NATURAL RESOURCES SYSTEMS PROGRAMME

PROJECT REPORT[1]

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R7830 and R7839

Report Title

An evaluation of the self help group process and project approach of R7830 & R7839. Annex Bxi of the Final Technical Report of projects R7830 and R7839.

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Contents

1. Introduction

1.1 Context/Background

Millions of people, particularly those in less developed countries depend on the use of natural resources to support their livelihoods. For various reasons, a common feature is that a large proportion of them are poor with limited assets and limited opportunities for improvement of their circumstances. The UK Department of International Development (DFID) is committed to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015. To contribute to achieving this objective, DFID funds a group of programmes that cover various aspects of natural resources research. One of these is the Natural Resources Systems Programme (NRSP). NRSP aims to deliver new knowledge that can enable poor people who are largely dependent on natural resources to improve their livelihoods. Research focuses on the integrated improvement of the management of land covering soil, water, vegetation and organic residues. It aims to find ways by which strategies for natural resources management can enable the poor to build their livelihoods and move out of poverty in a sustainable way (NRSP, 1999).

1.2 The Projects R7830 and R7839

These two projects, namely a. Integrated management of land and water resources for enhancing productivity in Bihar and Eastern Uttar Pradesh (R7830) and b. Improved livelihoods-Bihar and Uttar Pradesh (R7839) are operating in India among the same communities in Bihar and Eastern Uttar Pradesh. These projects seek new knowledge of strategies: (i) for effective delivery of rural services and (ii) for the implementation of local arrangements, that enable rural men and women, specifically including the poor, to improve their livelihoods through agriculturally based activities demonstrated and promoted to key stakeholders with interest in rural service delivery."

The project R7830 is managed by the ICAR Research Complex for the Eastern Region (IRCER), Patna. The project R7839 is managed by Rothamsted Research (RES), formerly known as the Institute for Arable Crops Research, Rothamsted.

The planned project outputs of the combined project are:

1. Sustainable and scaleable institutional arrangements at the community level that facilitate livelihood improvement developed and their viability demonstrated
2. Practical ways forward for sustainable, efficient and more equitable options for water management demonstrated and evaluated by key stakeholders including the poor and marginalised
3. Diversified and economically beneficial land use and crop management practices/technologies developed and tested with communities
4. Findings of project communicated to key stakeholders at local and national levels as a means to support the potential adoption of the project's process and methods in non-target sites by non-project staff

Early project activities recognised that to establish sustainable and scaleable institutional arrangement to reach poor men and women, especially those who are socially excluded, it was necessary to develop robust grassroots organisations capable of interacting with the scientific community, banks, local markets and government agencies in ways that are meaningful and beneficial to them. The project decided to form Self-help groups (SHGs) of the poor as the primary organisational building block (output 1) enabling the project to move towards

achievement of outputs 2 & 3. In the Indian context, an SHG has been defined by the National Bank for Agricultural and Rural Development (NABARD) as "small, economically homogenous affinity groups of rural poor, voluntarily formed to save and mutually contribute to a common fund to be lent to its members as per the group members' decision".

1.3 The Purpose

The purpose of this paper is primarily to evaluate the methods developed by the two projects, R7830 and R7839 at Patna (Bihar) and Maharajganj (Uttar Pradesh) to work at the community level. The paper examines the:potential of the models for SHG formation and rural microfinance, developed by the project to free microfinance from subsidies and support from governments, donors and NGOs; while directly empowering and mainstreaming the poor.

1. Level of poverty focus achieved by the project and contrast this with project footprints typically achieved by projects that use SHG and savings and credit methods.
2. Recommend areas where project methodology may be strengthened.
3. Outline the policy lessons and implications emerging from the project

1.4 The Approach

The findings of the paper are primarily based on interactions with members of Self Help Groups, Cirrus field staff, project facilitators/volunteers, scientists of IRCER and staff of other development organisations functioning at Patna and Maharajganj. The document also draws heavily from internal reports and workshop documents generated by the project since its inception. Operational guidelines and evaluation reports of several other projects that have been involved in micro-finance activities through SHGs were also reviewed. These are supplemented with authors personal experience gained from analysis of similar kinds of innovative institutional arrangements in agriculture and rural development.

1.5 Outline of the report

The next chapter (Chapter 2) provides an overview of the location, the underlying context behind project interventions and the process of group formation. Chapter 3 discusses the special features of this project, viz, the poverty focus, costs, prospects of sustainability etc and makes a comparison with related interventions by other agencies. The chapter also discusses the relevance of SHGs of the poor to generation, adaptation and wider diffusion of agricultural technologies. Emerging lessons and policy implications emerging out of this analysis are discussed in Chapter 5.

2. The Process

2.1 The Project Rationale

The projects emerged in response to the increasing awareness on the need to sharpen the poverty focus of NRSP research. The projects envisaged livelihood improvements among the poor (primarily living in the project sites) through engaging them in activities meant to develop, test and promote agricultural technologies, especially in the area of land and water management. As the poor and the landless have difficulties in articulating their demands, the project recognised the need for developing robust grassroots organisations. Formation SHGs have been identified as a methodology whereby it is possible to enable the poor to participate and to take initiatives independent of external institutions. These SHGs were expected to serve as entry points for participatory technology development and also as a mechanism to link a wide range of rural services. The project also intended to strengthen the capacity of the IRCER and other partner organisations to undertake demand-led participatory research. Development of a strategy for the formation, strengthening and sustenance of SHGs of the poor, which is potentially scalable and sustainable in the long run, has been the other major focus of the project.

2.2 Location and context

The project has been in operation in the commands of two major canals systems of the Indo-Gangetic Plains of Bihar and Eastern Uttar Pradesh (M-UP) in India. The activities were initiated first in the Sone Canal command area in Bihar Right Parallel Channel-5 (RPC-V) in Patna District and subsequently) extended to the Gandak canal command in Maharajganj District Eastern Uttar Pradesh. The region comprising central and northern Bihar and Eastern UP, has predominantly rural population with 87% living in rural areas and has average holding size of 0-2 ha (86.7% total). The region has high population density (665 persons/sq.km) and low literacy rate (37.9%). [IRCER, 2000]

Rice-wheat is the major cropping sequence with wheat alone occupying 2.1 million hectares with combined production of 7.9 million tonnes. However, average productivity is far below the potential productivity with rice yielding only 1.77 tonnes/has and wheat 2.0 tonnes/ha. Heavy soils and poor drainage makes tillage difficult in this region. Maintaining soil fertility in waterlogged lands is difficult. Land being scarce, field to field irrigation/drainage is common and there is heavy silting of drainage channels.

In comparison to other regions, the agricultural growth in this region has been very slow. The slow growth in agriculture is regarded by some as the cause of poverty in this region (IRCER, 2000). Increasing agricultural productivity through better technology adoption can potentially improve the livelihoods of the poor to some extent. Due to diverse nature of the environment (hydro-geological, agro-ecological and livelihood characteristics) suitable technological interventions appropriate to these contexts should have to be developed through participation with the poor farmers. However given that most of the poor in this area depend on agricultural labour and other non-farm occupations for income, their livelihood enhancement would require strategies that include but often go beyond transfer of technology.

Due to the special characteristics of the region mainly related to its historical development, socio-political environment and governance, the poor in the region face considerable difficulties in accessing capital, infrastructure, technologies, markets and other services, compared to the poor in other regions. Identification, evaluation and promotion of technical and institutional innovation

that addresses the broader livelihood needs of the poor have to be the strategy to address poverty in this region.

2.3 The project team

Nine organisations, namely, IRCER, Patna (India); Rothamsted Research, UK; International Water Management Institute, (IWMI), Srilanka; University of East Anglia; CABI Bio Science, UK; Silsoe Research Institute (SRI), UK; Cirrus Management Services (Cirrus), Bangalore,(India), participated in the project. The fieldwork in the project locations has been lead by IRCER and Cirrus. While IRCER has been taking lead in identifying field level constraints, testing technical interventions and transferring technologies, the Cirrus has been leading the initiation and nurturing of SHGs, facilitating micro-credit interventions and linking SHGs to other sources of support.

2.4 Group Formation

Pre-formation : Group formation started initially in the 21 villages of RP-5 in 2001, at Maharajganj (UP) the process was initiated only in August-September 2002. Two Cirrus staff started visiting the villages in RP-5 and initiated dialogue with people whom they met. This process was continued on fixed days every week for an year. This open semi-structured dialogue helped the Cirrus staff to understand the nature of livelihoods of people, their problems and socio-economic conditions. This process enabled identification of volunteers from the village. Those persons who were eagerly waiting for the next meeting, asking constructive questions, having learning attitude and willing to practice similar kinds of dialogue with community were identified as potential village volunteers. To develop better interaction between the Cirrus staff and volunteers and to train the village volunteers (on topics related to group formation, initiation of savings, maintaining accounts etc), the Cirrus team prepared a set of frequently asked questions and 48 exercises to be covered on a weekly basis.

Volunteers are generally the better-educated unemployed in the village. As the process develops the volunteers attend the weekly meetings of the SHGs in their village to guide them on all aspects related to savings, provision of loan and maintaining records (attendance, proceedings, financial transactions etc). The project informed the volunteers in the beginning that they would provide an honorarium of Rs 100/- per SHG per month (Rs.25/- per SHG per week) for this service during the first 12 months and this was provided to them in the volunteer meetings.

SHG Formation: After 2-3 meetings of the volunteer groups, the SHG formation started in the village. Participants including the volunteers in meetings with the villagers identified the poor and very poor families. The group started saving Rs 0.5 (50 paise) to Rs 5. The members deposit the money in a cash box provided to each group. Initially groups were reluctant to use these savings for lending to the needy within the groups. The reason given was that the savings are very little. Further probing through discussions revealed that many of them have been selling their assets or borrowing from elsewhere to meet consumption needs. The volunteers facilitated the groups to undertake a credit and activity analysis. This revealed their requirement for credit, the purpose for which they borrow and the period/month when they need it. Gradually the group members started borrowing small amounts of money from the group funds mainly for consumption purposes. The project did not put any conditions on how individuals and groups utilise their savings. The group keeps a record and these were entered in the project data base. The Cirrus team developed a two-page sheet that can capture all the required information regarding transactions of the SHGs every week and the volunteers helped the group in recording

that information. Initially the poorer groups were borrowing loan mainly for medicine, food and social purposes. But over a period of time, there has been an increase in borrowing for 4 major purposes, namely, agriculture, medicine, social obligation and business.

Expansion : Though the project log frame envisaged forming only 10 viable groups in RP-5, 140 groups were formed in the region. Even after withdrawal of support, SHGs were formed in other 42 villages in Patna. 250 groups were formed within six months in Patna. In Maharajganj also the group formation, which was initiated in 5 villages, expanded to 8 villages and 86 SHGs were formed at Maharajganj by March 2004. By March 2004, about 533 groups were formed in 77 villages in the project locations (Patna and Maharajganj) of which about 488 groups continue to exist and regularly save and lend among themselves.

There were two major reasons for this unexpected outcome. Firstly significant numbers of people, especially the poor, recognised the potential of SHGs to meet their needs for small consumption loans and therefore took the initiative to form groups. SHGs made borrowing money more easy for the members than the existing system of credit operated by the money lenders.

Secondly, the volunteer groups observed that there is a need for a great demand for credit in the groups. As their savings are low, the SHG members found it difficult to get relatively bigger loans from their savings. The volunteers found an opportunity to lend money (initially from their own savings from the honorarium they received) to these SHGs for internal loaning and generate some income. Some limited funds were also provided by the Cirrus team as loan to one of the volunteer group to support a revolving fund to enhance the internal lending.

Thirdly, volunteers recognised the potential to sell their skills in guiding groups and maintaining accounts. The volunteers also realised the opportunity for retailing quality inputs (seed, plant protection chemicals etc) for agriculture in the village. One of the group started retailing of seeds. One of the volunteer groups decided to form an NGO known as Sustainable Livelihood Promotion Society (SLPS) to provide these kinds of services.

In other words, both the SHGs and the volunteers recognised a win-win opportunity and this enabled the expansion of this activity to many more villages than originally envisaged. Cirrus staff also appreciated the emerging situation and provided the volunteers with critical advice and support and formed an NGO of professionals, named as the Centre for Promoting Sustainable Livelihoods (CPSL) at Patna to provide continued support to the SLPSs.

Stabilistation[1]*:* Groups in Patna have become more mature and stable than the groups in Maharajganj. This impression has been gained through intense interactions with SHG members and volunteers in Patna and Maharajganj during my field visits in December 2003. The group formation in Maharajganj started a year later than in Patna and the groups as well as the volunteers are yet to get the kind of experience that the groups in Patna have received. By January 2004, NABARD has expressed interest in linking some of the SHGs in Patna under SHG-credit linkage programme. One of the SHG has already been registered by NABARD as one of the farmer clubs under the Vikas Vahini Volunteer Programme[2]. One of the SHG, the Lok

[1] In this case, the stabilisation is the stage where the group attend regular meetings and conduct saving and lending as per norms. However, in the SHG literature, stabilisation is referred to the stage where the groups are linked to the banks.

[2] Under this programme, NABARD has been promoting establishment of farmer clubs primarily to promote formation and nurturing of SHGs. NABARD provide one time financial assistance to these clubs to meet expenditure incurred by the SHG

Kalyan SHG has already been registered with the Agricultural Technology Management Agency (ATMA), Patna. This is expected to help this SHGs in accessing technical services and training organised by ATMA. ATMA, Patna is interested to register the groups that emerge from these SHGs around one enterprise or activity as "farmer interest groups" to provide technical and other support. Organisations such as Small Industries Development Bank of India (SIDBI) and Rashtriya Gramin Vikas Nidhi (RGVN), which are actively involved in micro-finance activities are currently negotiating with the CPSL and SLPS to link the SHGs with their micro-finance activity.

Since September 2002, there has been more substantial interaction between the scientists and the SHG groups. This has been found helpful to both parties to understand the opportunities and limitations of each other. Some of the technologies such as early raising of nursery, zero-tillage, scientific fish farming in ponds, use of wooden gates in field channels etc are currently being tested, evaluated and promoted through SHGs. More details regarding this SHG-technology interface are discussed in the next section. The project has been seriously planning and implementing a series of initiatives to ensure sustainability and scaling up keeping in view the end of project funding by March 2004. These initiatives need a broader discussion in relation to similar project initiatives in the country. These are discussed in the next section.

volunteers at the rate of Rs.500 per credit linked SHGs with a maximum of Rs.5000 per club for 10 SHGs. An incentive of Rs.200 per credit linked SHGs would also be provided to facilitate monitoring of the work.

3. Analysis

3.1 The Indian context

SHG and Micro-finance initiatives are at least two decades old in India. Substantial work has been done to develop and experiment with different concepts and approaches to deliver financial services to the poor, thanks mainly to the initiatives of the NGOs in various parts of the country (NABARD, 1999). The relevance of the micro-finance programme was greatly enhanced for all the partners through the core strategy of SHG-Bank linkage programme promoted by NABARD. A modest pilot project linking around 500 SHGs with half a dozen banks across the country started in 1992, had as of 31 March 2003 involved over 31,000 rural outlets of more than 500 banks with a loan portfolio of more than Rs. 2,000 crore (NABARD, 2003). Besides this programme, a number of NGOs started experimenting with various initiatives networking with NGOs, and providing financing through SHG federations and co-operatives. In the recent past, efforts have also been made by some entrepreneurs and institutions to start Non-Banking Financial Companies (NBFCs) for providing micro-finance services to the poor.

Micro-finance institutions are "those which provide thrift, credit and other financial services and products of very small amounts, mainly to the poor in rural, semi-urban or urban areas for enabling them to raise their income level and improve living standards". Institutions like NGOs, federation of SHGs, Mutually Aided Co-operative Societies (MACS), state and national co-operatives and NBFCs which provide specified financial services targeted to the poor, may be classified as micro-finance institutions. Banks which provide micro-finance along with their other usual banking services are termed as micro-finance service providers (NABARD, 1999). Apart from these, several state governments through its various programmes (poverty alleviation, employment generation) and agencies (such as Rashtriya Mahila Kosh, District Rural Development Agencies, Panchayat Raj Institutions) are promoting formation of SHGs and providing revolving funds. However, considerable disparity exists among states with respect to presence of bank linked SHGs. About 65% of the bank linked SHGs are present in the four southern states with Andhra Pradesh alone accounting for 55% of the total bank linked SHGs (Das, 2004).

India is fast emerging as one of the largest micro-finance markets in the world, especially with the growth of women's saving and credit groups (SHGs) which are set to reach 17 million women by 2008 at the latest (Fisher and Sriram 2002). According to NABARD, loanable funds by 2008 may be in the range of Rs.2,000 crore at current prices, which may be provided by banks and Development Financial Institutions while funds for capacity building of NGOs, SHG federations and SHGs will have to be provided by external agencies as social cost. The fund requirement for capacity building of personnel of NGOs, micro-finance institutions and micro-finance providers upto 2008 are estimated to be about Rs.300 crore (NABARD, 1999).

Many of the organisations that promote SHGs in India are looking for more effective and cost-efficient way to do so, and potential solutions are beginning to emerge from the experimentation by BASIX, PRADAN and others (Kanitkar, 2002). Therefore models for SHG formation and rural micro-finance developed under this project have to be viewed under this broader Indian context. The project has experimented with several unconventional and innovative approaches in forming SHGs and developing systems for micro-finance provision and other services to SHG members on a revenue generation model. While it may be too early to judge the final outcome of

this project, the on-going process provides several lessons to the current search for cost effective and sustainable models for expanding micro-finance in India.

Box 1 provides some of the key features of this project in comparison to similar initiatives elsewhere. SHG movements have been expanding in the country during the last one decade as part of several poverty alleviation and empowerment programmes of the government and NGOs. Spread of these SHGs have been more skewed to the southern states. The states of Bihar and UP have very few SHGs and the project locations/districts (Patna and Maharajganj) do not have any kind of prior experience with SHGs earlier.

Box 1: Special features of the project

Poverty focus

- *Poverty targeting*- a clear poverty focus to target the poorest of the poor and the very poor
- *SHGs of men*- SHGs in India generally has a feminine connotation- About 95% of the SHGs formed in India so far are of women and people generally take SHGs as a saving and credit groups of women. However in this project the target has been the poor and the project never specifically targeted for inclusion of women. However, out of the 435 SHG groups formed by end of 2003, 293 SHGs are of men (67%). The rest of the 142 SHGs of women currently comprises 1331 women members.
- *Savings based on capacity*- The groups are free to decide amount of weekly savings, rates of interest and utilisation of savings
- *Relatively longer period of internal savings and lending from their own savings*- This has helped the groups to mature and appreciate the importance of savings and lending. Groups of the very poor often need time to mature and linking them to large amounts of credit at very early stages often adversely affect the sustainability of SHGs and interests of the poor.
- *Activities and enterprises to be identified by the members or the group*- The project refrained from prescribing income generating activities but provided an enabling environment to choose options based on joint analysis

Volunteers

- *Use of village volunteers*- Village volunteers to form and sustain groups in the villages
- *Limited financial incentive to volunteers* – This assistance is for a limited period (12 months) and based on the number of groups formed and facilitated
- *Compulsory meeting of the group every week*- Atleast one meeting of the group every week to discuss matters concerning the group members in general and SHG savings in particular was given more importance and this was monitored very closely
- *From volunteers to service providers*- Volunteer groups motivated and facilitated to evolve as NGOs providing wide range of services (credit, inputs etc) on a revenue generating model

Approach and Philosophy

- *Conscious search for models to attain sustainability and eliminate donor dependence*- The project since its inception has been conscious of the need to develop self sustaining business model (or a revenue generation model) to continue and expand these activities with no donor support
- *Experimentation and learning*- A culture of experimentation and reflective learning to evaluate and identify new strategies- Evolution of volunteer groups as SLPS and formation of another NGO of professionals, namely the Centre for Promoting Sustainable Livelihoods (CPSL) to provide professional support to SLPSs are all institutional innovations that emerged from the project
- *Strong links to scientific expertise on agriculture*- As the SHGs are formed as a part of a wider agricultural intervention steered by an agricultural R&D organisation, this improved better interface and communication of the poor with scientists

Some of these important features are discussed in detail below.

3.2 Poverty focus

How far the formation of SHGs is targeted at the poor or the poorest in the society? Can the SHGs really help the poor in reducing their vulnerability? Has the over-dependence on consumption loans (by the poor) affecting the developmental goals of micro-finance? These kinds of questions continue to bother practitioners of micro-finance. Available literature on this theme reveals that micro-finance generally does not reach the poorest of the poor and the poorer people whom it does reach benefit less from micro-finance than those who are better off. (Clar de Jesus, 1997; Humee and Mosley, 1996; Wright, 2000 quoted in Harper *et al*, 2002). In the SHG system, bankers and NGO staff who promote SHGs are most likely to accept their numbers without questions and many SHGs are formed from pre-existing groups (Harper,*et al*, 1998) and neither NGO workers nor bankers are likely to demand that certain members leave because they are not poor enough, or that others are admitted on the basis of their poverty.

However, some of the SHGs promoted as part of poverty alleviation programmes, such as the World Bank funded District Poverty Initiative Programme (DPIP) target the poor. In Andhra Pradesh, the project used a three-fold system of targeting the poor, namely, *geographic targeting* (selection of poorest districts, and within these the poorest mandals), *group targeting* (through formation of group-based activities for the poor) and *self targeting* (through a focus on small, technologically manageable investments that are attractive primarily to the poor organising themselves into common interest groups).

SHGs often do not include the poorest of the poor. Adolph (2003) has given the following reasons for this exclusion:

a. *Social factors* (the poorest are often those who are socially marginalised because of caste affiliation and those who are most sceptical of the potential benefits of collective action).
b. *Economic factors* (the poorest often do not have the financial resources to contribute to the savings and pay membership fees; they are often the ones who migrate during the lean season, thus making group membership difficult)
c. *Intrinsic biases of the implementing organisations* (as the poorest of the poor are the most difficult to reach and motivate, implementing agencies tend to leave them out, preferring to focus on the next wealth category)

Efforts are made to overcome this bias, e.g. through participatory wealth ranking at the community level or by using indices to identify the poorest. But mere inclusion of the poor alone need not ensure that the poor are benefited. The logframe of the current project clearly reveals the poverty focus. The two selected states, Bihar and Uttar Pradesh have high concentration of people living below the poverty line (BPL). In 1999-2000, the percentage of BPL population in Bihar was 42.6 %. In Uttar Pradesh the corresponding figure is 31.2 %. These are above the national figure of 26.1%. In terms of the Human Development Index worked out for the 15 states in 2001 (for which data is available) by the Planning Commission, Bihar is rated as the 15th and UP as the 13th. (GoI, 2003). To target the poor within the project locations, the project adopted the following strategies.

3.3 Processes used for identifying the poor

The project team and the volunteers sat with the villagers in each hamlet and classified the households in each of the village into five categories, namely very poor, poor, self sufficient, surplus and wealthy. The community identified families with the following characteristics to

define poverty: long sickness, alcohol abuser, unable to earn, begging, widow, aged without care, landless, irregular employment, lacking capital, illiterate, lazy, lacking social support and opportunities, and dependent on son. Another finding that emerged through these interactions was that, about 80% of the socially disadvantaged people (those groups that have traditionally been subjected to exclusion in one form or other and in Bihar and Uttar Pradesh this include the Scheduled Castes) are poor whereas only a third of the population in other communities are poor. The volunteers started forming groups with the very poor and the poor (grouped as poor under this project) identified by the community.

Indicators of poverty focus

By December 2003, 42 percent of the total households identified as poor in the 77 villages are members of the SHG. Among the socially disadvantaged households, 37 percent of them are members of SHG (Table 1).

Table 1: Indicators of poverty

Sl No		Regions			Total
		RP-5 Command (Patna)	Maharajganj (UP)	New clusters (Patna)	
1	Number of villages	25	7	35	77
2	Total number of Households	4305	1800	7400	13505
3	Total number of poor households	1626	601	4300	6527
4	Poor Households as members in SHG	932 **(57)**	260 **(43)**	1536 **(36)**	2728 **(42)**
5	Total number of socially dis-advantaged households	1825	607	4800	7232
6	Socially disadvantaged households as members in SHG	800 **(43)**	196 **(32)**	1703 **(35)**	2699 **(37)**

Source: Cirrus (2003)

The saving and borrowing behaviour of the groups given below clearly reveals the extent of deprivation of the SHGs members.

- Analysis of the loan amount taken by 4000 group members revealed that about one third of these loans are less than Rs.100 and 80% of the loan amount was less than Rs.200.
- The purpose of loan in the initial years year has been more towards meeting expenditure related to treatment/medicine, food, marriage, funeral etc. There were 61 cases where the women borrowed money to meet expenditure related to delivery.
- The members' ability to save has been limited. It ranges from Rs.0.5 to Rs. 4 per week.. This is substantially low in comparison to many other places such as Andhra Pradesh, where the average saving by women SHG members is Rs. 35/- per month (MAS, 2003). The minimum saving under APRLP is Rs.10/- per month.

Why the process is attractive to the poor?

The poor found the SHGs attractive due to the following features:

- The SHGs were formed by volunteers from their own village/nearby village and they are more accessible and they can always interact with them with ease.

- There has not been any pressure from the project staff or volunteers on the minimum amount to be saved. The groups were given freedom to decide the level of savings to be met based on their capacity
- The project didn't prevent the poor from using their savings for meeting consumption requirements. The SHGs made borrowing money easy for the poor (in comparison with the informal system, usually the moneylenders) and that too at lower interests. This helped them to meet many of their pressing consumption requirements.
- SHGs also provided access to the poor to invest in agriculture and small business. In agriculture, the poor used the loans to buy inputs (seed, fertiliser, pesticide etc) and for leasing land/pond.
- Access to finances enabled purchase and application of inputs at the right time. Over a period of time, the lion share of the loan has shifted to agriculture, treatment/medicine, social purpose and business.
- The poor have also started experiencing a feeling of togetherness within the community, a feeling of ownership with the group and these goodwill factors have also added to the continuity of the group.

As credit needs of the poor are determined in a complex socio-economic milieu, where the dividing line between credit for consumption and productive purposes is rather blurred, it is difficult to adopt the traditional banking approach to lending and insist that loans are not used for consumption (Adolph, 2003). For instance, if the poor used loans from SHGs for treatment or buying medicine, it reduces the number of days where he is unable to work. In this case, the consumption loan is as good as creating few more days of employment. Similarly the poor used to sell whatever assets (implements, cattle or utensils etc) they have to meet immediate demands for cash. Easy access to cash through SHGs has been found to help the poor in retaining these assets.

3.4 Costs and Sustainability

Costs involved in forming and sustaining SHGs is difficult to compare across locations and agencies that work in this field. According to the task force on Supportive Policy and Regulatory Framework for Micro-Finance (1999) the cost of promotion and nurturing of groups has been reported by various NGOs, Micro-finance institutions and Micro-finance providers to range widely from as low as Rs.300[3]/- for a group to over Rs.5000/- per group depending upon the type of client base, the number of groups already formed in an area and the promoting agency. While the initial costs may seem to be rather heavy, these do generally come down substantially over a period. The cost of capacity building requirement for the personnel of NGOs, micro-finance institutions and micro-finance providers are estimated to be around Rs.300 crore over the next decade (NABARD, 1999).

Let us now take a look at the costs involved in forming and nurturing groups. The costs would ideally include:

- The cost of professionals time involved in this activity
- Costs involved for paying salary/honorarium to volunteers/animators
- The overheads related to the organisation (NGO, micro-finance institution/provider) for promotion of SHGs

[3] Forming and sustaining groups at Rs. 300 seems to be a gross underestimation. How these figures are arrived at is not mentioned in the report.

- Costs incurred for travel, data base management and stationary (including records and cash box)
- Costs involved in capacity building of the staff and volunteers, animators, SHG members, etc

Quite often only the operational costs related to forming groups are only compared as it is difficult to calculate the cost of time of professionals of the organisation promoting these initiatives. For instance, a professional working with an NGO apart from guiding, promoting and evaluating the SHG initiatives might be doing several other developmental activities in the same location. Similar is the case with financial institutions, NABARD and government departments such as DRDA. The cost of organising capacity development programmes for SHG promotion by NABARD only include the operational costs for the training programmes (ie, refreshments, stationary, travel, and cost of hiring faculty if any) and exclude all other costs related to staff time and overheads. Costs also vary considerably from context to context. Geographic location in terms of the extent to which the locations are far or near from site office, literacy levels, prior good or bad experience with respect to SHG formation in the region, all affects costs considerably as many of these factors decide how long and intensive the support has to be continued.

Since inception, the current project has been conscious about these costs and has been looking for strategies to reduce the costs of forming and sustaining SHGs. The project has developed a mechanism for forming and nurturing SHGs in Rs.1000-3000 per group (provided 100 groups taken as a unit), depending on the location of the groups from the project site. This include the costs of honorarium for the volunteer, stationary costs, and costs related to account maintenance. It would be ideal at this stage to compare these costs with similar initiatives of other agencies. Table 2 provide an illustration of the costs derived from investments earmarked by NABARD for forming and nurturing SHGs. NABARD continued its strategy to involve both formal and informal agencies in large numbers to enable them to take up promotion, nurturing to enable them to take up promotion, nurturing, and linkages to SHGs. These initiatives are currently funded through the Micro Finance Development Fund set up by NABARD in the year 2000-01. The following support was earmarked for supporting partners during the year.

Rashtriya Mahila Kosh (RMK) set up under the auspices of the Department of Women and Child Development, Government of India has been partnering with about 700 NGOs in the country for the promotion of micro-finance to poor women. Under the scheme of SHG development, financial assistance by way of interest-free loan convertible into grant on the fulfilment of specific conditions is given to the NGOs for formation, development and stabilisation of SHGs. The amount of assistance provided is Rs.4300/- for one SHG or Rs.1 Lakh for 25 SHGs during the first year. Conversion into grant is contingent on the SHG/NGO applying for substantive loans under the Loan Promotion Scheme. Under this scheme, the NGOs and other organisations are given loans at 8% per annum and they can charge an interest maximum upto 12% from the borrowers directly financed by the NGOs or from the SHGs. In addition to this RMK organises a number of workshops, meeting and training programmes for NGOs and partner organisations.

Table 2: Average costs for nurturing and promoting SHGs

Type of organisations nurturing and promoting SHGs	Kind of assistance	Amount sanctioned 2000-01	Coverage	Average cost per SHG*
NGOs	Grant assistance for meeting the additional costs of promoting and nurturing new SHGs, stationary and other infrastructure support to SHGs, limited staff or mobility support and sharing administrative expenses incurred	Rs.67 Million	54000 SHGs (364 NGOs)	Rs.1240.74
RRBs through their own staff		Rs.13.5 Million	18000 SHGs (52 RRBs)	Rs.750.00
Farmers Clubs		Rs.6 Million	5650 SHGs (565 VVV Clubs)	Rs.1061.9
Individual volunteers	Support to voluntary initiatives of socially committed rural individuals in organising the rural poor into SHGs	Rs.1.7 Million	1250 SHGs (125 individual rural volunteers)	Rs.1360.00

*These costs exclude the cost of professional time and overhead costs of organisations
Source: NABARD and Micro-Finance 2001-2002; 10 years of SHG Bank Linkage (1992-2002)

Tamil Nadu Womens Development Project (implemented by the Tamil Nadu Corporation for Development of Women) utilised the services of reputed NGOs in the state to form SHGs of poor women, encouraging thrift and credit, a variety of training programmes for capacity development and providing access to institutional finance for income generating activities. The NGO support cost for 5-year intervention worked out under this project is given in Table 3.

Table 3: Assistance provided to NGOs for group formation under TNWDP

Description of support cost	For first group in a panchayat village (Rs)	For second group in a Panchayat village (Rs)	For third and subsequent groups in a panchayat village (Rs)	Cost worked out for 3 groups in a panchayat village (Rs)
Group formation	700	520	350	1570
Monitoring (total for 4 years)	4,400	3,300	2,200	9900
Establishing sustainable people's organisation	1320	1000	660	2980
Establishing credit linkages through financial institutions	135	135	135	405
Costs per group based on forming 15 groups covering 5 panchayat village (3 groups/panchayat)	**Rs.4952/-**			

In addition to the above the project provided for cost of training animators, representatives, cluster level representatives, SHG members and exchange/study visit. The project envisaged a

continued support to the groups for 5 years. Under APRLP, the village livelihood worker selected from the community receives Rs.500 per month for nurturing and supporting all the SHGs in the village. This honorarium is paid from the funds of Village Organisation, which is a federation of all SHGs in the village (APRLP, 2002).

Under the current project there has not been any separate allocation for training and capacity development. The experience of the project has been that the meeting of Cirrus staff once in a week with the volunteers is enough and there is no need for a separate training on SHG matters. Honorarium for the volunteers at the rate of Rs.100 per month per group was provided only for 12 months and the project expected the volunteers to make their service available to the groups on a payment basis. The project also facilitated the volunteers to evolve themselves as service providers and earn revenue. In other words, the project is experimenting with a model that can sustain the expansion and growth of SHGs on a self-sustaining basis.

Cirrus staff has developed a mechanism for forming the groups at a unit cost of Rs.1000-3000 per group depending on the location of the project site. They have developed a 3-tier structure, namely the SHGs, the NGO of volunteers and a central consultancy firm providing professional management services to the NGO groups on a cost basis (Choudhary, 2003). The details are given in the next section.

3.5 Use of Volunteers

Identification of village volunteers to promote and nurture SHGs has been a common feature in many projects. For instance, DRDAs in Andhra Pradesh has been using animators (women selected from the village) to promote women SHGs. PRADAN experimented with Community based group promoters (CBGPs) in Lohardaga during 1999-2000. This initiative was conceived and implemented as an alternative strategy for promoting more SHGs in a wide geographical area, in the hope that more SHGs could be formed in less time. But due to several operational difficulties, PRADAN discontinued the scheme halfway through. PRADAN feels that the CBPGs could have been more effective had they received further training and inputs beyond informal discussion and monitoring, and if PRADAN professionals had sometime accompanied them to group meetings (Box 2).

One of the conclusions drawn by PRADAN from the experience of the CBPGs is that the local volunteers cannot easily take on the promotional role of an NGO, which is so often essential for the emergence of well functioning groups. The promotional role requires more professional inputs, which are likely to demand higher educational and skill levels.

Box 2: Community Based Group Promoters-Experience of PRADAN

A group of 5 women and 3 men where informally selected. These were selected on the basis of their involvement for atleast one or two years, in a successful SHG. They were supposed to have both accounting and organising skills and to be conversant with group dynamics, All of them were from the local community and had an educational background varying from class VI to X. To start the initiative, PRADAN conducted a one-day training event for these promoters. In the meeting, through participative methodologies, potential areas for forming new SHGs were identified and geographical boundaries set. Generally it was expected that a promoter would work in villages or hamlets 3-4 kms from his/her place, a distance that could be covered on foot or bicycle. It was expected that each promoter would be able to form and nurture about 5-7 SHGs in an year. CBGPs were paid a honorarium of Rs.200/- for formation of group (within the first 3 months) and Rs.250 for achieving performance targets (within the sixth month) and Rs. 500/- on meeting the first year targets related to performance.

In the first six months, the performance of the promoters was very positive. As they were from the same community they could build rapport very easily. However, difficulties arose, especially after the first six months. The promoters didn't have the necessary facilitation and capacity building skills. For instance, the promoters would correct an accounting mistake at a meeting themselves rather than explaining the mistake to the accountant and making him to correct the same. The promoters also found it difficult to handle the more complex tasks of higher order transactions like the distribution of dividends. Some of the promoters also went about their work in a more restrictive manner, for example, focussing on collecting savings and lending, rather than being able to see the bigger picture of an SHG, its needs, its ability to empower and so on. PRADAN sometime had to follow up later with the group when the promoter does not have the sufficient skills to deal with particular situations. Some promoters also could not understand the logic of honorarium being linked with the performance indicators. For instance, one of them though that though the group was formed nine months ago, she was compensated for six months work only.
Source: Kanitkar (2002)

The current project has been exclusively dependent on the volunteers to form groups. The regular weekly meeting of the project staff with the village volunteers was found effective in providing the much needed back-up support to these volunteers to form and nurture groups. Except for the higher level accounting and computer literacy skills necessary for data base maintenance, all the other services were provided to the SHGs by the volunteers. In this case the project has developed a three-tier mechanism to provide continued support to SHGs on a revenue generation model. This is illustrated below.

The services are provided under this model on cost basis and the project team is confident of generating enough revenue to sustain and grow based on service charges generated through service provision and micro-finance operations (SHG formation, capacity development and re-lending from micro-finance institutions such as SIDBI, RMK and NABARD). Available evidence indicates the viability of such a model and one of the major contributions of this project is the experimentation of such a model of SHG formation and micro-finance. The lessons from these initiatives would be of interest to many of the national and international organisations involved in micro-finance and rural development.

CENTRE FOR PROMOTING SUSTAINABLE LIVELIHOODS(CPSL)

(NGO of professionals to support SLPSs in data-base management, micro-finance and providing technical backstopping on enterprises, technologies and markets)

↓ ↑

SUSTAINABLE LIVELIHOOD PROMOTION SOCIETY(SLPS)

NGO of village volunteers to support SHGs with micro-finance, accounting services, input services, linkage with outside agencies to access finance, technologies and markets

↓ ↑

Self-Help Groups

Organisations of the poor with a membership of 10-20 primarily involved in regular savings and lending for consumption and investment purposes.

3.6 From Volunteers to service providers

The volunteers who are in most cases the relatively better-educated youth in the village are not finding enough employment in the region. They have a lot of spare time and they found the opportunity to work in the village to promote SHGs interesting. The social reward (of being recognised and doing service to the community) far outweighed the initial financial rewards (limited honorarium paid for forming and supervising groups) offered by the project. They were also aware from the very beginning that this honorarium would be ending within 12 months. When they started attending the meeting of SHGs, two aspects became very clear. Firstly the limited savings they make every week is not enough to meet the larger credit needs of the members and that there is a great demand for credit within the community. Secondly, the analysis of the lending pattern revealed the type of activities for which the members take loan and thereby the potential of providing services to meet those needs within the village itself.

The increasing confidence and trust shown by the SHG members and the valuable contacts with outside world provided by the project made the volunteers to deliberate among themselves to come together and form an NGO to provide the above two services on a commercial basis. Initially with their own savings from the honoraria and supported (on loan) by a revolving fund arranged by the Project, one group of volunteers started lending credit to SHGs for on-ward lending to members. This boosted the available funds for lending and offered the volunteers their first business-cum-service opportunity. To provide similar services on a sustainable and professional mode, on of the volunteer group registered themselves as an NGO, the Sustainable Livelihood Promotion Society (SLPS).

When the project stopped the honorarium after 12 months, the SHGs realised the need for getting continued services for maintaining registers and accounts. Most of the groups are willing to make

a small payment to the volunteers and this is yet another source of revenue for the volunteers. A few of the volunteers also realised the increasing demand for seeds and plant protection chemicals required by those involved in farming. The farmers have been individually going to the main market at Patna or neighbouring block towns to buy small quantities of these inputs and often the traders cheat them by selling adulterated products. The volunteers made a fair estimation of input requirement and contacted the wholesalers in Patna and brought quality seeds and plant protection chemicals and sold the same to farmers. During *khariff* 2003, one of the volunteer group sold seeds worth Rs.50,000. This new experience has further added to their confidence and they are planning more such initiatives.

Another group of volunteers assessed the demand for backyard poultry among the group in the village and brought chicks of "Divyan Red" (an improved breed of chick which could be profitably grown in the backyard for egg and meat) from Ramkrishna Mission, Ranchi for further distribution among the members. Very few of these chicks could survive the extreme cold during the period (Jan 04) and many were not having the knowledge or facility to protect the chicks. This has revealed the importance of "knowledge" as a most important input while initiating a new enterprise. The group is keen on getting a training on poultry production and is planning to bring one more set of chicks to initiate this enterprise.

3.7 SHG Technology Interface

Formation of SHGs became an important strategy for these two projects (R7830 and R7839) dealing with agricultural technology (related to land, soil and water) as this would facilitate articulation of technological demands and participatory technology adaptation and testing. Agricultural research organisations in India in general and ICAR institutes in particular have a long tradition of working directly with farmers through a number of "transfer of technology" programmes. The emphasis has been on evaluating, refining and transferring its technologies in a few selected villages around its location. Only those with land and are willing to share some of the costs are selected for this activity. The poor seldom get an opportunity to be part of this activity as there has not been an explicit focus on the poor and they normally do not have finances to share some of the costs involved.

These two projects provided an opportunity for scientists (and many others) to work directly with the groups of the poor, understand their concerns, perspectives and views on technical support and respond to them. However these opportunities were not optimally used till the middle of the project. The two major activities, namely SHG formation and technology development, adaptation and testing were handled by two different organisations, namely the Cirrus and IRCER respectively. There has not been any meaningful interaction and to some extent the relationship in the initial years could be termed as slightly hostile. It is quite natural that both parties were slightly sceptical about the other's contribution, as this has been the first partnership between the two. Initial concerns revolved around the following issues:

- Is promoting agricultural technology interventions among the poor who are mostly landless an ideal strategy to meet project objectives?
- Whether working with SHGs of the poor is the appropriate approach and whether it would be better to work with those having land to facilitate technology testing and adaptation?

- What special contributions a firm specialised in livelihood and governance (CIRRUS in this case) can bring to an agricultural technology project and is formation of groups an activity the transfer of technology division within the organisation could do?
- Would adoption of agricultural technology by the poor improve their livelihoods?
- Would the poor SHG members listen to details on technology use disseminated to them, when they are not in a position to use these?

There has been a lack of a common understanding on how the different project interventions/activities contribute to achievement of the wider goals of the project. While IRCER was eager to "disseminate" or "broadcast technologies through appropriate communication strategy" to the SHGs, the Cirrus was seeing the need to create a "ferment" within communities in order to exert meaningful demands on the scientists. Though more clarity regarding the role of SHGs exists at present, the project to some extent suffered from lack of a shared understanding within the team in the beginning.

Since September 2002, there has been a series of interactions between the Cirrus staff, scientists and SHGs. The SHGs in Patna by then had become more mature and the interactions have been very productive. Scientists began to appreciate the importance of the SHGs when they started actively interacting with these groups in the field. Interaction with the poor provided opportunity for scientists to understand the limitations of some of their recommendations, examine possibilities to look at new opportunities that are emerging, and assisting the poor with new technological options Several technologies such as early raising of nursery, zero-tillage, scientific fish farming in ponds, use of wooden gates in field channels etc are currently being tested, evaluated and promoted through SHGs. Similarly, the Cirrus team has also started fully appreciating the technical knowledge that scientists could potentially bring to solving the problems of the poor.

Many scientists had earlier serious doubts regarding the utility of organising the landless and the poor as SHGs in this project as the land and water management technologies developed and promoted so far are relatively capital intensive and so not very relevant for the poor. But over the years, there has been a realisation among all that even landless poor do engage (and can potentially engage if assisted by way of credit at reasonable rates of interest) in agriculture (eg: leasing land or ponds) and related services and that there could be several opportunities to support them technically when they are organised into groups.

Access to credit has enabled investment in agriculture. By December 2003, 11 women have taken nearly 10 acres of land either on lease or on share basis when loan was available for them as a leasing amount or as capital for purchasing inputs. The volunteers have been contacting IRCER frequently for information. One important conclusion emerging from the analysis is that the project provided access to the poor to credit at reasonable rates of interest primarily from their own savings and a forum/platform for joint analysis and collective decision making. This enabled the poor to take more interest and involvement in agriculture and pro-actively seek technical knowledge.

During interaction with scientists, most of the questions or clarifications sought by the SHG members have been on the following aspects, namely varieties of high value rice, improved potato varieties and better livestock management practices. Farmers demanded solutions for the long-pending problems such as water-logging, field to field irrigation, lack of timely provision of

canal water etc. While several technologies developed and promoted by IRCER to manage these problems are reported to show remarkable field level success in the IVLP[4] villages, it is quite surprising to note that these are not adopted by the poor farmers belonging to the SHGs. Is provision of incentives under IVLP contribute to this difference? If so, are these technologies then dependent on provision of incentives and in that case how far these could be potentially scaled-up and at what cost? Or does adoption of these technologies need more capital which the poor can't afford? Can the SHGs provide for or share these costs? Or whether we really need different kind of technological solutions to assist the poor? What are the lessons this project inform us on development of better technologies to assist the poor? We may perhaps need a more facilitative, less prescriptive approach to technology development and promotion. These are some of the issues that need further analysis and more deliberations among all.

The project has provided a "window of opportunity" for researchers to engage with the rural poor and learn how their scientific and technical skills could be used to assist the poor. This learning is expected to feed into the development of similar projects (focussing on developing and adapting new technologies) in the coming years. Similarly for the Cirrus team this project provided an opportunity to directly link the SHGs and micro-finance activity to an important source of agricultural technology, the IRCER.. The project has thus been a learning opportunity for everyone involved. However, the importance of partnership-the need for close working relationship between research and non-research organisations- as a key technology management strategy has not yet been fully appreciated.

3.8 Self Help Groups and Extension

The SHGs under this project have now started using the loans for investing in agriculture and allied enterprises. The database on lending indicates this trend. This has led to an increase in demand for information and training. The weekly meeting of the SHGs and the formation of volunteer groups as SLPSs has started to create some kind of an environment where discussions on technological aspects have become acceptable. The seed group is actively seeking information on different varieties of seeds and their special characteristics. They have started realising the importance of providing information along with input to gain credibility and boost sales. One of the SHG has registered with ATMA, Patna to receive services such as delivery of quality inputs and extension services such as training, exposure visits etc. SLPSs have been actively searching for information and inputs on poultry as seen from the experience of the poultry group. They have invested their own money for travelling to Ranchi to get the chicks and understand aspects related to upkeep and maintenance of chicks. At Mahrarajganj, the meeting of the volunteers have agreed to sponsor the costs of two their members' visit to Patna to learn about SLPSs and other interventions.

These experiences tell that the poor SHG members are keen and are motivated to even pay for the services, provided appropriate institutional arrangements are established within their own community to access other kinds of support. They are basically looking for facilitative mechanisms to learn and this is counter to the practice of "transfer of technology" approaches or broadcasting new technologies. SHGs seems to provide one such forum and if supported by a decentralised network of skilled field agents, the community would be more than willing to

[4] Institute Village Linkage Programme (IVLP) is a project funded by ICAR for assessing and refining technologies developed by the institutes in farmers; fields. The project supplies inputs for these trials and it is implemented in 2-4 selected villages near to the institute.

accept new ideas. One of the strategy being discussed currently within the SLPS is for establishing some kind of specialisation by the volunteers so that nodes of expertise develop over a period of time within the community and a business of supplying inputs and information evolve around this.

Extension through farmer groups is not a new approach in India. With the end of the Training and Visit (T&V) System of extension in the early nineties, many state governments tried to promote extension through groups. A wide variety of groups have been formed to facilitate extension. This include, the commodity groups (group farming in Kerala, farmer interest groups promoted by ATMA) to general purpose farmer groups (*Rythu Mitra Sangha* in AP, *Kisan Mandals* in Rajasthan). To assist women involved in agriculture, women SHGs are also formed by the Department of Agriculture in several states. But the performance of all these initiatives have been dependent on a dilapidated government extension machinery, which can't see its role beyond technology dissemination. The performance has been mixed.

ATMA, Patna has been found organising a number of training programmes especially on medicinal and aromatic plants and mushrooms. Unfortunately these activities are not yet known to the SHGs formed under the project, even though the ATMA has established farmer advisory committees comprising farmer representatives upto the block level in Patna District. The Project Director, ATMA has expressed his willingness to organise any kind of training programme for the benefit of the SHGs if the participants could come together as farmer interest groups (FIGs) around a commodity or enterprise. Some of the SHGs in Patna are currently matured enough to form FIGs. Some of them may need more time to attain this stage. However, to interface with ATMA or any other agency and to access information and services, the poor need a kind of a "bridging organisation". SLPSs could potentially play this role provided they receive continued advice on how to go forward. The CPSL, the NGO of professionals need to think about how to support the SLPSs in this endeavour.

3.9 Areas for attention:

It is very difficult to foresee in advance the methodologies for projects of this nature, which deals with some kind of social re-engineering. The problem is not the assumptions in the log frame, but mainly relates to our own assumptions in relation to the subject (in this case the livelihoods of the poor) and the associated institutional arrangement the project has to deal with. The current project activities in relation to formation and nurturing of SHGs and linking SHGs to external credit, technologies and inputs have been experimental and evolving. Fortunately there has been regular internal reflections within the project team and detailed discussions every time a new opportunity or a constraint emerged. The field team of Cirrus feels highly obliged to John and Ashok for allowing them the freedom to experiment and take risks. But to me it seems that both of them never had a choice, as this is the only way forward if one wants to succeed, learn and generate new knowledge.

The bigger task at the moment seems to be on how to take forward the existing groups and retain and further expand the bigger network of relationships that the project developed so far into something more durable. The project has established 447 SHGs in Patna and 86 SHGs in Maharajganj, of which about 488 SHGs continues to exist by March 2004. In this process, the project has reached approximately 4800 households during this period. While SHG formation started in May 2001 in Patna, this was initiated in Maharajganj only in August-September 2002. SHGs in Patna are thus relatively more mature than those in Maharajganj. However, in both

cases, the SHGs need continued professional support (a bridging or brokering role) to expand its activities. This include assistance to:

a. identify sources of reliable information and services and
b. access services related to research, training, business development, market development and financial support.

The project need to think about opportunities to provide this professional support for atleast an year (from now onwards) so that these groups mature enough to stand on their own and could pay for these kind of services. The activities initiated by the volunteer groups (financing SHGs, seed and input business, backyard poultry) clearly reveal the potential that could be realised by the SHGs of the poor, when professional support could be provided. The groups have currently started articulating their extension and training needs and this approach seems to be the starting point for the development of a demand led extension service. It would be ideal to think at this stage about a plan of action on best possible ways to use the SHGs as a mechanism to test, adapt and promote technologies, during the rest of the project period. This may require more intensive visits, interaction and follow-up by the project team.

Organisations such as the SIDBI and RGVN have already expressed interest to link these groups with their micro-finance activity. CPSL has already started negotiations with these organisations and this process is expected to show results in the next 6-9 months. The performance of SLPSs are going to be increasingly critical in the coming months not only for the SHGs, but for the project also. The way they evolve and grow will eventually inform the project how far the whole exercise of creating community organisations has been sustainable and scalable. SLPSs need continued professional support. They need guidance on how to act as a bridging organisation that can access (and also fund for) knowledge, skills and services from a wide range of organisations to meet the needs of SHG members and wider community. It would be useful to support CPSL in performing this very important role in the next six months. Unfortunately these two states Bihar and Uttar Pradesh do not have state policies and programmes that ensure continued technical support to SHGs.

As mentioned earlier, lack of a shared understanding on the contribution and dependence of each project interventions to the wider goals of the project, affected meaningful dialogue among partners in the initial phase. Wider consultations among staff within and between partner organisations since the concept stage of project development can be helpful in gaining a common understanding. It would be useful to keep this in mind while developing new collaborative project proposals.

The project has generated a number of informal reports on SHG formation, training and capacity development and analysis of lending patterns. These outputs are very important. However, it would have been more useful had the project generated more analytical institutional outputs from these experiences. With respect to the scientist-SHG interactions, the available documentation is very sketchy. There has been a lot of learning in this project (by the individuals and the organisations they belong to) and these have been documented and analysed separately. These kinds of “institutional histories” are emerging as one of the most important insights valued by donors and all those interested in improving the performance of agricultural research with respect to addressing poverty.

4. Emerging Lessons and Policy Implications

The projects R7830 and R7839 have been innovative in its approach on two basic aspects, *viz*, a. its explicit focus on the rural poor and identification of organisations of the rural poor as its operational strategy and b. its use of partnership between a public sector research organisation(s) and a firm specialised in rural livelihoods and governance. These two aspects are important in the current global context as agricultural research organisations are exploring new ways to reach/impact the poor and partnership between research and other private and civil society organisations emerges as a key management strategy in re-organising agricultural research.

The project attempted to develop a cost-effective model for promoting SHGs and to achieve this used the services of volunteers identified from the village. To eliminate the dependency on external funds to provide continued support to these groups, the project attempted to evolve a system that would finance these costs through a model of revenue generation. This has been an innovative experiment and the experiences would generally interest all those involved in micro-finance through SHGs. The three-tier structure of SHG-SLPS-CPSL created under this project seems to offer potential solutions for its sustainability and scaling up. The underlying philosophy is that the rural poor need a wide range of services including quick access to credit at reasonable terms. If groups of volunteers can provide quality services, namely group formation and nurturing, accounting services to SHGs, credit (re-financing) and inputs (even insurance and marketing) to the organisations of the rural poor (SHGs in this case) they can generate enough revenue to sustain themselves and pay for higher end services they require for improving their capacity. This is expected to free this sector from subsidies and handouts. The available evidence from the project so far indicates that this model is potentially sustainable. The process is still evolving and experiences coming from this process within the next 2 years would tell us a lot more on the prospects of the new approach to service and credit delivery evolved by the project.

Within a year through weekly interactions, the project team could enhance the capacity of the volunteers to a reasonably good extent. A few of the volunteers are now in a position to manage credit, accounting and service provision without any kind of external financial or technical support. This capacity development occurred without any kind of formal institutional training. (This point is made without any intention to lower the importance of institutional training, which is important in several situations.) The current project experience informs us that capacity could be developed among the village volunteers through regular weekly interactions between the project staff and groups of volunteers. These meetings facilitated cross learning from experiences of different volunteers along with structured exercises and presentations from the professionals of the project. This kind of an interaction facilitated reflection on experiences and collective learning. Another point that emerges is that capacity development is a continuous process. Perhaps this kind of an approach would be more successful than a 5-day training programmes conducted once in 6 months.

The interface between the poor (through SHGs) and sources of agricultural expertise has to be seen in the broader context of increasing calls for greater poverty impacts through agricultural research. While several agricultural research organisations have experience of working with farmers (mostly as part of demonstrating technologies and to some extent in testing and evaluating technologies), they have very limited experience of working with the poor and the landless. The current project inform us that the poor and the landless also engage in agriculture

and many more of them would take an active role in farming, if a mechanism for meeting their credit requirements are in place. What the poor need is a wider support system and not simply information on new technologies, which are "broadcasted" or "disseminated" through demonstrations or a wide range of media. The need to move beyond the linear research-extension-farmer paradigm of research and extension is more evident these days. Interactions with the poor have helped the scientists in realising the limitations of the recommended technologies to the poor. The poor often need a different technology package customised to his resource endowment. Some of them could be generated through re-processing the existing information and expertise available within the organisation based on a detailed understanding of the requirement of the poor and an analysis of the existing institutional arrangement in place. And this is possibly the only possible method to make technology development demand driven and participatory. We need to examine whether we have the willingness and capacity to perform this role.

All production problems in agriculture are not technological. Moreover, poor adoption of technology is not often because of lack of information, knowledge or skill. There are a number of examples around the world that reveals this. For instance, organising farmers into groups and improving their capacity to collectively procure inputs and share costs related to ploughing and transportation was found to reduce cost of cultivation, increase profits and encourage farmers to adopt new and profitable technologies. Similarly offering better buy-back enhances technology adoption indirectly as farmers find it profitable to produce more. A few of the SHG members told us that access to finance from the SHG savings helped them to buy fertiliser and seeds at the right time and this has helped them to achieve better yields. Similarly access to finance from the SHG gave confidence to a group to try fish farming in ponds. And the IRCER provided them the right type of contacts, information and supervision. Mere dissemination of these technologies would have made no impact to these rural poor who have limited access to capital. Similarly availability of quality seeds in small quantities from the volunteers helped the poor to try new varieties of rice and vegetables. Formation of the group facilitated those interested in poultry to access quality chicks from Ranchi, and share costs and risks.

All these tell us the importance of institutional innovations which are equally or more important than technical innovations if the income and confidence of rural poor has to increase. We could have achieved more rural prosperity and better distribution of benefits, if the agricultural research and extension organisations had made more serious interventions in generating similar institutional innovations. There is an increasing demand for these kinds of "process knowledge" on how to make things happen and this is gaining more or equal importance in comparison to generating one more improved variety. Agricultural research organisations need to think about how to generate these kinds of experiences, document, analyse and communicate these kinds of lessons.

This also has an important lesson for extension. The need to move beyond technology dissemination is clear. Experience of SHGs and SLPSs inform us on the need for a bridging organisation. Extension should be ideally playing this role of identifying the different sources of information, technology and other support services to meet the wider livelihood choices of the community and facilitating access to them. If the producers are organised into viable "economic organisations" they would pro-actively seek services and learning opportunities. Extension needs to promote information flow, sharing perspectives and facilitate learning among the different actors involved in broader rural development.

Partnerships between research and non-research partners, between all those involved in rural development, between actors with varying focus and capacity would have to be the key organising principle for better agricultural research practice and achieving lasting livelihood improvements. The kinds of interventions made by the project are not within the capacity of any single organisation. The project provided a learning platform for actors with different perspectives to share and contribute to a common objective. Though everyone admits that the experience has been rewarding, partners need to introspect how far they have utilised this opportunity. What more needs to be done to facilitate more active learning should be an important issue that needs consideration. What rules, conventions and norms of agricultural research need to change to facilitate better learning and performance? This project could be making a great contribution if it could deliberate on these issues and make a lasting contribution to the on-going debate on "Institutional Learning and Change" (ILAC) within the CGIAR.

The following broad set of action points emerges from this analysis.

1. Reducing the transaction costs of SHG formation and rural credit and service delivery is important for taking similar kinds of interventions to areas and populations still unreached by SHG movements. *Programmes and projects that experiment and learn from similar approaches therefore need high priority.*
2. Partnership between research and non-research organisations is important to bring together a wide range of skills and expertise and this is important to tackle not only land and water management problems, but a wide range of problems that need a system perspective. *Promoting partnerships in research should gain more attention*
3. Linking SHGs of the poor to sources of technical expertise would facilitate better technology generation and uptake. *Promoting and partnering with the SHGs of the poor and the landless should therefore be an important research strategy by the research organisations to achieve better poverty impacts.*
4. To facilitate access to technologies and other rural services, a bridging organisation is critical. *Extension organisations should play the bridging role and facilitate emergence of organisations that can play this role.*
5. Institutional innovations (new ways of doing things) are equally important as technical innovations. *Institutional innovations needs to be promoted, documented and analysed within the research organisations.*

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