY are set apart at the national level for projects having a far reaching significance and which can also act as possible alternative
strategies to be taken up with other departments and semi government or international organizations.

➢ Funds are shared by Centre and States in the ratio of 75:25.

➢ The central allocation for states is according to the incidence of poverty in states. However, additional parameters like absorption capacity and special requirements are taken into consideration.

SGSY lays stress on cluster approach. Identification of key activities by the block SGSY committee plays a very crucial role as it should be sustainable income from their investments and the choice of activity should be based on local resources, aptitude as well as the skill of the people. This selection of activity should be participatory process. The major share of SGSY assistance is for key activities. A minimum of 75% both by member and funding is for key activity. However, assistance is not prohibited for other activities but subject to a limited 25% of the total number and funding of swarojgaris in any given year. It is for only an enabling provision for exceptional cases but it is not a norm.

**Indira Kranthi Patham**

IKP is a community demand driven rural poverty alleviation project to cover rural poor household in the state with a special focus on 30 lakh household that are extremely poor. SERP is the body responsible for conceptualizing, implementing and
monitoring of the IKP as a project through DRDAs at the district level. SERP is an independent autonomous society registered under the Public Societies Act. IKP comprises of 2 projects- Andhra Pradesh District Poverty Initiatives Project (APDPIP) and Andhra Pradesh Rural Poverty Reduction Project (APRPRP). Both the projects are externally aided, with support from the World Bank.

The objective of IKP is built on the already existing SHGs by state government. The project aims to build strong institutions of the rural poor and enhance their livelihood opportunities so that the vulnerability of poor is reduced. This is the single largest empowerment project in South Asia. All the SHGs of the state comes under this scheme, as 90% rural poor are covered under this programme. It is funded by the state government of Andhra Pradesh, the World Bank and the community. In addition, local banks have financed the SHGs.

The APDPIP covers 316 mandals in the 6 districts with an outlay of Rs. 654 crores. It was launched on 14th June 2000 and by Dec 2006 when the term ends is expected to cover 9.3 lakh poor households. The APRPRP project commenced on 1st June 2002 with an outlay of Rs. 1486 crores in 598 backward mandals in 16 districts of the state is estimated to cover 20,00,000 families. It also covers 260 coastal fishermen villages in non-project mandals. From 2005 January, the state government decided to cover the remaining rural households under IKP. Today the programme is present in every village of Andhra Pradesh including the remotest of the areas. The approach followed is ‘bottom up change’- action from the bottom and facilitation from the top is advocated. Government of Andhra Pradesh has decided to cover the entire
state under the IKP programme from the financial year 2006-07 by dovetailing the funds from state government and Government of India.

**Objectives of IKP**

IKP’s vision of bringing family out of poverty is

- Comprehensive food security
- An earning of Rs. 5000 per month from 2-3 stable livelihoods
- Economizing and optimizing household expenditure through collective buying
- Provide social security where risks to life, health, assets and incomes are covered
- Have a reasonably good shelter
- Enjoy education, social acceptance and health status

To achieve this objective, requires a strong institutional structure of self managed institutions of the poor, an investment of 1,00,000 per family (by enormous small and big loans) and 6-8 years continuous nurturing and hand holding by their SHGs and Village Organisations (VOs). Achievement of this objective is possible only through a multi-pronged approach which forms the base of IKP.

**Institutional model**

Zilla Samakhyas

Mandal Samakhyas (MSs 910)

Village Organisations (VOs-28,282)

Self Help Groups (SHGs- 6,29,870 with 7,98,77,393 members)
Categorization of Groups

SERP conducts massive surveys periodically and has categorized into four

- Poorest of poor
- Poor
- Not-so poor
- Non poor

**Community Investment Fund (CIF)**

The objective of CIF is to improve and diversify sources of livelihoods and quality of life of the “Poorest of the Poor” and the poor by increasing their incomes and employment, decreasing expenditure and decreasing risks through Micro Credit Plans of their groups/Institutions. CIF provides financial and technical resources to the poor communities/CBOs (SHG/VO/MS) to support projects/Micro Credit Plans in following main areas.

**CIF Sub Projects**

**Sub Project-General**

- Social development
- Productive physical infrastructure
- Income generation and livelihood improvements

**Sub Project-Disability Intervention**

- Disability Intervention

**Sub Project-Watershed Plus**

- Sustainable rain fed farming systems and
Sub Project-Land Purchase and Development

- Land lease, purchase and development

CIF provides resources for livelihoods like micro credit plans and allocation of 50% of funds to the poorest of the poor. There are three types of sub projects namely

- Income Generation
- Productive physical infrastructure
- Social development

Out of total IKP budget, CIF is the most important component that determines the level of employment generation for the poor. The bulk of CIF budget is for income generation. The CIF expenditure up to July 2006 was Rs.309.25 crores in DPIP and Rs. 370.25 crores in RPRP working out total of 679.5 crores. The total number of beneficiaries were 19,03,353.

SERP facilitates and ensures that the banks finance and support the activities taken by the SHGs. After years of effort, Andhra Pradesh leads in the SHG-Bank Linkage Program with 40% of all bank loan given to SHGs in India. Today 25 commercial banks, 16 RRBs, 12 District Central Co-operative Banks and 3850 branches were participants in the programme. Bank lending was dramatically increased from Rs.143 crores to 85,000 groups in 2001 to Rs 2002 crores to 2,88,711 groups in 2005-06.

For sustainable development IKP focuses on these issues like Community Investment Fund (CIF), Income Generating Activity (IGA), Disability, Health and
Nutrition, Jobs, Gender Issues, Comprehensive Food Security, Collective Marketing and Non-Pesticide Management, Land purchase for agriculture, Jobs for Youth, Collective Marketing, Community Managed Insurance Schemes and Pensions and Social Agenda by Social Action Committees were taken up. SHG women have developed ‘Unique Health Risk Fund’ for health emergencies. Aasha Mithras (Friends of Hope) was formed to educate about HIV/AIDS and to give interest free loans, supply food grains and milk etc. Total of 1,61,987 disabled persons (DAPS) have been mobilized into 17,532 SHGs and 189 Mandala Vikalangula Sanghams. IKP organized 406 medical camps in convergence with Disability Welfare Department. Pidikedu biyyam (Fistful of Rice), Non pesticide management, dairy, PRIs, pensions were other activities taken up under IKP programme.

**SHG MOVEMENT**

**Vision**

Empowerment of Rural Poor Women for overall Human Development.

**Mission**

- Organisation of Women as Self Help Groups for Social mobilization
- Providing easy access to credit by means of inculcating saving habit for Self Reliance
- Providing an opportunity to identify and prioritise the needs and make decisions for their Self Confidence
- Increasing their participation in socio-economic and political spheres for Self esteem
➢ Additional income generation through micro finance, there by achieving Poverty Alleviation

➢ Sustaining the Self Help Movement through Institutionalisation

The following are the inputs provided to Self Help Groups at various stages for their promotion and sustainability.

- Training
- Financial
- Marketing

**Institutional Structure/ Organizational Chart**

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Ministry of Rural Development
   ↓
Commissioner Rural Development
   ↓
Director, SHGs
   ↓
Project Director (District)
   ↓
Assistant Project officer
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Mutually Aided Co-operatives Societies

GoAP has enacted Andhra Pradesh Mutually Aided Cooperative Societies (APMACS) Act 1995. This Act provides for voluntary formation of cooperatives as accountable, self-reliant business enterprises based on thrift, self help and mutual aid. These MACS are controlled and managed by the groups themselves. Most of the SHG federations were registered under APMACS 1995 Act. Government of Andhra Pradesh took up re-modelling of DWCRA groups in the state into SHG with the help of NABARD in Nov 1996.

Evolution of SHG Federations

In Andhra Pradesh, the networking of SHGs into SHG federations started under the UNDP sponsored SAPAP implemented in three districts during 1995-2000. With the promulgation of APMACS Act, 1995 several NGOs experimented in formation of SHG federations as MAC societies. The UNDP model of SHG federations is adopted by the IKP Project and SHGs are networked into a three tier federation structures viz, Village Organisations (VO) at the village level, Mandal Samakhyas (MS) at the mandal level as federation of VOs and Zilla Samakhyas (ZS) at district level as a federation of MS to ensure continued services and take up larger and complex interventions for SHG members. Under the IKP project, 27,957 VOs covering 2,90,381 SHGs have been formed and are being registered under the APMACS Act. Around 50 per cent of the SHGs have been covered under the VOs. About 735
Mandal Samakhyas and 14 Zilla Samakhyas have been formed and are being registered under the same Act.

**Financing of SHG Federations**

The concept of ‘Self Monitoring’ was introduced in a staged manner aiming the women to totally own the movement and institutionalize for its sustainability through networking. With the increasing number of SHGs, the banks are finding difficulty in monitoring large number of SHG accounts. In Andhra Pradesh, on an average a bank branch has around 150 SHG account. Working Group constituted by Government of Andhra Pradesh under the convenorship of NABARD has evolved Guidelines for financing of SHG federations. The financing of federations of SHGs, however, has taken place only on a small scale in the State so far. Some of the NGO-MFIs are borrowing funds from private sector banks such as ICICI, HDFC etc. to finance SHG members through the federation (MAC society) formed by them. During 2006-07, the IKP Project has targeted Rs.700 crore for bank linkage of 3,900 VOs.

**SHG Federation**

SHGs are encouraged to come together as co-operative societies at village and mandal level by federating them under MACS Act of 1995. These societies will be accessing credit from financial institutions, donor agencies, DRDAs and Voluntary Organisation or with the corpus they have will help the members of SHGs to avail bigger loans for economic activities and also helps in collective marketing of products, purchasing raw materials etc. Appointment of community organisors has
been started to assist the groups in maintaining the records accurately and to facilitate for better functioning.

**Organisational Structure of District Federation**
Financial Assistance

➢ Revolving Fund

The Government provides incentives to promote SHGs under SGSY scheme. Apart from it GoAP provides is providing State Matching Grant/Revolving Fund.

➢ SHG-Loan Linkage

Once the SHG completes six months and if the members are continuously practicing thrift, rotating the corpus generated, it becomes eligible to get bank loan. In Andhra Pradesh, group should follow five principles called ‘Pancha Sutralu’ before getting the bank loan. They are weekly group meetings, thrift and credit activities, inter lending among the group members, book keeping and repayment.

➢ SGSY

Financial assistance is provided to groups under GOI programme under SGSY programme as it is credit-cum-subsidy programme. Centre and States will share funds in the ratio of 75:25. Swarojgaris can be individual or group but groups are given emphasis. The group will be provided with SGSY grant to start Income Generation Activity with a back-ended subsidy subject to a ceiling of 1.25 lakh to group and Rs. 7500/- for individual.
Training and Capacity Building

Training programmes at regular intervals were conducted identifying the needs of the poor to build the capacity of leaders and its members. Because it is not enough to promote SHGs but the group should be sustained. DRDAs and other international and national organizations like NABARD are actively associated and constantly organizing training and capacity building programmes. Immediately after the formation of group, basic level training or orientation programme for at least 4 days are conducted to guide the groups to inculcate best practices in group management, conduct of group meetings, accounts and book keepings and to bring awareness and accessing to various government and bank finance.

For Capacity Building of the groups, group dynamics, leadership, book keeping, conflict resolution, general awareness, exposure visit and computer training is given to them. Training was given to groups who intend to start income generating activities and who need skill development. Training and Technology Development Centres (TTDC) were created to train the youth to acquire new skills. Mahila Pranganam are also used for this purpose. Corporate involvement like Tata, HLL have come forward and adopted the villages. By leveraging the Internet and e-commerce technology to enable SHGs to go beyond physical barriers and reach international market and to create a virtual sales counter for products.

Marketing

- Local markets
- Stalls in rythu bazaars
Present Status of SHG Movement in Andhra Pradesh

SHG-Bank Linkage Programme

The SHG- Bank Linkage Programme is an important step taken to address the massive task of mainstreaming the very poor and the underprivileged with the banking sector. The formal banking system is out of reach for the poor even today due to cumbersome procedure and documentation. The challenge was to link the poor in large numbers to the banking sector, in a sustainable and cost effective manner. This has emerged as the largest microfinance outreach programme in the world.

In 1992 NABARD introduced a pilot project for linking SHGs with Banks to encourage thrift and savings amongst the rural poor and to supplement their funds to meet credit needs through the banking system. RBI constituted a Working Group in 1994 to study the functioning of SHGs and NGOs and the Committee submitted its report, recommending for treating the linkage programme as a business opportunity for reaching the rural poor. Based on these recommendations, RBI decided to extend SHG linkage programme and made it as a part of their mainstream lending operations.
Criteria for Selecting SHGs

➢ The group should have been in active existence for at least a period of six months
➢ The group should have successfully undertaken savings and credit operations from its own resources
➢ Democratic working of the group wherein all members feel that ‘they have a say’ should be evident
➢ The group is maintaining proper accounts/records
➢ The banker should be convinced that the group has come into existence realizing the genuine need to help each other and work together with participation of all its members
➢ The SHG members should preferably have homogeneous background and interest
➢ The interest of the NGO or the Self Help Promoting Institutions (SPHI) concerned in the group is evident and the agency is helping the SHG by way of training and other supports for skill up gradation and proper functioning.

The beginning for linking banks with SHGs was initiated in Andhra Pradesh during 1992-93 with the linkage of 8 SHGs promoted by MYRADA with Vysya bank, SBI and Sri Anantha Grameena Bank. Over years, linkage grew. During the last few years several innovations were tried by participating banks for financing SHGs in Andhra Pradesh. Interestingly, it is the only state where a number of models of delivering credit to rural poor through SHG system have been evolved and tested.
successfully for replication. Several models of credit delivery through SHG system practiced in AP are as follows:

- Financing SHGs directly by banks without any intervention/facilitation of any SPHI
- Financing SHGs directly by banks with intervention/facilitation of Non Governmental Organisations
- Financing SHGs directly by banks with intervention/facilitation of Governmental Agencies
- Financing SHGs with financial intermediation of Non Governmental Organisations
- Financing SHGs with financial intermediation of NGOs/SHG Cluster Associations, Mutually Aided Cooperative Societies.

Critical rating of Self Help Groups was created by NABARD taking into consideration 13 aspects like solidarity, conduct of meetings, attendance, financial transactions, regular savings, internal lending etc and scores were assigned. Depending on the marks, groups were classified into three categories ‘A’, ‘B’ and ‘C’. Groups who do not practice internal lending are given 0.

**State Government Support for the SHG Movement**

Micro-finance is successful in alleviating poverty and creating self-employment. Andhra Pradesh stands first in the formation of SHGs. There are various successful stories that are exemplary. World micro Credit Summit in Washington
agreed that Women Self Help Movement is the most important themes to tackle socio-economic poverty.

**State Revolving Fund/State Matching Grant**

In addition to GOI grant under SGSY scheme, GoAP has been releasing Rs.10000/- per group along with bank loaning of Rs.15000/- as revolving fund to each group for ensuring financial viability of the SHGs. All the groups which have completed six months of thrift and are having proper group dynamism are eligible to get revolving fund assistance.

**Waiving of Stamp Duty**

Andhra Pradesh has waived stamp duty in full on all loan documents to be executed by SHGs under the SBL programme in favour of banks and other financial institutions for obtaining loans. Commercial and Regional Rural Banks are providing direct assistance without collateral security.

**Pavala Vaddi Scheme**

GoAP has decided to give ‘Pavala Vaddi’ i.e.0.25% interest per month to all the SHGs. The government is reimbursing any interest paid by SHGs above 3% per annum once in 6 months to all who have on-time repayment track record. Rs. 54 crores has been given as subsidy by the government in 2005-06 and is estimated that will increase to Rs. 75 crores. The Pavala Vaddi Scheme as one interest subsidy scheme started during 2004-05 with an objective of providing subsidy on the interest on loans taken by the SHGs. The scheme is applicable to all loans extended to SHGs.
from 1-7- 2004. Interest incentive will be released to the groups twice in a year and even extended to VOs which will be directly credited to their accounts.

**Initiatives of NABARD in Andhra Pradesh**

NABARD has created a favourable policy climate for the healthy growth of the micro finance in the country. The following initiatives were taken by NABARD in Andhra Pradesh.

- **Critical Rating Index (CRI)** for rating SHGs has been designed by NABARD and it has been accepted by the State Government for use of banks, DRDA and other partners.
- **Appraisal Format** developed by NABARD for use by bank branches, has been operationalized by many banks in the state.
- **Micro Credit Plan for SHGs** suggested by NABARD, forms basis for credit assessment by banks for financing SHGs. **Loan Monitoring formats** devised by NABARD for review and monitoring of SHG portfolio at branch and controlling office level have been adopted by the Banks in the State.
- **Standard Accounting Package (SAP)** for SHGs has been evolved with NABARD’s initiative and the same is being operationalised in the State.
- **Smart Card Project** is being implemented through five branches of Andhra Pradesh Grameena Vikas Bank in Srikakulam and Visakhapatnam districts with the objective of capturing the SHG transactions at the group meetings and updating the records at the bank through the use of computers.
- **Capacity building of stakeholders:** From District Collectors to the Village level workers, Project Directors to the members of Self Help Groups and master book keepers, CEOs of the Banks to the managers and clerical staff of the banks have been provided training for propagation of SHG concept in the State. As at the end of March 2006, around 85000 people were trained by NABARD.

- **Enhancing Ground Level Credit flow to the SHGs:** Refinance support is provided to the banks at concessional interest rates to enable them to enhance ground level credit to the Self Help Groups. The banks are provided 100% refinance against the loans extended by them to the SHGs. NABARD also provides 100% of the bank loan as refinance to the advances extended the banks to the micro finance institutions for meeting requirements of the rural poor towards consumption and production purposes. NABARD has cumulatively provided refinance assistance of Rs.18635 million under the SHG-Bank linkage programme to the banks in Andhra Pradesh.

**Conclusion**

SHGs have been emerged as a powerful tool to alleviate poverty and empower women in social, political and economic spheres of life. This movement has enabled poor to have sustained access to formal finance through its distinguished features of group strategy and external linkages. It also facilitated the rural women to acquire new skills and abilities in the marginalized communities.
SHGs in the modern times has an unique place as they focus upon social mobilization, self reliance, self esteem and self confidence by increasing the income levels of the poorest of the poor and to pave way for their sustainable economic development. Significant outcome of the movement is improved status of women thereby installing self confidence and leadership qualities, improved communication with officials, improved bargaining capacity and better understanding of financial transactions.

The basic character of SHG is to integrate different sections of the people together into groups and to highly co ordinate for enhancement of group cohesiveness and transformed their lives into active entrepreneurs. Group cohesiveness is vital to drive full benefits of the programme. SHGs have emerged as a valuable source of social capital in rural areas through the implementation of this policy initiative as they are not organized sector. Group activity was an approach to combat poverty at grass root level was recognized by the government as the best way of increasing income levels of the poor. The success of the group is termed as success of the policy initiative as individuals alone cannot achieve success faster when compared to the groups.

The role of social capital emerges as an vital ingredient in this group approach as the members need to work together with co-ordinated effort and cooperation for mutual help. Nevertheless to say to maintain certain kind of norms and trust, interaction levels among the group members.