



MAKING FINANCE WORK FOR WOMEN'S COLLECTIVES

Inclusive India through Rural Enterprises with size and scale

This paper examines the rise of the Self - Help Groups under the National Rural Health Mission and their contribution to social inclusion. The expansion has gone beyond just southern India, where these women's collectives have played a very instrumental role in poverty reduction. The expansion and consolidation of the women's collectives under the Rural Livelihood Mission affords an opportunity to provide timely credit for economic activity to vulnerable social groups and deprived households. This has the potential of providing an opportunity for an inclusive India through rural enterprises with size and scale. The paper goes on to look at the challenges that are coming in the way, in spite of an expansion of credit support to these groups on an unprecedented scale. The challenge of working capital and higher order economic activities on scale has been examined from a perspective of resolving the challenges within the framework of formal Banking.

This paper finds a real opportunity in working with women's collectives to make a real difference to poverty and deprivation, especially at a time when ease of living is a focus and there have been some successes in the pro-poor public welfare programmes through governance reforms like IT/DBT, geo-tagging, community connect, and use of technology as a means. The paper is an effort to understand the expansion of women's collectives and its consequences for a more citizen-centric credit expansion. It refers to a large number of public management techniques and interventions that have built up a formidable social capital.

Introduction

Inclusive India is about a more shared growth where every citizen has the opportunity to develop their fullest human potential. Besides investments in human capital, it calls for access to credit and markets for enterprise. Economic Survey 2020 lamented the constraints to micro enterprises growing in scale and size in India. China's better performance in this regard was analyzed for lessons to a barrier free enterprise growth. With more than half the manufacturing and construction activity and one fifth of the services sector in rural India, the need to take enterprise to scale is the way forward for a more shared growth.

Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM) now touches the lives of over 8.58 crore women organized into 79.2 lakh Women Self-Help Groups. A large number of these women have credit linkage and together they have leveraged Rs. 5.27 lakh crore loans from Banks during the last eight years. In spite of a nearly 30% growth year-on-year for the last eight years, DAY-NRLM SHGs have managed to bring down the Non-Performing Assets (NPA) from over 7% in 2012-13 to a little over 2% now. At a time when the corporate borrower tales of woes and deception hit the headlines often, these poor women have not only borrowed but used it effectively to improve their lives and livelihoods and return it as well. The lending happened based on a detailed micro credit plan for each household, prepared after ascertaining the asset base and resources through a participatory process and whole SHG ecosystem worked towards meeting their repayment obligations. It is for this reason that NPAs have been low and gains large.

It is no longer a story of just the five Southern Indian States whose SHGs accounted for over 84% of the total lending till as recently as 2013-14. Exponential increase in lending to DAY-NRLM SHGs in States like Bihar and West Bengal indicate a growing confidence of Banks in lending directly to Community Institutions of the poor rather than through Micro-Finance Institutions (MFIs) alone. Loans through MFI are often good for consumption but not for economic activity as it reaches the borrower with anywhere between 20-30% interest rate. A diverse range of economic activities, from setting up 24,520 Custom Hiring Centres, 2165 public transport systems in remote regions, to retail shops, restaurants, nano production units of farm and non-farm products, are all being undertaken by women's collectives. What explains this transformation of lives and livelihoods on an unprecedented scale through the DAY-NRLM over the last 8 years? How has the movement from social capital to economic activity happened? What is the further pathway to a more shared



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and equitable inclusive economic growth opportunity?

Firstly, the intensive processes of developing social capital under DAY-NRLM have stood the test of time. They have emerged as vibrant community institutions of the poor.

Secondly, the biggest resource in this movement have been the Community Resource Persons (CRPs). These are women who were poor and have won the battle against poverty through hard work and perseverance. Over 3.5 lakh such women CRPs go round the country setting up women's collectives and making them vibrant. These foot soldiers of the Livelihood movement are the best example of national integration. Women from Kerala, AP and Bihar have spent months with women in remote corners of the North Eastern States and in Jammu and Kashmir.

Thirdly, a conscious effort has been made to promote convergence of institutions and resources. The framework for partnership of elected Panchayati Raj Leaders with women Self-Help Groups (SHGs) was developed and incorporated under the new governance improvement programme of Panchayats called Rashtriya Gram Swaraj Abhiyan (RGSA). Women SHGs and Panchayat Leaders are to be trained and work together to find more meaningful solutions to the challenges of development through participation of SHG members in Gram Sabha meetings and in contributing to livelihood agenda through Village Poverty Reduction Planning in developing Gram Panchayat Development Plan (GPDP) under the *Sabki Yojana Sabka Vikas* effort.

Fourthly, financial resources from all ongoing programmes in rural areas were focused on villages with social capital of DAY-NRLM women SHGs on a priority. Individual Beneficiary Schemes under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) for housing, animal sheds, farm ponds & wells, soak pits, vermi compost, were all provided on a priority wherever social capital was available. Likewise, priority in implementation was given under the Pradhan Mantri Awaas Yojana-Gramin (PMAY-G) Housing Programme for such villages.

Fifthly, opportunities for skilling and diversification of livelihoods were provided on scale through Skills programmes of the Ministry of Rural Development (DDUGKY, RSETIs) as also Community Training Institutions, KVKs, etc., directly under DAY-NRLM. Both farm and non-farm livelihoods are encouraged to enable a more diverse livelihood framework.

Sixthly, credit linkage for these women SHGs was given a priority and a series of confidence building measures were undertaken to give Banks the comfort that these women will not only borrow but also return on time. The setting up of Community-Based Recovery Mechanism (CBRM), positioning Community Resource Persons (CRPs) called Bank Sakhis to act as a bridge between community and the Bank and Bank Mitras from women SHGs as Banking Correspondents' agents helped in generating confidence for the DAY-NRLM system. The orientation and exposure visits of Bank Managers to areas with higher Bank linkages and efforts at financial literacy, and skills also helped. After settling debt and meeting consumption spending, many SHG women now borrow for economic activity, education and health needs. The Start Up Village Entrepreneurship Programme (SVEP) in 180 plus selected Intensive DAY-NRLM Blocks with higher order lending to families of SHG, including





youth and men, has also facilitated higher order economic activity. The unique cadre of Community Resource Persons for Enterprise, developed by the EDI Ahmedabad and the Kudumsree, Kerala, along with support for market intelligence and feasibility study of enterprises, ensures a very high success rate in the over one lakh such SVEP cases already financed.

Seventhly, the pro-poor public welfare programmes for improving ease of living of poor households required active involvement of women SHGs and Panchayati Raj Institutions (PRIs). This improved the asset base of many women SHGs on account of support for rural housing, toilets, gas connection, electricity connection, Bank account, health insurance, accident & life insurance etc. The DAY-NRLM women played a very important role in building a movement for better public services at the local level. This was seen most remarkably during the Gram Swaraj Abhiyan in 65000 villages to guarantee seven very basic services for the deprived.

Eighthly, the efforts at promoting innovative interventions in farm and non-farm livelihoods broke new ground in leveraging social capital of SHGs for sustained economic activity. The setting up of 10,471 Custom Hiring Centres and 760 rural transport managed by SHGs is an indication of the diversity of livelihood development and opportunities. Many groups make money through organic manure, managing restaurants, better market for products through Saras Melas and e- marketing opportunities, etc.

The poor women have come out of extreme chronic poverty and are now poised for higher order credit support to improve the thrust for enterprise and sustainable economic activity. Nano enterprises of SHG women have to be formalized to develop them into micro & small enterprises with proper value chain development and leveraging markets for them. Holistic credit guarantee systems for even higher level of credit where social capital exists is required to translate the potential of social capital into sustained rates of higher economic activity. Credit for those who have come out of poverty to move faster and further up the well-being ladder is the biggest challenge of development today. It holds the key to a more shared and inclusive growth with less inequality. DAY-NRLM and its women have the social capital and the ability to make transformational changes in lives and livelihoods. Social capital is not only good social justice; it is also the best foundation for a shared sustained economic progress.

There are many challenges in developing the credit linkage for higher order economic activities. When women borrow from the SHG account, the mapping of the SHG account to the beneficiary account is often not there. As a consequence, the credit history of the individual does not get created and CIBIL scores are low. This reduces credit worthiness and the confidence of Banks to lend higher amounts. Painstaking work to get every Member's Bank account Adhaar linked with mapping with the SHG account has been done in most of the States. This is improving the CIBIL score of women wanting to come out of deprivation and poverty.



Self-Help Groups are eligible for coverage under Credit Guarantee Fund for Micro Units (CGFMU). If the sanctioned amount is between Rs. 10 lacs and Rs. 20 lacs, the guarantee fee for such loans is 0.25 percent per annum for the first year and 0.5 percent per year in subsequent year. And these are charged on the outstanding balance at the time of sanction at pro-rata basis and thereafter on annual basis for renewal. Many people feel that the guarantee fee may be rationalized. One probable solution could be to provide a mechanism to take care of the guarantee fee commission either in full or in part and such scheme can be conceptualized in lieu of interest subversion which can be a win-win situation. Everybody is looking for a low cost lending window for state to take care of needs of SHGs but there are evolving challenges to maintain asset quality and to keep loan books growth intact from the perspective of NBFC. There is a need to strike balance between facilitating credit growth in this segment and quality of portfolio by different stakeholders.

It is clear from the challenges listed above, none of them is insurmountable. Enterprises need careful scientific planning, assessment of resources and market potential. FPOs too have challenges in scaling up for similar reasons. State intervention in buying products is not a solution. Public subsidies is not the way forward. Professional support for well-trained Technical, Finance and Marketing Managers is the critical missing piece especially with the compliance requirements for Producer Companies being very high in the Companies Act. Demystifying governance and audit processes and facilitating the credit linkages will unleash the power of women's collectives.

The challenge of improving Female Work Participation Rates hinges on our ability to quickly scale up opportunities for livelihood diversification for the 83.6 million Members in rural areas and over 6 million in the urban Livelihood Mission. The social capital is waiting to be harnessed for multiple livelihoods as the pathway to higher incomes. While it is true that collectives of women take 3-5 years to mature, it is also true that a large number of collectives are waiting to leverage the credit from formal institutions to diversify livelihoods on scale. With a Non-Performing Assets of barely two and a half percent, we have to move from distrust to trust. Bank *Sakhis* and Banking Correspondents from the SHGs are building a relationship with formal financial institutions.

Through processes like the Community-Based Recovery Mechanism (CBRM), Branch Managers in West Bengal and Bihar have significantly scaled up lending directly to SHGs instead of lending through Micro Finance Institutions (MFIs). While MFIs meet an important consumption loan need of poor households, the rate at which that credit is accessed is not good for economic activity. It is difficult to compete in the market with MFI credit at anywhere between 20-30 percent if other units are accessing credit at 11-14%! Banks find it convenient and safe to lend through MFIs as monitoring return at the last mile becomes easier. However, for businesses to grow, we need direct funding.

It is interesting to look at Streenidhi in erstwhile Andhra Pradesh, playing the role of an on-lending institution, registered as a Cooperative institution of the SHG State Apex Body. Banks have trust in on-lending as recoveries are timely with little over dues. With use of technology and digitization, Streenidhi is able to sanction consumption loans in 24 hours, an important factor behind its success. Efforts to replicate the on-lending institution is being attempted in other States as well. The Girish Chaturvedi Committee that examined the issue, recommended an on-lending institution under the Cooperative Act. Odisha has an MoU with the State Bank of India with a State Guarantee to accept the State Rural Livelihood Mission as an on-lending institution. In Tamil Nadu, Banks are comfortable in lending directly to Cluster Level SHG Federations. In Kerala a large number of Joint Liability Groups (JLGs) have been formed of Kudumshree women as SHG is not a legal entity for formal credit lending by Banks.

The women's collective movement under the Livelihood Mission is an opportunity that will determine the trajectory, speed and quality of inclusive growth in India. Women's Work Participation Rates is the greatest challenge before the country today. The lesson from across the developed world and the journey of the East Asian Nations and China, indicate the positive consequences of higher Women's Work Participation Rates on the growth of GDP. The five trillion dollar dream will be fulfilled through the facilitation of such an inclusive pathway to progress. ■