



Status of SHG Federations in Rajasthan

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Conducted by:
APMAS

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We sincerely hope CmF will find the report useful in making necessary decision for the future.

Trivikrama Devi.G

Study of SHG Federations in Rajasthan

Chapter - 1

1. Background of study

Microfinance has come a long way in India with different delivery methodologies (Joint Liability groups, individual banking, Self-help Groups etc) and channels (banks, mFIs, NGOs etc). In Rajasthan as elsewhere in the country SHGs are emerging as a scaleable, effective medium of credit delivery at reasonable rates for the rural poor. Both the government and NGOs in the state have been active in promoting SHGs. There are about 1.5 lakh groups in state. The vast growth of SHGs had made it difficult for Self Help Promoting Institutions (SHPIs) to support them in the way it was supported earlier. To reduce the dependency of SHG's, a few of the experienced and larger SHPIs experimenting the concept of federating the SHGs at various levels. Some of the SHPIs are in the process of adopting SHG Federation model.

CmF is preparing a status report on the microFinance sector in Rajasthan. In this context CmF is proposed to undertake a more detailed study to know the status of the SHG Federations at different levels in Rajasthan.

1.1 About Centre for microfinance (CmF)

The Centre for microFinance (CmF) has been set up in Jaipur (Rajasthan) to strengthen the microFinance sector. The objective of the Centre is to provide services to mF players and various stakeholders in the microfinance sector. Sir Ratan Tata Trust along with banks, state government and partner NGOs thought about a 'knowledge and support centre' for micro finance sector in Rajasthan. Prof V S Vyas, Chairman IDS, Jaipur undertook Feasibility Study and suggested for setting up the Centre for Micro Finance to help in widening, deepening and up scaling the micro finance sector. The Steering Committee headed by Mr. N S Sisodia, IAS, ex Secretary Banking Government of India, met for the first time on June 9th, 2005 at IIHMR, Jaipur.

The primary role of the centre is to help in coordinating and channeling actions and programmes of various stakeholders- government departments, banks, and civil society institutions to strengthen microFinance movement in Rajasthan. The Centre for microFinance is the nodal agency for all the projects under Sakh se Vikas-The Rajasthan Microfinance Initiative of The Sir Ratan Tata Trust, particularly of the implementation projects within it. Centre is an autonomous, self-governing institution. It employs high quality professionals to provide domain expertise. Given its mandate the centre places value on networking and collaborations with other stakeholders. It undertakes direct action only in gap areas where players neither exist nor can be catalyzed.

1.2 About APMAS

APMAS was established as a technical and managerial support organization for the self help movement in Andhra Pradesh in 2001, with the objective of contributing to the building of a sustainable self-help banking sector in both rural and urban areas. As a support organization APMAS's core business is building of the capacities of the Self Help Promoting Institutions (SHPIs) through Quality Assessment (rating), Quality Enhancement (capacity building) and Livelihoods Promotion Services to SHGs and SHG Federations through their promoters.

With a strong Board and a well-trained staff, APMAS has provided quality services to diverse stakeholders in Andhra Pradesh. APMAS has developed instruments of quality assessment and quality enhancement of the SHG federations, which are thereby enabled to provide essential guiding, book-keeping and auditing services to the SHGs. As a support organization APMAS's core business is the building of the capacity of the governmental and nongovernmental implementing institutions to apply quality assessment and quality enhancement instruments for SHGs and SHG Federations.

The overall qualitative and quantitative impact of APMAS is substantial. APMAS has built a reputation as an institution that ensures quality and quality-based progress in self-help banking, and is widely respected as such.

APMAS has completed five years in support of the SHG movement in India. During the five years, it has gained considerable experience in supporting the SHPIs and in working with bankers & government in promoting high quality SHGs and SHG federations. The foundation for the future strategy has been its five-year experience and an in-depth analysis of the external environment. APMAS experience in Andhra Pradesh and its engagement in various networks and partnerships at the national level can facilitate transformation of the SHG movement into a sustainable system. APMAS has decided to extend its training and support services to diverse stakeholders in various states.

1.3 Objectives & Purpose of study

The study is aimed at understanding the existing structures, role of the promoting organizations and the institutional needs of the Federations and status of the SHG clusters and Federations in Rajasthan besides generating baseline data of the organizations promoting the SHG Federations/Clusters. The study proposed to explore:

- ✓ Different models of SHG Federations that exist
- ✓ Role of Promoters in formation of Federations.
- ✓ Capacity building provided, gaps and future needs.
- ✓ Cost of promoting the Federations.
- ✓ Issues and challenges faced
- ✓ Possible strategies

1.4 Methodology

1. Listing of organisations that have promoted clusters/ federation
2. Preparing a database of clusters/ federations
3. Preparing research tools to gather data/ information.
4. Visit to Clusters/ Federations (depending on the numbers, we can take sample of clusters and federations can be covered all)
5. Analysis and report writing

1.4.1 Sampling Design

- ✓ Major criteria applied in selection of sample units are:
- ✓ Different structure of Federation that exist
- ✓ Locations with higher number of SHGs in the Federations
- ✓ Variations in geographical area
- ✓ Diversity in SHPIs.

1.4.2 Selection of districts and Federations

For this study four sample districts were selected representing the geographical, and availability of Federations promoted by different promoters.

1.4.3 Sample size

The present study has covered four Federations, three Clusters and 12 SHGs in 10 villages of 4 blocks in 4 districts in the state of Rajasthan. The study team has conducted interviews with heads of NGOs which have been promoted SHG Federations/Clusters were conducted at district depending upon their presence and availability. Out of 4 sample Federations, interview with the NGO head was conducted in three NGOs. Apart from interview with NGO heads, Focused Group Discussion were conducted with the Board members of Federation/Cluster and members of SHG is

1.4.4 Data collection techniques

Both qualitative and quantitative data were gathered from primary as well as secondary sources at all levels by using quantitative and qualitative data collection techniques. An interview schedule was prepared to obtain the data from SHG Federations and SHGs through group discussion/Focus group discussion. Structured Interview Schedule was prepared to know the SHPIs vision and mission, level of efforts and the nature of inputs they are providing to the SHG Federations, issues relating to SHG Federations, strategies for overcome the problems to achieve the targets. (All research tools are given at annexure -1).

A research team consists of 4 members – two from APMAS and the other two from CmF has formed to conduct fieldwork. The team has collected the field data during June 2007.

1.4.5 Limitations of the Study

While collecting data the research team encountered some serious problems. These include:

Non availability of secondary data like financial statement of the Federations.

Non availability of the NGO heads

Information not provided by the NGO

In some of the Federations, required data for assessing the financial performance of the group was not available as the books are not updated

1.4.6 Data analysis

The data collected during the interviews with NGO heads and focused group discussion with Federation representative and SHG members were analyzed and qualitative information was used in the interpretations of the quantitative data.

Chapter - 2

2. Major Findings & Observations

2.1 Status of Micro Finance in Rajasthan

In Rajasthan, microFinance is almost tantamount with Self Help Groups. There is no other model of mF in the state. There are approximately 1.5 lakh self help groups of women. Department of women and child development has promoted about 50% of these groups. Other government departments under developmental schemes like SGSY, Watershed Development etc, have organized another 20-25% groups. NGOs have promoted remaining 25-30% groups.

The Self Help Movement started more as ‘social mobilisation’ of women for their better place in family and society rather than ‘microFinance movement’ in Rajasthan. Many voluntary organisations had been working with poor organising them in ‘village development committees’. But participation of women in these VDCs was sub optimal. So they started a separate group of women ‘Mahila Smooh/ or Mahila Mandals’ as sub set of larger village institution purely with a purpose of having increased participation of women in development.

Most development practioners and policy makers realized that mere women participation through MM/MS is not adequate and some direct action in terms of improving economic status of women is needed. The assumption was that if women have access to income/ money, their status in family and society would be better. Many voluntary organisations and government (together and/or separately) started organising women in to groups to take up small business (IG Activities) collectively. Most of these activities were Off Farm like sewing, *dari, galicha, candle, chalk, agarbatti, achar, badi, papad*, handicrafts, etc.

As the number of SHGs increase in numbers and in their size/ variety of operations, there would be more felt need for such (federation) structures. Because the federation gives some type of permanency and stability to SHG movement and it also has the potential to take the SHG sector towards financial sustainability as most federations are financially supported by SHG members

Some of SHPI have promoted two-tier and some three tier structures of Federations. The Cluster generally consists of 15- 20 SHGs and at Federation level 15-20 Clusters. Clusters are formed at Gram Panchayat level and Federations at Block level. In Federation there would be around 150-200 SHGs. Legal entity of the Clusters and Federations is a major problem. No suitable act is available presently for Federations. Clusters are not registered in many of the cases and few of the SHPIs have registered the Federations under Trust Act or Societies Act

SHPIs, Federation structures and their operational areas in the state of Rajasthan

SHPI	Fed. structures	District
PEDO	3 – tier	Dungarpur
Ibthada	3 – tier	Alwar
BCT	2 – tier	Churu
Sakhi Samithi	3 - tier	Alwar
CECOEDECON	3 – tier	Jaipur
Pradhan	3 – tier	Dhoulpur
Pradhan	3 – tier	Dosa

HVVS	2 – tier	Udaipur
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2.2 Purpose of promoting SHG Federations

Rajasthan has long and rich experience in SHG movement. PRADAN initiated SHGs in late 1980s and similarly PEDO started work on Mahila Mandals in mid 1980s and transformed into SHGs latter on in Dungarpur district. URMUL Trust started SHG work in Bikaner district long ago. However, the real thrust for the SHG moment came with the entry of Department for Women and Child Development (DWCD), a government project in the promotion activity in late 1990s. DWCD has been using its vast existing infrastructure of ICDS program to promote SHGs in the state. By March 2006, there about 1.5 lakh SHGs in the state.

Self Help Groups in Rajasthan have come out of their first phase of formation. A majority of SHG promoting institutions (SHPIs) in the State are also now in their consolidation stage, where they are exploring the idea of promoting second and third tier structures of SHGs (i.e., SHG clusters and federations) to make their SHG programme self-sustaining. These higher level groups are being promoted by SHPIs primarily as an exit strategy, i.e. to them to gradually withdraw their support to SHGs, while also ensuring their sustainability.

Further, many SHPIs (in Rajasthan or elsewhere too) have promoted SHGs with funding support under some specific projects. After project completion, most SHPIs find it difficult to continue supporting the SHGs because of lack of funds. So, it is extremely important to evolve and put in place a system, right in the beginning of the project, to make SHGs self-sufficient and self-sustaining even after external funding stops. Federating SHGs is one of the popular ways to smoothen post-project withdrawal of SHPIs, but it requires preparedness and meticulous planning on behalf of the SHPI so that the financial and operational self-sufficiency of its SHGs is ensured. NGOs are the only SHPIs that have promoted the Federations in Rajasthan state.

Few of the SHPIs have expressed that, SHGs occupy a crucial role in the process of women-empowerment and have crossed several milestones with enduring results. It has been widely felt that there are certain areas where SHGs have limitations. There are certain areas where SHGs need wider support:

- Lobbying with the govt. and other institutions
- Conflict resolution
- Marketing and bargaining power
- Establishing sustainable linkages with local and other institutions (e.g. Credit, insurance and support services)
- Expressing solidarity and mobilizing collective action on social issues (Child labour, Child marriages, female infanticide, illicit liquor, violence against women, etc.)
- Support for weaker SHGs

Keeping the above concerns in view, the need for Clusters and Federations have emerged in few other NGOs.

PEDO	Mahila Samuh	Sankul	Mandal
PRADAN	Mahila Samithi	Cluster	Saheli Sangathan
ASSEFA	Mahila Samuh		SMBT

Summarizing the views of heads of SHPI/NGO for promoting these structures then following reasons were identified for it: A Cluster is a network of several SHGs and a structure or body evolved by SHGs themselves consisting of representatives from all member SHGs, with a motive of supporting member-SHG's attain the goals of economic and social empowerment of women members and their capacity building. It is a democratic body formed with certain number of SHGs functioning in a specific geographical area with the objective of uniting such SHGs for common cause and for achieving these causes which an individual SHG would not be able to do.

Some response from SHPIs as to why Clusters and Federations are needed or promoted:

Why Cluster

- ✓ For experience sharing and cross learning of SHGs among themselves. As some SHG are performing well while others are lagging behind. So, the well performing SHGs may help in improving the condition of other.
- ✓ To monitor various works taken up at SHG level.
- ✓ There were problems of record keeping at SHG. Members couldn't maintain their records; as a result there were operational problems. This gave a need for a person for bookkeeping. System of Munshi was evolved who would be writing the records of SHGs, especially in case of Ibtada.
- ✓ Promote new SHGs and also maintain the quality of existing SHGs.
- ✓ Ensure proper recovery of loans. Cluster creates peer pressure on SHG for timely repayment of loan.
- ✓ For conflict resolution

As the Clusters are handling the issues at village level, the Federations would play a role at higher level.

Why Federations

- ✓ To make SHGs self sustainable in terms of all aspects i.e. financial, operational, governance etc.
- ✓ The Federation will act as a peer pressure for the loan repayments.
- ✓ There were some (livelihoods, availing govt. facilities in some area etc.) issues which are common in all the Clusters and hence have to address from a single platform for better results and that's why promotion of Federations are necessary.
- ✓ To diversify the activities of groups/clusters i.e. to provide the other services like livelihoods, health, insurance, education etc.
- ✓ For proper follow of the process like bank loan application, bank linkage, preparation of accounts.
- ✓ A forum which can take initiative by proper discussion penalty for defaulters, identifying beneficiaries for any activities etc), a proper decision making.
- ✓ Federation acts as host organization for the SHG in terms of some outsourced grants/loan. Federations will channalize the outsourced money as loan to the groups, which will meet the demand of larger loans. It will also maintain the quality of groups according to the governance, operation and finance. The federation will do the planning, budgeting and monitoring of clusters and the SHGs.

SHG Federations provide a valuable set of services to the SHGs and individual members, and support the SHPIs strategy in terms of providing economies of scale and an exit strategy. While the benefits associated with building Federations are immense, the challenges related to their inception also need to be addressed.

Purpose for promotion of SHG Federation	
ASSEFA	SHG in the villages have been actively engaged in the matters of thrift and

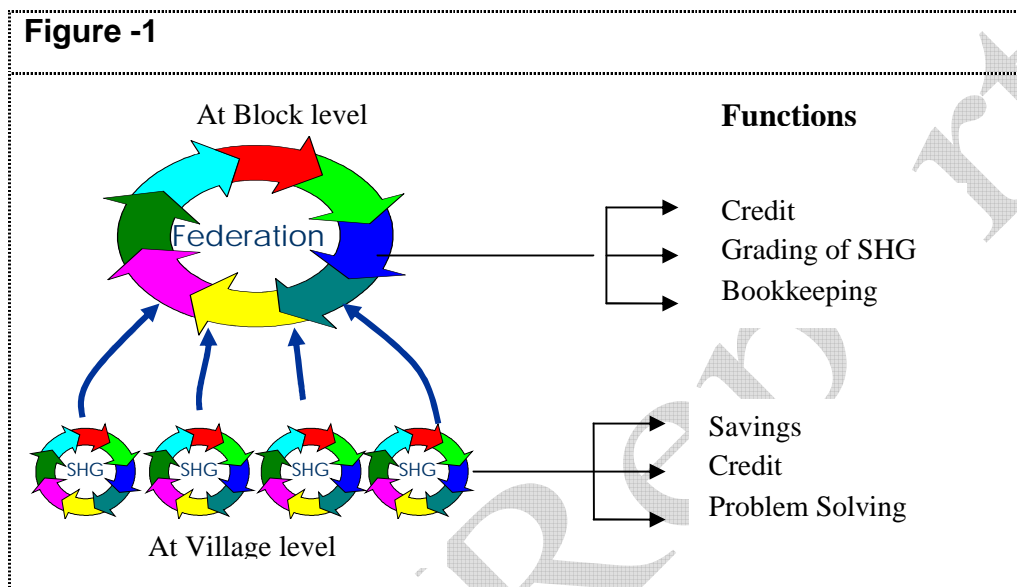
	credit activities for the socio economic development of disadvantaged women for the past several years. As the activity of thrift and credit has grown in size and the groups require good management of their funds, it was decided to form a trust called Sarvodaya Mutual Benefit Trust. In future ASSEFA wants to promote 20 SMBTS and register them as NBFC.
IBTADA	<p>Cluster: When initially started even we did not had clarity as to why cluster –“2-3 meetings members had introduction and systems bhi saamaj me aya. Sustainability of SHGs was a issue. Bank linkage service fee was deposited in Ibtada. Cluster could inculcate the systems like sharing accountant fee, problem solving at SHG level and program monitoring”.</p> <p>Federation: SHG federations were the most dominant structures existing. The only solution for SHGs and staff is federations. Sustainability of Munshi was a question Reporting problem of Munshi:</p>
PEDO	<p>Cluster</p> <ul style="list-style-type: none"> ▪ When PEDO borrowed funds from RMK for the purpose of loaning to the groups, it was felt that members should take responsibility for peers for the purpose of loan repayment ▪ As number of groups increased, it was felt that a scale is required to be able to manage the costs. However, later it was realized that self-sufficiency at the level of the cluster was not feasible as there were problems in being able to pay amount for the book keeping ▪ For better monitoring and involvement of the members in the process of monitoring <p>Federation</p> <ul style="list-style-type: none"> ▪ Financial sustainability of SHGs ▪ To transfer the role being played by PEDO- for group formation, conflict resolution, accounts maintenance and overall management aspects. ▪ PEDO what's to promote the Federations as Self Managed Financial Institutes (SMFIs) etc.
PRADAN	<p>SHG formation: SHGs promotion started in the year 2000, and larger number of SHGs was formed under DPIP project in the year 2002. SHGs were formed only with the BPL families. DPIP provided only livelihood support and SHG formation; nurturing and training expenses were met by Pradan.</p> <p>Federation: Federations were basically started for insurance as there were many problems, as much work was done on goat and buffaloes. Insurance can not be handled at SHG level so Federations were formed.</p>

2.3 Structure, Management & Governance systems

The federations have, over the years, evolved into vibrant institutions providing a variety of services to the constituent SHGs. The structure and the functions of the federations, however, vary from promoter to promoter and from place to place. There are several models of SHG federations, each promoted with a specific philosophy and serving a specific need. This session gives a broad overview of the two major models in Rajasthan.

2.3.1 SHGs/SHG Clusters/Federations Linked to Not-for-Profit Companies and NBFCs:

The two-tier SHG Federation structure is the simplest form of Federation. **Figure 1** depicts this structure. In this structure, Individual members join into SHGs; groups of SHGs are networked into a Federation block level. Often times these two-tier federations are small in size with 30-100 SHGs as members of the federations. ASSEFA has registered its Federations at block level under Trust Act. Four Board of Trustees (BOT) are elected representatives from SHGs from 4 different clusters. Term of the BOT is for 3 years. BOT consist of 4 SHGs representatives plus one chairperson nominated by ASSEFA. Presently there are nine SMTBs promoted ASSEFA, in future they would increase to 20 SMTBs and register all of them as NBFC.

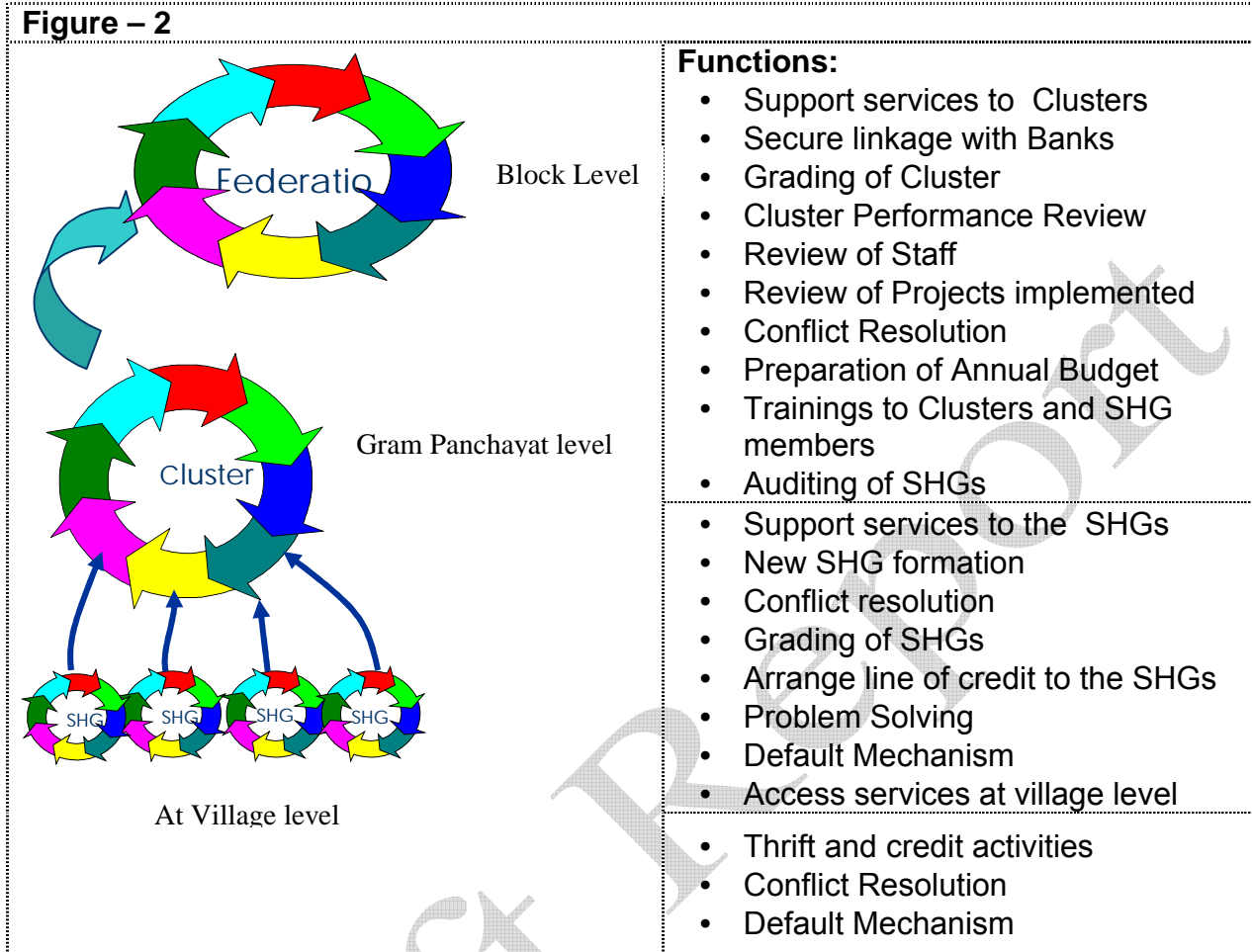


In Rajasthan, the NGOs who have promoted SHG federations at cluster level and block level and some of those federations are legally registered Trust Act. Almost all the SHG federations provide value-add services such as monitoring SHG quality, facilitating SHG-bank linkage, linking the women with various Government schemes and undertaking those issues that the SHGs can not handle on their own.

2.3.2 SMFI model / SHG Federations Linked to MF Wholesalers

The three tier structure is similar to that of the two tier; there is simply an additional level of federating at the Gram Panchayat Level (Cluster). Approximately 10-20 SHGs are networked into Cluster at Gram Panchayat Level. And around 8-12 Clusters will further federate at Block level. Block Level Federation considered as federation of federations. **Figure 2** depicts this structure. Each SHG would send two representatives to form the Executive Committee at Cluster. From among them three or four office bearers (i.e. President, Vice President, Secretary and Treasurer) are elected. Each Cluster would send two representatives (mostly the office bearers of Cluster) to constitute the Executive Committee at Block Level Federation. From among the committee members two - four office bearers are elected. In case of PEDO promoted Federation, President is elected from among the committee and staff of Federation (Coordinator) is selected as the Secretary for the Federation. General Body meeting is conducted once in a year in case of few Federations and in others once in six months. During the meeting Committee members share details about the loan recovery, member attendance, grading of SHGs, income earned etc, with the members.

Figure – 2



The Executive Committee meetings at Federation and Cluster are usually conducted once in a month. The meeting is conducted regularly and the attendance in the meetings is good with around 80%. During the meetings the following are discussed by the Committee members:

- Performance of SHGs
- Recovery
- Activities of Clusters
- Conflict resolution
- Munshi (bookkeeper) performance review
- Cluster performance review – loan recovery
- Review of projects

The awareness levels of Committee members are fairly good at both levels. They know what the services are offered at Federation and Cluster level. But are not aware of the operational management of Federations. During the Committee meetings systematic review of SHGs and Clusters is not done. Some of the board members are aware of the activities of the Federations such as services offered and service fee collected, loan issues etc. but not aware of the performance of Clusters and SHGs. In the board meetings, the board members discuss about loan portfolio and grading of the SHGs as a part of loan sanctioning, but only office bearers are aware about the polices. In few Federations, Committee member’s role in loan disbursement is limited. Members do not

have financial literacy. Committee member's awareness on the legal compliance is very limited and needs to be focused.

Federations at Block level have a separate office where the Committee meetings are conducted. In case of Clusters, the meetings are either conducted at community places like School, temples or by rotation at each SHG residence.

Sub committees: *In PEDO*
At Cluster level, three sub committee (consisting of 4 members in each committee) – planning, conflict resolution and finance management are formed. These committees perform major functions of the Cluster.

In addition to the Executive Committee and the office bearers, the apex federations would also hire their own staff to manage their accounting, book keeping and other functions of the federation. In case of many Federations the salaries of the field staffs are paid through the Federations, by the contribution of SHGs. The major sources of income for the federation would be in the form of service fee, annual membership fee and also interest earned on portfolio. The Federation at the block level performs functions that the Cluster cannot perform. These include capacity building, linking to various government schemes, audit, grading and other support services that emerge as per the needs and aspirations of the women members.

	ASSEFA	Ibtada	PEDO	PRADHAN
No. of Federations promoted	9 SMBT	2 Federations	9 Federations	Two Federation
Legal Entity	Registered under Trust Act	Registered under Trust Act	Not yet registered	Not yet registered

2.3.3 Legal Entity of Federations: View of Promoters

There is no suitable act available for SHG federations in Rajasthan. Cooperative and Society act are not suitable for Federations. Trust act was only suitable to some extent. So, Ibtada and ASSEFA have registered the Federations under Trust Act. They feel even the Trust Act is also not appropriate but as during the exposure visits to other states they have seen, Dhan in Tamilnadu also registered their federation under Trust Act. So they also went a head and registered under trust act.

2.3.4 Systems

Byelaws are available for both registered and unregistered Federations. But most of the Committee members are not aware of the byelaws. In most of the Federations operational manuals are not prepared. Norms exist all levels (SHG ↔ Cluster ↔ Federation) but are not implemented to the full

PEDO has developed the Credit Policy for the Federations which is appreciable, other than the staff, most of the Committee members are not aware of the policy.

extent. There are no specific written norms but the members follow certain norms in the areas of membership, attendance during the meetings, fees for the services offered by the Federations, loan processing etc. Management information systems exist in most of the Federations but the reports are mainly used for promoter's internal use. The reports are not being used a document for decision making the Committee meetings. In most of

the Federations statutory audit is done after the completion of financial year. In few cases, internal audit is also done, but very rarely, which needs to be focused.

Good Practices in SHG Bookkeeping: The Computer Munshi Project of Pradan

Computer Munshi is a unique system developed by PRADHAN for the SHG bookkeeping and MIS. The software is called McFinancier. The objective of the software is that the financial information of SHGs should be easily accessible either to the member of the group or to an outsider such as an auditor or a banker.

Munshi's at village level maintain the records at SHG level on the weekly basis. Animators collect the monthly transactions sheets from all the SHG in the village and forward it to the PRADHAN field office, where the Computer Munshi feeds the transactions in the software. In this system all the primary books of accounts are maintained at SHGs; the trail balance, income and expense statement and also the balance sheet is prepared for all SHGs. The records clearly state each member's savings, loans outstanding, interest and principle paid and such other relevant information.

Essentially all the accounts are kept up-to-date and these are not pending beyond one week after the transactions are over; but in few of the SHGs the books not updated regularly as the Munshi's are not available. Computer Munshi uses McFinancier that supports five financial indicators. At SHG level, trial balance is prepared every month in simple, easy to understand and transparent formats. Computer Munshi is considered as an entrepreneurial model. Additional services offered by Computer Munshi to the local community enhance the capacity utilization in terms of time of Computer Munshi and additional income sources for the Computer Munshi. There is scope for replication of this system in other areas of Rajasthan also.

2.3.5 Accounting systems and HR:

The accounting systems and procedures at Federation level needs to be focused. Required books of accounts are not maintained at all Federations. Presently transactions are in the recorded in cash book and ledgers. There is a need for sub ledgers to be maintained, as it difficult to track the loans disbursed to members in few Federations. The accounting system generates vouchers/receipts for all transactions. For the sanctioned loans, they are maintaining promissory loan as a security purpose on bond but the details on vouchers and promissory notes are not properly filled in some of the Federations. The cash book and ledgers are not properly updated. Minute's book is maintained at all levels. The discussions during the Committee meetings and the resolution taken are recorded in the minute's book, but the quality of recording is comparatively good. The quality of bookkeeping at SHG level is also not very impressive and updated regularly.

The managerial staff at the Federation office is comprises of a Coordinator, Accountant and Munshis or Field Representatives. The experience of staff in NGOs ranges from 1-25 years. Many of the staff working in Federation has the 3-4 years of Federation experience. But in case of accountants, they are not academically not qualified for the work they do. This lack of academic qualifications seems to have affected the roles and responsibilities being performed by the accountants, which is reflected in the maintenance of records and understanding of the financial statements.

The role of the Coordinator is to ensure the smooth execution of the operations and the implementation of the decision made by the EC. Maintenance of MIS, conduct committee meetings and help members in agenda preparations etc. The salaries of Coordinators and Accounts are paid by SHPI in some Federations and in few the Federation is paying on their own.

Munshis look after Cluster/SHG and are paid by the contribution of SHGs. The field representatives are responsible for:

- ✓ Formation of new SHGs
- ✓ Opening of SHG bank account
- ✓ Attend SHG and Cluster meetings
- ✓ Maintaining records at SHG and Cluster level.
- ✓ Documentation for bank loan application and
- ✓ Support projects implemented by the Federations.
- ✓ The Accountant

The staffs are there for a longer time working in the same NGOs. They have seen the growth of SHG movement. Best practice followed in HR, is that the staff are rotated to different Federations once in 2 years. Most of the staff are sent for the exposure visits to different states and provided orientation on concepts of Federations, bookkeeping at SHG level, problem solving and on livelihood related in few Federations. With the changing scenario and growth of the Federations, the staff need more advanced trainings to carry their roles and responsibilities.

2.4 Role of SHPI

SHPIs have helped promote federations and played a vital role in the process. The building up of a Federation's capacities is a gradual process. SHPIs are supporting the Federations move towards centre stage in managing and controlling the activities in a manner that facilitates active member participation and collective decision making. At this stage the SHPI is playing the role of guide and mentor and strive to provide capacity building inputs to the Federation leaders and staff thus enabling the Federation to gradually develop and function as a viable, autonomous and member-led institution. After the establishment of the Federation SHPIs are recognizing the Federation's role as the direct representative of SHG members, reduces its contact with the SHGs and uses the federation as the intermediary. Initially all Federations require start-up funds through grants, for the cost of training Federation leaders and staff, for setting up systems and for some minimum infrastructure. For this, SHPIs initially are meeting the expenses and slowly evolved alternative strategies helping federation to negotiate with its members on revenue-earning avenues such as service fee, initiating activities that create opportunities for earning fee-based incomes etc.

The following table shows the role of SHPI and the activities taken up by them in various stages of Federation promotion.

Development stage	Promoter role	Activities of the Promoter	Federation role
Pre-formation	Doer	All activities done by promoter like <ul style="list-style-type: none"> ✓ Discussions at SHG level on federation ✓ Training at SHG level on concept and role of federations and their own roles as members 	Observer

		<ul style="list-style-type: none"> ✓ Selection of SHG representatives to the federation, and orientation to the selected representatives 	
Formation stage	Facilitator	<ul style="list-style-type: none"> ✓ General Body meeting <ul style="list-style-type: none"> ▪ Election of leaders Executive Committee (EC) ▪ Resolution of Bank account opening ✓ Bank account opening ✓ EC meetings <ul style="list-style-type: none"> ▪ Objective of Federation ▪ Roles and responsibilities of EC ▪ Election of Office Bearers ✓ Capacity Building of Committee members (Objectives, orientation on byelaws) ✓ Handholding to Committee members ✓ Developing and establishing systems like bookkeeping and accounts ✓ Designing policies ✓ Bearing 100% cost ✓ Organizing exposures to Committee members ✓ Identify and train potential staff among the community ✓ Focus on creating income for Federation 	Feel responsibility and participate in the activities
Stabilization stage	Co-runner	<ul style="list-style-type: none"> ✓ Income monitoring ✓ Focus more on external linkages ✓ Bearing 50% cost ✓ Establishing MIS 	Co-runner
Growth stage	Advisor / Observer	<ul style="list-style-type: none"> ✓ No funding support for core business ✓ Occasional visits to Federation 	Doer, coordinator

Most of the Federations are still in the formation stage and few of them in stabilization stage. With the alternative strategies for earning income to the Federations, it is laying a path for the financial sustainability of the Federations, but it might take more time for the Federations to become institutional sustainable. The role of the SHPIs is very crucial in this stage. SHPI should facilitate the federation leadership to become fully responsible for all the functions of the Federations without having to lean on the SHPI staff. Most of the SHPIs are seeing the Federations as the member owned and members managed institutions. Only in case of ASSEFA, they are planning to expand their geographical area and form more SMTBs and form Non Banking Financial Company (NBFC).

Some of the SHPIs have been thinking to enrich the Federations as revenue generating model. They want the Federations to play a vital role in creation of livelihoods and then followed by marketing. During the process the SHPIs would play the role of facilitator and fund provider to the Federations.

After the Federation becomes fully autonomous, the SHPI have plans to withdraw from day to day operations. SHPI continue to provide technical support whenever federation requests, on consultancy basis.

2.5 Role of Federations

In most of the cases Federations engage in both financial and non financial functions. There are quite a few federations that are not (yet) involved in financing activities. The functions of federation depend on promoter philosophy. Some of the promoting organizations have ensured that the SHG federations perform the functions of a financial institution, others have facilitating the federations taking a more of non financial role. The financial services being provided are too meager comprising of only loans and in very few compulsory savings without any interest, there is no sign of insurance services etc.

Federations are set up with one or more of the following objectives / activities:

- a. To strengthen (through training, information dissemination, on-site support, etc) the capacity of member-SHG in one or more of a variety of fields (bookkeeping, accounting, marketing, financial management, advocacy, bank-linkage, accessing government schemes, to name some)
- b. To provide credit, especially multiple credit lines
- c. To provide savings facilities, especially voluntary savings
- d. To undertake marketing of the produce of the members of the SHGs
- e. To provide life/loan insurance services
- f. To access government or other schemes for member-SHG
- g. To provide staff support to member-SHG
- h. To write and/or audit the accounts of member-SHG
- i. To resolve conflict within SHGs
- j. To review/regulate/supervise the functioning of member-SHG
- k. To promote new SHGs
- l. To create the political/social space that women need to live their lives as fully as they desire to
- m. To be the window to the outside world, in replacement of the promoter organization
- n. To undertake all that the external facilitator was undertaking, after its departure.
- o. Supervision and Review of the performance of the staff
- p. Preparation of annual budget

Activities at Cluster Level Federation (CLF)

- To identify issues or problems which cannot be solved by the SHGs and attempt solution
- To orient and brief the SHG members about CLF activities
- To ensure proper flow of subscription loans and other funds between SHG & CLF
- Ensure prompt repayment of external loans or SHG loans
- To learn to maintain all records of the CLF by themselves over a period of time
- To visit weak members SHGs and motivate their performance
- To promote new SHGs

Services offered by Mandal:

As a promoter, PEDO as consciously decided that either the Mandal are the Sankul should not take up financial intermediary role. As they feel the federations does not have capacities to handle the financial intermediary role. Presently there are no financial services offered by the Mandal and Sankul. The Mandal as a part of promoter's policy is primarily focusing on non financial services to its members like support in bank linkage for SHGs, support of bookkeeping at the SHG level, internal audit and the trainings.

No financial intermediary role envisaged for federation due to 2 reasons- too many complications in accounts management (which might not be possible for the federation) and secondly since there is no problem of credit limit with the bank (bank is willing to lend as much required), bank linkage is preferred)

PEDO has promoted seven block level federations in Dungarpur area. These federations conduct an internal as well as external audit annually. Federations take the services of a Chartered Accountant (CA) who reviews all the books of accounts and tells about the financial performance of the federation and the problems. Reports of CA are discussed with all the members so that every body is aware of the current financial position & problems. This also helps in overcoming vested interests problem in the federation.

In case of SMBT, ASSEFA:

The SMBT provides financial services in the form of loans. The SMBT has its share capital in Sarvodaya Nano Finance Limited (SNFL). Based on the members need and their share capital in SNFL, the SMBT gets loan from SNFL @ 9% reducing interest and on lends to SHGs for 12% flat interest. All loans should be paid back in ten equal installments. In terms of loan diversification, the loans are given for all purposes. SHG members prefer to take the loan from SMBT as the bankers are not providing sufficient quantum of loans. In future the SMBT would also focus on Health programme.

Services offered by Savera Munch:

Savera Munch also provides financial services in the form of Loans for installing bio gas, constructing/ maintenance of vermin compost beds (one for family), construction of toilets and for housing. Presently the loans are given for the above mentioned purposes only. Most of the loan products are project based. Bio gas is funded by UNDP, vermin compost bed by CAPARD and or housing by Ibtada. Federation disburses the loan to clusters and clusters in turn to SHGs. The clusters also on lends to SHGs at the same interest rate which federation gives to cluster. As a result there is no margin of interest left at cluster. Cluster is more like a channel to disburse the loans from Federation to SHGs. All loans are disbursed by cash.

S.No	Type of Loan	Interest rate	Installment
1	Bio gas	0.50 Paisa	20 monthly installments
2	Housing	Rs.1.25	Rs.500 as installment per month
3	Toilet construction	Rs. 1	25 monthly installments
4	Vermi compost beds	Interest is charged	It is a subsidy component so members need not pay back the amount.

In Ibtada, Alwar SHGs are evaluated in clusters by each other and are awarded a colour-coded grade and similarly clusters are evaluated in federation meeting by each other, which help in constantly improving the performance and gives motivation to members to improve their performance.

In case of Saheli Sanghatan, PRADHAN:

Though not directly but Saheli Sanghatan also provides financial services (loans) Two types of loans are provided to the SHGs.

Loan from ICICI Bank: *ICICI loans are directly given from PRADAN to SHG, and federation does not play a role in disbursement and repayments of ICICI loans. The SHG members will pay back the loan amount to the staff of PRADAN directly.*

Loan from Diwan Foundation: *Diwan foundation has given 1crore to PRADAN and PRADAN in turn disbursed the loan to SHGs directly in different locations. But the repayment is done through Federation. The margin of interest is kept at federation level. PRADAN does not take any margin of interest. In case of Diwan foundation loans, the repayment from SHGs comes directly to Federation. Clusters do not play a role in loan disbursement.*

The primary role of the Federations, however, is in providing support services to the SHGs that contribute to its sustainability, rather than in providing direct services to individuals. Federations provide an organizational identity to SHGs that, while crucial for sustainability, is difficult for small organizations such as the SHGs to develop. Many of the SHPIs felt that Federating helps SHGs realize benefits of a larger organization, without losing the advantages of small organization. The study identifies the following benefits to the SHGs from Federating:

- a) By creating *economies of scale*, federations make it possible for essential services such as accounting, audit, conflict resolution and performance monitoring to be made available to SHGs. They also contribute to capacity building of SHGs through facilitating planning and review processes, and mutual learning events. In the absence of federations, many of these services are provided by promotional agencies, an inherently unsustainable mechanism.
- b) Federations reduce *transaction costs* of financial institutions, such as banks and insurance companies that have business with the SHGs, and the SHGs themselves. For the financial institutions, they reduce the cost of dealing with a large number of small groups; sometimes directly by acting as intermediary organizations and at other times by acting as a social collateral. They reduce costs of SHGs by providing a mechanism for cost sharing.
- c) Federations *reduce default rates* at all levels – from SHG members to SHGs, and from SHGs to banks – by improving monitoring, and providing both positive and punitive incentives. In the long run, the reduced transaction costs and improved repayment rates should have a positive impact on the lending rates to SHGs
- d) Federations provide certain *value-added services*. The value added financial services include special loan products such as housing loans and insurance for members and livestock. Non-financial services include primary education, health-care, livestock care and technical support for house construction.
- e) Federations reduce the *cost of promoting new SHGs* because of their information advantage, low staff costs, and voluntary time offered by SHG office-holders for forming new SHGs. This enhances the replicability and sustainability of the model.
- f) Finally, federating enhances the *empowerment of the poor* by developing local human capital. Federations provide opportunity for SHG leaders to increase their capacities as they take leadership positions in the federations. Federations also contribute to empowerment by exposing SHG leaders to diverse organizations and social institutions.

The roles played by the Federations vary for promoter to promoter. To a greater extent the SHG members are aware of the role of higher level Federations, but there is no clarity of the role at the Cluster level Federations. Federations are still in a nascent stage and are dependent on the promoting institutions for the guidance and support for the management of Federations. During the interactions with the committee members of the Federations, they have expressed they need the support of the promoting Institute for at least next 3-4 years, while some members expressed that they need the support of the promoting institution as long as the Federation exists. “Ibtada Federations members expressed that, next 10-15 years we need the support of Ibtada – “Raasta dikane keliye, kaisa jana hai, kaaha jana hai”.

In most of the Federations, the dependency on the SHPIs is seen to a large extent as still they are in the formation and stabilizing stage. As the higher level structures are created, the role of middle level structures is not clearly visible to the members. This needs to be addressed by the Federation and the SHPIs.

Only in few Federations, the members had the clarity and that kind of thinking for what would be the Federations role in future. Promoters are seeing the federations to play a role of service provider, one stop, and all shop types. Federations in future to take up Livelihood activities and play the role of marketing. Insurance is another crucial service that members want the Federations to take up in future. Federations to take up the social issues based on case to case, but will not entirely focus on issues. In case of PEDO promoted Federations, the promoter as a plan to form a district level forum above the block level Federations.

2.6 Costs and Coverage

The costs of promoting SHGs and their federations are primarily twofold. One is the direct cost of operational support: share of operational expenses of SHGs and SHG federations incurred by the promoter agency. SHG promotional cost (incl. social mobilization, strengthening, records of SHGs and trainings) incurred by the promoting institution. The two types of costs involved in promoting Federations are promotional costs (including ground level staff, supporting SHGs, training, etc.) and administrative costs (ex- overhead, managers overseeing the project, etc.). While estimating the cost of group formation is difficult and depends of the quality and quantity of support provided. (SHG federation promotional cost includes the establishment expenses of the promotional agency, salary expenses of their senior staff whose services are available across federations, training board members and staff and institutionalization of systems.) Only the federation promotional costs are used in the analysis done here.

Promotional cost of Federations could not be determined, in case of Pradhan promoted federations, as the information for the initial years of the federation is not available. In this indicator the team has looked at the operational cost incurred at federation level.

		ASSEFA	PEDO	Ibtada
S#	Particulars@	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
A.	Promotional Cost (or initial establishment cost)			
1	Initial meetings	2,000.00	3,000.00	2,000.00
2	Exposure Visit		6,000.00	11,000.00
3	Orientations (2 trainings)		4,000.00	2,000.00

	Sub-total (items 1 to 3)	2,000.00	13,000.00	15,000.00
B.	Operational Cost (up to 1 year)			
1	Salaries, Allowances and Honoraria (incl. Field Workers)	241,800.00	3,48,000.00	1,17,600.00*
2	Administration cost	38,100.00	54,400.00	1,000.00
3	Training Costs	1,000.00	4,000.00	2,000.00
4	Furniture and Equipments	20,000.00	25,000.00	
	Sub-total (items 1 to 4)	3,00,900.00	4,31,400.00	1,21,600.00
C.	Total Per SHG Federation Cost of Promotion (A + B)	3,02,900.00	4,44,400.00	1,37,600.00

* Excludes field workers (Munshi's) salaries

Note: The figures in the table are the approximate amounts mentioned by the respective promoters

Although the figures in the table are only a rough estimate, they demonstrate the incredible amount of resources a promoting Institute must be willing to commit if they are fully committed to the endeavor. Further, as some staff are required to remain even once the Promoting Institute exits, these costs must then be borne by the Federation itself. The cost varies from promoter to promoter as the number of field staff involved and trainings provided are different.

In case of all the federation, the cost of promotion SHG and federations is met by the promoters with the support of the project funding. But for meeting the operational expenses at Federation level different strategies are followed by different promoters. In majority of the Federations studied, strategies are designed in such a way that the SHGs over a period of time are contributing for meeting the expenses at Cluster and Federation level.

In case of Ibtada, the strategy for payment of salaries for the Munshi's was planned well in advance. The SHG members contribute Rs.30 per month for Munshi's salary. The amount is pooled up at federation level and than based on the work performance the salaries are given to the Munshi's. The Federation did not have a separate office, which resulted in low administration cost. In case of PEDO, the cost of salaries of Field Representatives are initially met PEDO, later by SHGs. PEDO has stopped giving grant support for regular administrative expenses, but continues to bear the salary expenses of two of its staff working at Federation level.

In most of the Federations, the major sources of income are service charges, Loan processing fees and annual membership fees. With these sources the Federation are able to meet the operational expense. But the one concern in the service charge collected. The Federations needs to offer multiple services on a regular basis, as in few federations the services offered are project based.

During the interaction with promoters, most of them have expressed that the Federations will be fully sustained and will be able to meet all the operational cost in next 3-4 years time. Few of the promoters feel that the Federations will be sustained financially but operational point of view, hand holding support is required from promoting institution for a longer time.

In most of the Federations, the Federation members are not nurtured to think in terms of sustainability of the Federations, what would the role of promoter in future and visa vi the Federations for making the Federations member owned and managed.

In case of PEDO:

It's only this year that the federation has started meeting the expenses. In future the federation will be able to meet all the expenses as the strategy adopted is different in case of PEDO. Every year the annual plan of the federation is prepared with the support of the PEDO. According to the estimated budget the contribution from each SHG comes to the cluster and from cluster to the federation. Earlier Field representative salaries were paid at Cluster level. Only from last one year the budget from all clusters is pooled up at federation and the federation's reviews the performance of the staff and the payment is done.

Services offered at Ibtada Federations:

S.No	Type of Service	Service Fee
1	Bio gas installation	1.5%
2	Housing	1.5%
3	Toilet construction	1.5%
4	Vermi compost beds	Rs.100 – Rs. 200
5	Bank Loan	1.5%

At Federation level, it charges fee for the services offered to the SHGs. Fee for bank loan is the major source of income.

The sustainability of SHGs and SHG-based institutions is coming under close scrutiny. However, financial viability at the level of the SHGs is currently not an issue. SHG income, though small, is matched by an extremely low cost of operations. The Financial Sustainability in the case of financial intermediation (savings and credit) federations is pertinent only to the financial activities carried out by the federations. In initial period of the federation require start-up funds through grants, for the cost of training federation leaders and staff, for setting up systems and for some minimum infrastructure. In most of the cases studied, there was an attempt at beginning the transference of the federation's operational costs to the federation but this was being done in a very gradual manner depending upon the federation's capacity to absorb this cost. Sustainability defined as achieved when institutions, structures and processes have the capacity to continue to perform their functions over the long term with institutional and financial; and organization's capacity to envision and manage its growth, to renew itself and to adapt itself to changing environments.

Promoting organizations have to provided exposure and training to federation leaders enabling them to take on a large part of the routine operations of the federation and think in terms of financial sustainability of the Federations.

Few key issues that needs to addressed are

- Getting suitable and trained manpower to work for the federations especially specialists in marketing and livelihoods
- Capacity of the members and the Federation to manage proposed activities on their own

Accountability in a membership-based organization is enhanced if members relate the payments they make to the services they receive. The complex cost structure of federations performing a wide range of functions constrains this understanding, however. Generating income through direct payments such as fee for specific services or general service charges as a proportion of profits or business volume is an innovative attempt to make the Federations more accountable to the SHGs.

Strategies involved for mobilizing internal resources for the financial sustainability is appreciable but the methodology used for calculation is complex in nature.

2.7. Capacity Building Systems

Capacity Building is a very important and on-going activity that the promoting institutions must undertake or at least catalyze if the federation is to become a vibrant, viable and dynamic entity. The capacity-building needs vary across promoting institutions and Federation. However they generally pertain to certain common requirements like general leadership training, specific skills for conducting meetings, recording proceedings of meetings. Understanding and analyzing accounting statements and understanding the parameters to be used for monitoring and controlling the mF operations.

Majority of the NGOs, at the time of promotion of Federations have taken SHG members and the staff of NGO for exposure visits to various Federations in other states like Dhan – Tamil Nadu, Adharsha MACS – Andhra Pradesh, SEWA – Gujarat, Chaitanya – Pune, Kutch mahila, CDF- Warangal. The exposure had provided good insights to the members as well as the staff. Apart from exposures Board members were provided training on leadership, functional management, SHG concepts, problem solving etc. Munshi's (bookkeepers) were also provided training on accounts and bookkeeping at SHG level and also on problem solving. No formal training was given to staff of federation other than exposure visit and some orientation on federation concepts during the monthly review meetings.

The trainings provided to the members were very much relevant, but at the same time the required level of inputs were not provided the staff and also to the Board members of Federations.

In ASSEFA,

At SMBT level, focus on building the capacities of board members is very limited. The CSA's were trained on the SHG bookkeeping, social mobilization, skill development and on MIS in the initial stages. But there is no inbuilt mechanism of providing inputs to the newly recruited staff. The expenditure for the training is met by ASSEFA. The newly recruited staff needs inputs for better performance of their responsibilities.

In PEDO

The Federation board members were provided trainings on roles and responsibilities of committee members, on how to strengthen SHG and clusters. The SHG leaders were trained on leadership roles. Field representatives were provided trainings on Livelihoods and SGSY schemes. Federation level accountant and coordinator on accounts by PEDO. PEDO follows a different model compared to other organizations. It follows ToT mode of delivering training to staff. Trainings to staff are conducted at PEDO office which is residential

programs and few at federation level, which are non residential. The expenses of the trainings conducted to staff at federation level are met by the federation only.

In case of PRADAN,

it has provided training to animators on Bookkeeping at SHG level the two of the staff were taken to exposure visit PRADAN promoted federations in the Madhya Pradesh. The federation board or the cluster board members were not given any training on the functional and management activities of the federations.

When looked at the trainings provided to Federation board members, the required inputs were not provided. There is much need for the capacity building on terms of sustainability and the role played by the federation to the board and also the staff of federation.

2.7.1 Assessment of further capacity building needs for federations and SHPIs:

Newly elected board members to be provided intensive capacity building inputs in strategic business planning to cater the needs of its members along with the operational management aspects such as financial analysis, basic accounting, monitoring of portfolio performance, human resource management and statutory compliance.

Federation needs to increase the internal capital by diversifying its saving products by introducing fixed, recurring deposits and insurance products to attract external funding from formal financial institutions

Right now, few of the board members are aware about the purpose of the Federations. There is a need for the Board members to articulate the vision, mission and goals of the Federations and relate the activities with the same. Board members need to be oriented on the operational management aspects such as member SHG monitoring, budgeting, fund management and review against annual plan etc.

Still lot needs to be improved in the SHGs. In this context, systematic approach for the capacity building of SHGs as building blocks of the Federations needs to be undertaken. Monitoring of SHGs performance and considering the performance of SHGs in issuing loans, capacity building plan based on the SHGs monitoring comprised with grading and auditing to be compulsory

Capacity building activities could also pertain to other skill sets such as techniques and methods loan appraisal, member monitoring and loan recovery, perspective building on causes and remedies of members' poverty, specific measures for building confidence of the women leaders through exposure to other organizations, handholding in dealing with formal government and other entities, possible skill-building regarding conduct and facilitation of specific livelihood promotion activities and similar other activities .

The promoting Institute may not be equipped to undertake capacity building in all these matters. Hence it may have to identify resources and perhaps work with capacity-building agencies to conduct such capacity-building programmes. The Promoting Institutions needs to allocate human and money resources for this task.

Capacity building of the federation leaders and the staff is the single most demanding responsibility of the Promoting Institutions so far as its federations are concerned.

Chapter - 3

3. Current Issues and Challenges

Federations have been promoted by a diverse group of promoters in terms of outreach, years involved in promotion of SHGs, and overall vision of the organization. Further, these SHPI promote a variety of different Federation structures; the two most common, the two-tier and three-tier structures are discussed in this report. Along with different structures, Federations perform a wide variety of roles, which can be divided into non-finance, finance, and finance-plus. The roles that they perform will depend on both the SHPIs objectives, the needs of the members, and the capacity of the Federation's executive to perform different roles.

While the creation of this higher body helps meet the various needs of both SHGs and the PIs through different structures and with different roles, a new set of challenges has also emerged. While the benefits associated with building Federations are immense, the challenges related to their inception also need to be addressed.

- ✓ While creating higher level structures, clear role clarity for middle level structures need to be taken care of.
- ✓ The federation leaders do not have the training and capacity to access and manage external funds.
- ✓ Based on promoter philosophy and Federation model, staff accountability differs. Where it is community focused, the accountability of the staff towards the community is more.
- ✓ Role of Clusters or Federations and SHPIs in repeat bank linkages for the enhancement of incomes of the SHG members through livelihood interventions.
- ✓ Building community based organisations (CBO) capacities in livelihood promotions and availability of skilled and trained technical staff in the areas of livelihoods
- ✓ Mobilizing external resources from financial institutions and accessibility of resources for building the capacities of CBOs.
- ✓ A suitable legal framework is lacking for SHG Federations. The options offered by the Mutually Aided Cooperative Societies (MACS) Act, a new law recently enacted in seven states of the country, should be explored further to see if they can be used in the current form or an amended form.
- ✓ The Federations have difficulty in attracting high quality managers

This report analyzes the following major challenges being faced by Federations in Rajasthan

- Capacities of Committee members in collaborations with external institutions
- The future sustainability of Federations: Presently, some Federations are able to meet the operational expenses but t in build the higher level technical expertise in other areas (livelihoods, Federations has to depend on NGO grants. Institutional sustainability is a matter of concern
- The cost of their creation and maintenance,
- The quality of the systems and processes,
- The accountability and governance of the Federations,
- The member awareness of their existence,

The need for Federations is obvious and the role they can play in empowering the poor to lift themselves out of poverty is clear. However, for Federations to succeed and become sustainable community owned and managed institutions, it's crucial that these challenges be addressed.

Chapter - 4

4. Recommendations

4.1 For Federations

- 1) Vision building and Business Development Plan (BDP) with specific goals and long term strategies to be facilitated at the Federation level by the SHPIs
- 2) Ensuring integration of Capacity Building plan of SHGs, Board and staff with long-term strategies. Capacity building based on grading, Federations to develop training calendar accordingly
- 3) To facilitate long term sustainability of the structures, clarity of different tiers need to be evolved and also introducing fee for services concept at Cluster or Village level for providing non-financial services to SHGs.
- 4) Keeping in view of the institutional sustainability, capacity of the board need to be enhanced in the areas of operational management aspect such as review of portfolio reports, monitoring SHGs, human resource management, financial planning and managing the information flow between SHGs and Federations.
- 5) To strengthen existing review and planning meetings SHPI needs to focus on following aspects:
 1. Institutionalizing capacity building strategy.
 2. Developing an operational manual at Federation level.
- 6) The organizational systems and processes of the federations need to be improved to keep pace with the increasing volume of transactions and variety of services offered.
- 7) Involvement of Federation committee members and their awareness on internal control systems such as operating bank account, understanding financial statements in the Federations will further its performance as member owned and member managed institutions.
- 8) Special emphasis to be put on building the capacity of the Committee members in creating awareness to the board on byelaws, roles and responsibilities and statutory compliance in order to avoid dependency on staff and SHPIs for creating ownership on Federations.
- 9) The staff competencies in the areas of facilitating, monitoring of SHGs, bookkeeping, preparation of financial statements, analytical thinking of the financial management needs to be improved.
- 10) There is a scope for formation of new groups and getting them enrolled in Federations. Increasing Scale and outreach of their operations for greater sustainability.
- 11) Need to develop comprehensive business plan with specific projections relating to cost of capacity building, administrative expenses including support to peoples organizations

4.2 For SHPIs

- 1) To sustain the Federations in long run as a self managed institutions, focus should be more on designing Federation level own programs and products which would be the felt need of the members.
- 2) Developing monitoring and MIS to have continuous two-way flow of information from SHG to Cluster to Federation.
- 3) Role of SHPI in developing social capital with adequate knowledge and skills is facilitating them to take a lead and interface role on behalf of their community and later on.

- 4) Modules related to financial literacy of Federation and Cluster members, livelihoods and marketing related modules needs to be developed.
- 5) Data base of resource persons for providing these trainings needs to be created.
- 6) New interventions related to Insurance, livelihoods related module development
- 7) Documentation of best practices at levels for wider use.
- 8) Creation of State level forum for sharing and learning each others experiences
- 9) Networking of NGOs who are promoting SHG Federations
- 10) Forecasting emerging issues. Higher level advocacy for suitable act for legal entity of Federations and also for scale of future activities
- 11) Conducting further studies on scale and out reach of Federations.

SHG Federations have a unique role to play in both supporting member-SHG's and also in advocating the members' stances on pertinent issues in the community at large. They are both large enough to link with external service providers such as NGOs and local government, and also small enough to be effectively managed by the members themselves. As stated in a recent Sa-Dhan publication, '...perhaps the most important future role for the Federations is that they can become a rallying point for articulating and consolidating the voice of the women in their area of operation' (Sa-Dhan 2005 33).