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**Case Research Study on**  
**“THE ROLE OF SHG FEDERATION IN THE**  
**PROMOTION OF LIVELIHOODS AND THE**  
**COMMUNITY ENTERPRISES :**  
**A CASE OF MAHAKALASAM”**

**Done for Indian School of Livelihood Promotion**

Done by

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# **The Role of SHG Federation in the Promotion of Livelihoods and the Community Enterprises: A Case of Mahakalasangam**

Promotion of Community Enterprise through community owned women federation is the dream of many development organizations in Micro Finance sector. The logic is that, community enterprises enhance livelihoods of poor families on a large scale that would help them for generating employment to thousands of families and improving their quality of life as a whole. Within these two decades, lot of organizations is working with the objective of providing livelihood finance as well as marketing support to large-scale livelihood options. The present study examines such efforts done by CCD through building the skills of the local communities to fit locally available resources such as medicinal plant gathering.

## **1. INTRODUCTION**

### **1.1 Overview of the Intervention**

Initially when banks were reluctant to provide loans to SHGs, federations played the role of financial intermediation. After some time, the banks were willing to support SHGs not out of compulsion but because it made business sense. When this happened, the federations began to focus their attention on other areas like micro-enterprise promotion among its member SHGs. This case focuses on the role of Mahakalasangams (Federations) promoted by an NGO in Tamil Nadu called Covenant Center for Development (CCD).

Based at Madurai, CCD made a humble beginning about a decade back to rehabilitate the child labour in the villages located in the Madurai District. However, it soon found that the root underlying causes of child labour were lack of employment, lack of access to credit and shrinking livelihoods in the rural sector. As part of an affirmative action strategy to eradicate child labour, it started promoting SHGs among the rural poor women, who depend on farm-based activities for their livelihoods. Subsequently, SHGs become the focal point of CCD's development interventions at the village level. Gradually these SHGs were federated at the block level into Mahakalasangams.

Mahakalasangams primarily perform the role of developing and managing SHGs, resolving their conflicts and facilitating SHGs to get institutional finances from formal financial institutions. More recently, these federations have attempted to promote community-based enterprises along the lines of Amul, especially in the sectors like food processing, pharmaceuticals and energy through creative partnerships and innovative business strategies. The case study documents the entire intervention tracing the pathway from micro-finance to community-based enterprise for augmenting rural livelihoods.

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## 1.2 The Case Study Objectives, Methodology, Scope and Limitations

The case study is an attempt to understand the role of the community managed micro finance organizations and its role in promoting livelihoods using micro finance, as the entry and binding development intervention strategy. It captures the inter-institutional and market linkages among the stakeholders and the external community, and the impact of the micro finance program with respect to livelihoods promotion.

## 2. CONTEXT OF INTERVENTION

### 2.1 Program Locations

Covenant Center for Development (CCD) operates in seven districts of Tamilnadu. The location characteristics of each district are unique, the socio-economic conditions and cultural set up vary greatly, though these districts are located contiguously.

Case: 1 : Ramanathapuram district is the drought prone region where at least 60- 70 % of the people hold dry lands. However, the individual holdings are very marginal and greatly fragmented through division among the same family members. Due to the low level of rainfall (600mm per year) agriculture operations have been successful only once in three years as revealed by our analysis on the average crop success for the last 2-3 decades.

Case:2 : Suranam block is located in the Sivaganga district, where CCD promoted another Micro Finance Federation. Here, lots of families depend on palm trees as their source of livelihood. Palmera workers (extraction of 'kallu' from the palm tree) severely subject to occupation-related social stigma due to their nature of job. CCD introduced 'panankarkandu' processing to the palmera workers as an alternate yet palm tree based livelihood only to change this social stigma.

Case:3 : Virudhunagar district is located in the southeastern side of Tamilnadu, which has almost the same characteristics of Ramanathapuram district. It also has a vast stretch of the dry land belt and almost 80% of the families hold dry lands and their agriculture depends on the rainfall.

Case: 4 : Madurai & Dindigul districts, especially Alanganallur and Natham blocks have thick horticultural belt, hilly terrain and fertile soil. In these blocks, some areas have adequate wetlands where people grow sugarcane, paddy and such other cash crops. As far as land holding pattern is concerned, only a top 5-10% of the families hold 80% of the lands, while others were either landless or have marginal amount of dry lands, which is not adequate to make agriculture as the viable livelihood option. Madurai district receives about 800 mm annual rainfall. The Periyar-Vaigai canal supplies irrigation to part of the Madurai district.

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Case:-5: Recently CCD introduced its micro finance program in the areas of Kanyakumari and Nagapattinam districts after the destruction caused by Tsunami. Both the districts are coastal districts and almost 50-60% of the population depends on fisheries as their main livelihood activity.

CCD started organizing poor women, and introduced them a mechanism of savings and credit through formation of SHGs. Later, these SHGs had been named as 'Kalasams'. CCD's SHG program had been evolved over a period of time. Initially, it identified three focus areas for intervention in order to provide meaningful development options to the poor communities and to arrest the rural migration.

The core development intervention strategies of the CCD have been defined as:

1. **“Kalasam”** - SHGs program to provide access to savings and credit to the rural women.
2. **“Vairam”** - Natural Resources revitalization and management to enable development opportunities at the village level by promoting medicinal plant gatherers and cultivator groups.
3. **“Sdhanam”** - Human resources enhancement program through intervention of skill up gradation and development.

### 3. NATURE OF INTERVENTION

#### 3.1 SHG Federations

CCD opted to go for community-based federations from the diverse micro finance models evolved in the country. As per organizational design, SHGs consisting of 10-20 members and more are organized at the village level. Participatory Rural Appraisal techniques have been adopted to identify potential families.

CCD as a development strategy organizes all the poor families into SHGs to create a platform on social solidarity and financial services delivery. Each member saves Rs.50/- in the SHG. Each SHG meets once in a month. Cluster In-charge, a staff of the CCD organizes SHG meeting and ensures financial transactions as per system. Two office bearers who are selected by members manage the group and they are called as 'kartha' (President) and 'poruppalar'(Treasurer).

Kalasams involve in the local governance system through participation in gramasabha meetings and panchayat committees. Due to self-development of Kalasam leaders, social recognition to them in the villages is increasing.

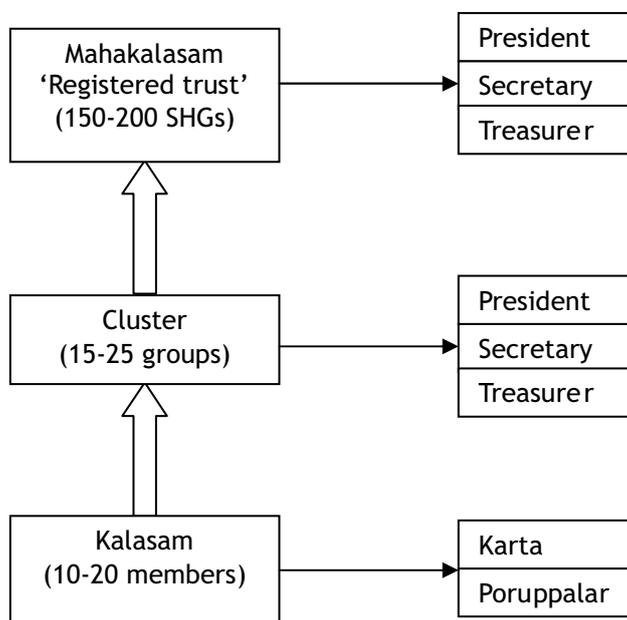
Cluster is the informal body, which is formed at the level of 4-5 villages. Each cluster is managed by the cluster in-charge. Each SHG is represented in the cluster association through its office bearers. Cluster association meets at regular intervals to review the performance of SHGs at the cluster level. Mahakalasam is a block level federation promoted by SHGs. Development block is the administrative and state program implementation unit below the district level where all programs of the state have been executed and monitored. Each federation consists of 150-200 SHGs. Each federation is

called in the unique name for example; Natham federation is called as Natham Mahakalasang. Literally it means the congregation of Kalasang SHGs at the bigger level.

All federations are registered as trusts under Tamilnadu Charitable Trust Act. Board of directors/trustees, who are elected by the concerned cluster level bodies, governs the federation. Each cluster sends about 2-4 directors to the federation to represent their member SHGs.

**Figure 1.**

**Natham Mahakalasang SHG Federation Structure**



**3.3 SHG Lending & Livelihood Promotion Strategy**

Earlier, one significant role of the federation is redeployment of funds at the federation level, by pooling savings from cash surplus SHGs and distributing the same as credit to needy SHGs. Recently, federation stopped its direct role of financial intermediation and in turn facilitated SHGs to link directly with local banks to meet their credit requirements.

In the monthly SHG meetings, the savings amount has been pooled and based on the credit demand assessment of its members, loans have been disbursed to the needy members after they are duly appraised on the eligibility. If the group finds shortage of funds for onward lending to its members, it prepares loan application and submits the same to the Cluster Associations for financial support. The credit needy members are prioritized in

### 3.4 SHG Bank Linkages

**Banks are giving three kinds of loans to the members:**

The first type is related to the SHG-Bank linkage, which is on commercial lines. Banks go to NABARD for refinancing for the amount lent to the SHGs. Under this scheme 645 groups linked with the local commercial banks and availed loans to the tune of Rs.2.5 crore.

The second scheme is based on the SGSY. SHGs avail Revolving Fund Assistance from the banks to the tune of Rs.25000/- and this amount can be rotated among the members till bank ask them to pay. Banks charge interest only on the availed portion of the RFA.

The third type is Economic Assistance program in which, based on the business promotion needs of the members, subsidy linked loan is sanctioned to the SHGs. Around 250 SHGs had benefited from the banks on the above three schemes. The following tables show that till now Natham federation has lent Rs 25 lakhs to the SHGs and facilitated banks to lend about Rs.4.5 Lakhs. Through its micro finance program, CCD reached about 301 villages and covered 34,700 families. The members have mobilized about Rs.2,06,12,559 as savings over a period of 10 years.

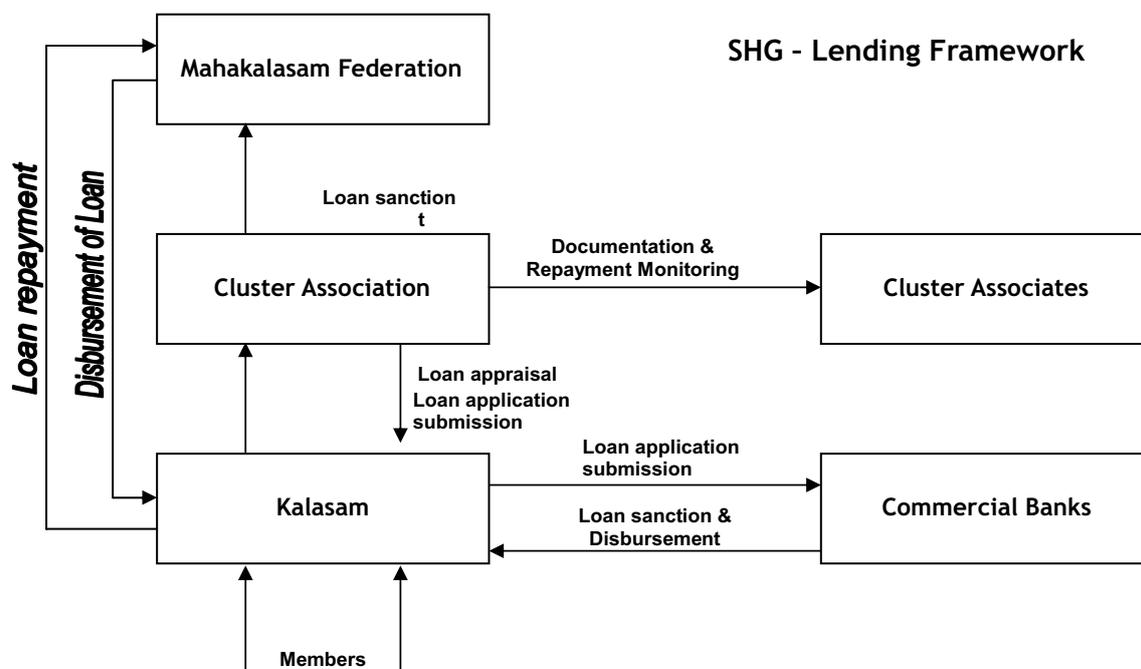
**Table No. 1**

<b>Loans Disbursed from Mahakalasangam to SHGs as on December 2005</b>					
<b>S. No</b>	<b>Name of the federation</b>	<b>Groups</b>	<b>Members</b>	<b>Own funds</b>	<b>Loan generated</b>
1	Pulvaikarai Mahakalasangam	189	986	11,00,000	47,00,000
2	Natham Mahakalasangam	162	738	7,00,000	25,00,000
3	Sooranam Mahakalasangam	150	687	4,00,000	22,00,000
	Total	501	2411	22,00,000	92,00,000

**Table No: 2**

<b>Loans from Commercial Banks as on December 2005</b>				
<b>Sl. No</b>	<b>Name of the federation</b>	<b>Group</b>	<b>Members</b>	<b>Loan generated</b>
1	Pulvaikarai Mahakalasangam	215	3225	1,78,96,000
2	Natham Mahakalasangam	45	675	4,50,000
3	Sooranam Mahakalasangam	88	1760	45,00,000
4	Madurai	35	585	5,75,000
	Total	383	6245	2,34,21,000

Figure 2.



## 4. LIVELIHOOD INITIATIVES AND THEIR OUTCOMES

### 4.1 Livelihoods Intervention Strategy

Mahakalasang federations identified 5 categories of community enterprises through which sustainable livelihoods security can be promoted to the rural communities. These strategies are not mutually exclusive, as it had been found that in some cases they were implemented in a complimentary way. The livelihood promotion strategies are

- a. Individual-centered micro enterprises promoted through kalasam loans.
- b. Family based hereditary activities through technological innovations.
- c. Group based income generation programs through filling the gaps in terms of raw material, market access and credit support.
- d. Regional resource based enterprises for lean seasonal activities where raw materials and skills available with the community and the finance, technology and infrastructure support will be provided.
- e. Community enterprise activities like medicinal plants, where the community will do the collection of raw materials, marketing and processing would be done by the company.

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## 4.2 Individual centric livelihoods

Panjavarnam, who belongs to Muthalamman Kalasam, Alagapuri village (Refer box 1) is a good example of this strategy.

### **Panjavarnam: Wage Earner to Entrepreneur**

Panjavarnam hails from a small village, Alagapuri at Natham Taluk, Dindigul District. This village is located about 25 Kilometers from Madurai, the historical temple city of South India. Panjavarnam means five varnas or colours in Tamil. She studied till ninth standard. She has three daughters; the elder is doing twelfth standard, second is studying tenth standard and the youngest is in seventh standard. Her husband is working as wage labourer in the coconut godown located in the Parali village, which is in the Madurai to Natham main road. Panjavarnam is engaged in the tree contract business like mango and coconut in addition to running a thatch making business as a permanent venture. Her husband's role is limited in managing the family affairs, wherein she led her family. She is self confident and socially concerned.

She started the first SHG in the village during the year 1987 itself without any external support. After joining Kalasam, she was inspired by the mission of development and formed 5 Kalasam groups on her own and she is managing those groups effectively with the help of the Cluster In-charge. She expressed her social concern in many ways to the development of Alagapuri village. This helps her to become Ward member in panchayat board without any competition. After becoming ward member, she has taken up a lot of development efforts to bring drinking water connection to all the streets, cement platform for processing grains and road facility, etc.

She is determined to make her daughters pursue education. Literacy level is below the state average in her community that did not detract her. Before joining Kalasam, her income was not sufficient to support her daughter's education and now she is confident that she can send her children to pursue higher education. She joined in Muthallamman Kalasam only in the year 1999 (earlier she was part of the SHG promoted by her own) and availed loans to meet her family needs like education, consumption, jewel redemption and to start her business. The first loan that she got from kalasam was used for redeeming her jewels and to close her external high cost debts. She manages her family finances professionally and started a thatch making business. Earlier she used to make thatches for daily wages. The kalasam loan helped her to become self-made entrepreneur and now she provides employment to 2-3 people on an average in the business. Beyond that she also undertakes tree contract business. Though her husband's support is not adequate to manage her business activities she gets her brother's support for doing mango contract business. The business loans from the kalasam had been instrumental to all of her business activities. Recently, her business interest widened to the coconut contract business also.

She invested Rs.30000/- for mango tree contract in the years 2004-06. She earned Rs.13375/- as profit from the business in the above two years. (See the cash-flow analysis for details in annexure). She invested Rs.6000/- for coconut contract in the last year. In a sense, this is a backward integration strategy to acquire raw material (thatches) for her thatch making business at the same time coconuts would also fetch income if the prices are good. She made Rs.8500 as profit from coconut sales alone in addition to the supply of the free thatches. In fact, thatch making fetched her more income than mango contract. Due to these businesses her income has been increased considerably and now she invested in jewels (to give as gift to the bride during her daughter's marriages) and also took mango & coconut orchards for lease. According to the cash flow estimates, the family average monthly income is worked out around Rs.5474/-.

#### Average Monthly Income Details

S.No	Particulars	Monthly income (Rs)
1	Thatch Making	2144
2	Coconut sale – (60 cents of own orchard)	250
3	Husband's income from wage employment	2500
4	Mango contract	550
5	Herbal medicine sales	30
	Total	5474

Muthalamman Kalasam is functioning well under her leadership. It linked itself with Mahakalasangam (federation) and the local commercial bank branch. So far this group has availed four loans worth of Rs.1.95 lakhs from Mahakalasangam and the Indian Overseas Bank. During the month of January Indian Overseas Bank disbursed Rs.95000/- to the Muthalamman Kalasam. Panjavarnam got Rs.5000/- for the purpose of coconut contract from this loan. Each member has to save minimum Rs.50/- as savings in the Kalasam group and she has saved Rs.2650/-. So far she availed Rs.25,000 as loans from the group and 70% of the loan amount had been spent in her business ventures. (See Annexure I, II & III for the detailed cash flow, economies of Thatch making & mango contract)

### 4.3 Community Enterprise Based Livelihoods

A few activities, which have the potential to reach scale, had been promoted as community enterprises. All the three activities selected by CCD and federations in this category have tremendous potential to improve the quality of living conditions in the villages. There are two perspectives involved in the promotion of community enterprises. One aspect is creating rural employment or livelihoods promotion and the other is creating markets for these products in a way that these interventions can impact the communities as a whole. The three activities promoted on this basis are:

- Mooligai Thittam*, which is an enterprise to collect, process medicinal plants and creating an alternate rural health market.
- Aahaaram Thittam*, which is promoted to rejuvenate the dry land farming and creating a supply chain for the rural food market.
- Aadharam Thittam*, which is promoted to energize houses and pump-sets in the fields and thereby creating a rural energy market.

#### 4.3.1 Mooligai Thittam

India is witnessing tremendous growth in two major sectors namely Food and Pharmaceuticals. Any intervention in the value chain of the above sectors would bring substantial gains to the end consumers and all supply chain participants. Civil society Organizations like CCD understood the business potential, value addition and employment generation capacity of these initiatives.

One particular social group of members called Valayars travel about 80 Kilometers to

### **Fatima A member of Medicinal Plant Gatherers' group**

Fatima, a 25 years old woman, is living in Kurayur village, Kallikudi block, Madurai District. Her parents were Hindus by birth and converted as Muslims about 30 years back, due to the cruel communal clashes in the village. Pallars and Thevars clashed due to the local problem. It ended in loss of many lives on both sides and eventually left scars in the history of the village.

Since her traditional occupation is medicinal plant gathering, she has also started doing the same occupation. Her mother is occasionally involving in medicinal plant gathering business (monthly 8 days). Fatima used to get 25 days job per month and getting Rs.100/- per day as average income. She is getting job through out the year.

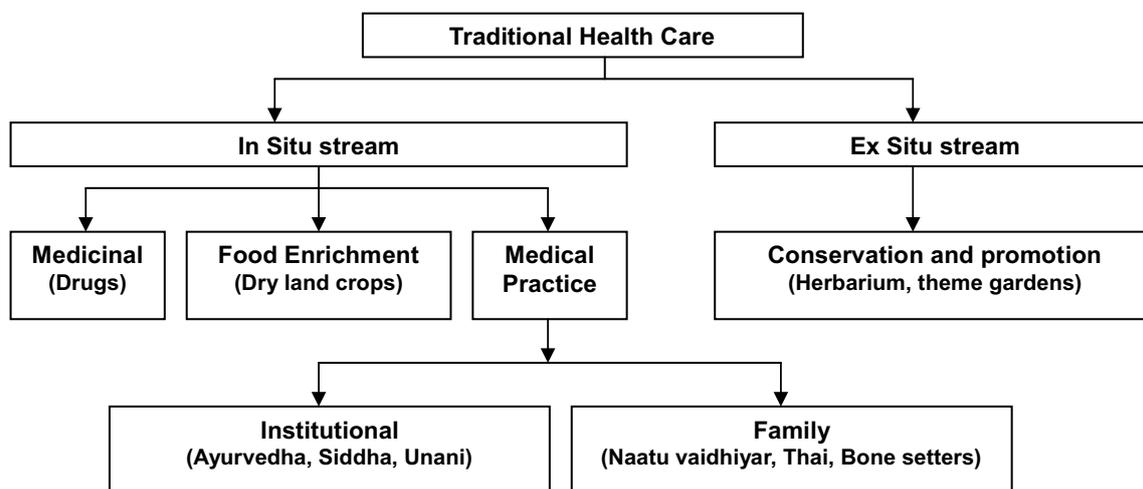
### **Season wise availability of Medicinal plant**

<b>Sl. No</b>	<b>Name of the medicinal plant</b>	<b>Season</b>	<b>No of months</b>
1	Neem leaf	April, May	2
2	Kuchi Kolai (Mela nalli)	Jan to Dec	12
3	Nerunji	Jan, Feb	2
4	Kathalai	April, May	2
5	Sendhatti	April, May	2
6	Kolinchi (leaf & root)	Jan to Aug	8

Apart from the family responsibility, she is also taking care of the Medicinal Plant Gatherers' Group (Ayyanar Mooligai Segaripor Sangam) promoted by CCD, since she has been selected as "Kartha"(President), which consists of 8 members. This group was formed on 2004. Before joining this group, she used to go to Virudhunagar, 15 kms away for marketing her medicinal plants. During those days she faced lot of difficulties in terms of incurring traveling expenses, storage facilities, lack of information regarding getting seasonal order, price details and so on.

Medicinal Plant gatherers' group paved the way for getting at her doorstep the sustainable market, assured rate of return, getting timely seasonal order, awareness about the market and marketing details of medicinal plants by attending training programs in CCD and also interaction among other group members within their village, etc. She got storage facility and can also get advance for keeping medicinal plants in the small storage godown, which was established by CCD in her village itself. All these above facilities enabled her to increase her monthly income up to Rs.500 per month.

**Figure 3.**



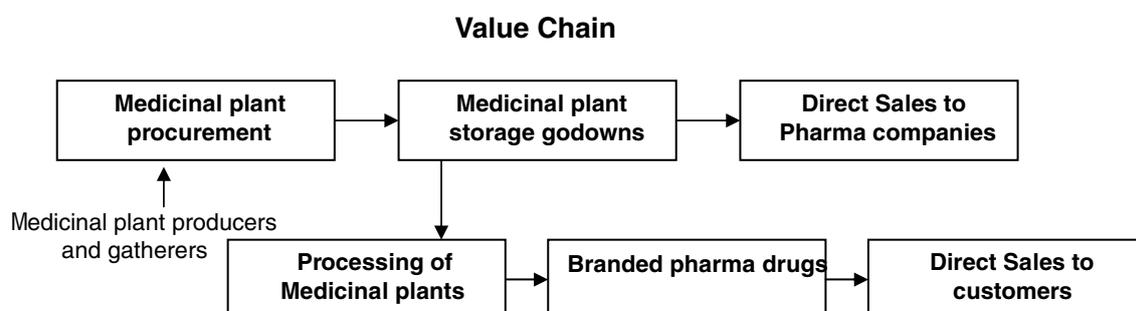
**Traditional Health Care Sector**

The phenomenal success of the KCH program and the impact led to the convention of the herbal gatherers and cultivators, which in turn resulted in to the Community Enterprise strategy of the Mooligai Thittam. Thus the Gram Mooligai Company Limited (GMCL) had been promoted as the veritable community enterprise from the grassroots based at Sevaiyur and also has an office at Bangalore. Medicinal plant gatherers and cultivators are the primary shareholders of the company, while participating NGOs and research institutions have been given institutional stake holding.

Initially each medicinal plant gatherers group provided Rs.5000/- as the capital and it had been used to construct the processing plant in Sevaiyur. As far as the individual gatherer is concerned on membership she has to purchase 5 shares at the face value of Rs.10/- each. Currently there are 5 members in the GMCL Board, among those 3 are from the medicinal plant gatherers and cultivators and 2 from the NGOs. The company has been started in the year of 2000 and it has started making profits in the year 2005. It has procured 600 tons of medicinal plants and made a turnover of Rs.70 lakhs. It had made the profit of Rs.6 lakhs in the last year.

The Micro Finance plays the role of working capital in the medicinal plant gathering. This activity is predominantly practiced in the lean season between February and September. When GMCL receives a purchase order for procuring a specific medicinal plant from a customer, based on the resource potential this order is redistributed to various medicinal plant gatherer groups. 50% of the order amount is given as a loan to the members. This loan is usually given by the SHGs and members repay the loan amount as per the repayment schedule.

**Figure 4.**



GMCL procured neem seeds from the group members and the local suppliers from 10 years. It bought around 60 tons and sold it in the open market, after keeping the same in the cold storage till the market price rose to a reasonable level. This strategy worked well and enabled reasonable profits to the organization and the suppliers.

#### **4.3.2 Aaharam Thittam**

Food and food processing industry is growing as a steady pace. However, the marginal farmers in the villages are unable to make the reasonable income due to the middle men and the imperfect agriculture produce markets. Farming as a livelihood became uneconomical and increasingly unviable. It named the intervention as 'Aahaaram Thittam'.

- a. Strengthening the supply chain for the local agriculture market in the operational area to procure the local produce directly from the farmers.
- b. Distributing the rice, groceries and other consumable items to the SHG members at the reasonable price for credit.
- c. Revitalizing the traditional crops (minor millets) like varaghu, kambu, solam to promote these nutrition rich indigenous crops as health food.
- d. Establishing ethnic retail food outlets at a few places to broaden the retail market.

In the last year, this program had been registered as a “for-profit” company under the Indian Companies Act 1856. The company had been named as 'Aaharam Traditional Crop Producer Company Ltd' (ATCPCL). All federations promoted by CCD became shareholders of the company. The present paid up capital is Rs.1 lakh. The turnover of the company is around Rs.1 million for this year.

#### **Kamala Aaharam Thittam**

Kamala is 35 years old and living in a small village called Thethampatti, which is situated in the Natham Taluk, Dindigul district. She has two daughters and two sons. All are studying in nearby villages. Her husband is maintaining mango orchard (5 acres). She is a member of

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Karthiamman Kalasam, which has been functioning for the past three years. She has got loan from her group for the purpose of expanding her mango orchard business and also for her children education. She is also actively involving in the federation activities and incidentally she is one of the board members of federation.

In this village, four Kalasam groups are functioning. She is providing support to manage these groups. Last year she was chosen as a sales agent for Aaharam products. She is responsible for four groups in her village. Based on the monthly demand in groups, she prepared an indent to the federation. Federation sources its supply as per the established norms and arrangements. She distributes it to the households who gave an order.

So far she has sold for about Rs.20,000/- . She took the role of the sales agent only three months back. She is getting Rs.5 per Rs.100 sales. She earned around Rs.1000. She states that if the grocery sales is extended to non SHG members, the turnover will be at least 3-4 times more. It is not compulsory for the SHG members to buy grocery items from the group.

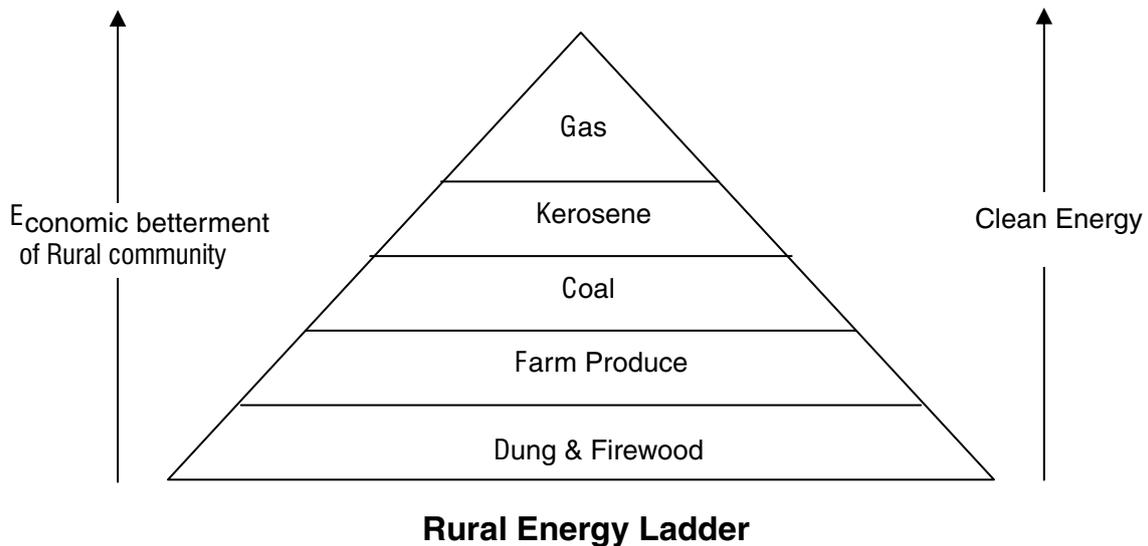
She said that she did not have any experience in working in agriculture and horticulture fields. Since she requires to spend a lot of money for her children's higher education and to save for her daughters' marriage, she has to take up some job that provides some complementary earnings. Being a sales agent she feels she can make her life better and is confident to fulfill her dreams.

#### **4.3.3 Aadharam Thittam**

The experiments in the livelihoods intervention strategy, throws out the possibilities of establishing large scale business opportunities at the village level, by devising a business model which would provide the way for changing the rural living conditions qualitatively. The rural energy market has been identified as one area where there would be a possibility to involve private business houses in a way that benefits the company and the village communities.

Village people depend on kerosene, firewood and such other locally available materials for cooking and warming purposes. For example, firewood collection from the forests, public lands or private lands consumes a lot of rural people's time and productive energy. The practice of firewood collection damages the forest cover substantially. The ecological chain that gives livelihoods to the communities had been degraded over a period of time beyond its scope of revival. CCD is aware of the availability of the latent and unexplored village energy market.

**Figure 5.**

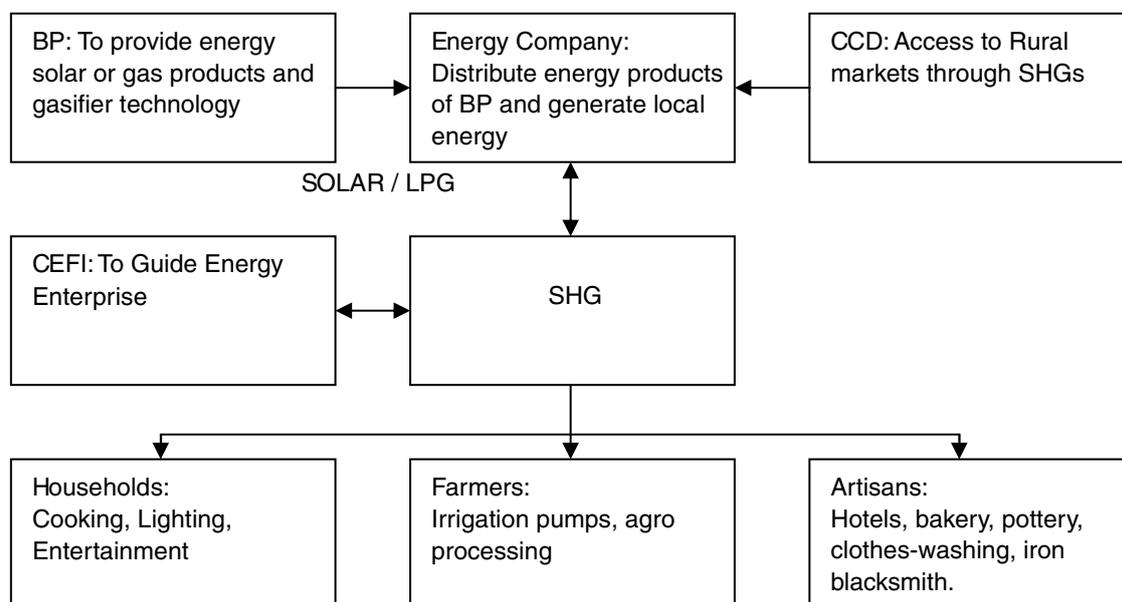


British Petroleum recently launched a study to explore the rural energy market and the viability of the business models. CCD organized the study in Southern Tamilnadu. The study had shown that rural communities require energy solutions to address their needs of cooking; warming, lighting and energizing their pump sets to irrigate agriculture fields. It also found that pricing is highly distorted in the rural energy market.

The rural energy triangle consists of 5 major elements, which are based on the cleanliness and affordability of the energy (Refer Figure-5). Dung and firewood forms the bottom of the pyramid, which is unclean and priced at a lower level. Normally, 65-70% of the rural families use firewood and dung as the fuel for cooking. The real cost comes about Rs 50-Rs 100 per month for using firewood as fuel. If the opportunity costs were considered, this would become the costliest option. A village woman spends at least 3-4 days in a month to collect firewood from the forest or public lands, and the average cost is Rs.100-150. The farm residues come next, which is relatively clean and the price is little higher than dung.

Kerosene is placed one step below the top and the price is to a great extent regulated in the open market. The present price of the kerosene is Rs 15 per liter. A family requires a minimum of 5 liters for a month. LPG is at the top, which is clean and priced high. The present price of a 15 Kg LPG cylinder is Rs 305-Rs 320. It can last for 30-45 days. The urban segment has access to LPG. Due to the lack of LPG distribution network in the rural areas it is not available to the rural communities. The challenge is how to graduate these rural customers to use the clean energy solution for cooking and lighting in the rural households.

**Figure 6.**



### **Business Model of Energy Company**

The consumers who have chosen 4 LPG cylinders for a year have to pay Rs 240 as EMI for 10 months and beyond that Rs.1000/ is paid as a one-time advance. Consumers who prefer 6 LPG cylinders for a year have to pay Rs.268/- as EMI for 10 months with an advance of Rs.1000/.

The gas distribution will be taken care of by the sales agents who had been named as 'Jyothi'. Each village will have one 'Jyothi'. The electricity for farmers is yet to be launched and as per the present understanding will be based on landholding. The farmers' landholding will become the equity of the company and the farmers have to pay water charges of Rs.50 per acre. Here electricity for the pump set is not a product rather water is a product.

#### **4.4 Family Based Hereditary Livelihoods**

CCD provides a lot of emphasis to promote hereditary based livelihoods. It believes that reviving these livelihoods with modern technology and practices would ensure knowledge transfer to the future generations and it would help to create a self reliant society based on products and services complementarity based on which ancient society prospered. Parambarai Vaidhyam, Thai, Carpentry, Masonry, Farming are some of the activities which, have been transferred to future generations. CCD aims to build a livelihood school

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in which family based activities would adopt modern technology and skills at the same time transfer to the coming generations.

## **4.5 Group Based Income Generation Programs**

### **4.5.1 Neem Seed Collection**

CCD introduced neem seed collection as one of the group enterprise program. In this scheme, SHGs and federation buy neem seeds from SHG members and non-members. After processing, Neem seeds had been stored in the godowns. When the price level goes high in the market, it sells neem seeds in the market. Right from the beginning, CCD has been making profits in this venture.

### **4.5.2 Tamarind Processing**

The success of the Neem seeds procurement and sales at reasonable margins gave confidence to CCD to explore other avenues in the agriculture commodities market. In Natham, tamarind processing happens as a cluster activity in which many of the kalasam members participate as wage earners and a few of them have tamarind trees in their agriculture fields. With the support of FRLHT's loan support of Rs 7 lakhs CCD ventured into the mass procurement of tamarind. Tamarind has to be sold in the market at the appropriate time.

## **5. IMPACT OF LIVELIHOOD INITIATIVES**

The great contribution of micro finance programs is that it helped the rural women to organize themselves and take control of their lives. The programs gave rural poor women an identity in the village and the society she belongs to. Kalasam became a platform on solidarity for the rural women. During the festival of 'Adiperukku', all kalasam women assemble in one place and reassert shared identity and destiny towards development. Kalasam members visit the public sector bank branches to avail loans, make repayments and transact in their savings accounts.

The federation distributed loans to about 738 members to the tune of Rs.2.5 millions. SHGs link themselves with the commercial bank branches and about 50 SHGs of this federation availed Rs.5 millions as loans from the banks. SHGs provide loans for consumption and emergency purposes from its own savings. Though, consolidated details were not available on that, it had been estimated at least Rs 5 millions could be lent to the members.

**Table No: 3**

<b>Purpose Wise Loan Distribution-Natham Federation</b>							
S.No	Loans	2002-03		2003-04		2004-05	
		No of members	Loan amount in Rs	No of members	Loan amount in Rs	No of members	Loan Amount in Rs
1	Coconut thatching	4	28000	39	170000	NA	NA
2	Coconut orchard	1	7000	5	13500	7	47000
3	Mango orchard	3	23000	37	517000	NA	NA
4	Guava orchard	NA	NA	6	10000	NA	NA
5	Jumbo orchard	1	10000	1	10000	NA	NA
6	Petty shop	1	5000	10	28000	NA	NA
7	Housing	1	5000	3	15000	13	23000
8	Diary	NA	NA	15	98000	7	20000
9	Agriculture	NA	NA	NA	NA	6	35000
	<b>Total</b>	<b>11</b>	<b>78000</b>	<b>116</b>	<b>861500</b>	<b>33</b>	<b>125000</b>
	<b>Grand Total</b>					<b>160</b>	<b>1064500</b>

**No: 4**

<b>Community Enterprises and their markets</b>			
S. No	Livelihood Activities	No of families involved till now	No of families expected to be involved over two years
1	Medicinal plants	1200	4600
2	Agaram	1000	3000
3	Adharam	3000	3000
4*	area) - Auction yard, vehicle, fishnet, working capital	1200	1200
5*	Agriculture (Tracter, agro services, seed inputs)	3600	3600
6*	Artisanal families	650	650
7*	Coir rope (Nagercoil) - Value added product	2000	2000
	<b>Total</b>	<b>12650</b>	<b>18050</b>

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Micro finance created tremendous impact on local communities especially women. Women are groomed as leaders. Family finances are regulated through women's SHG loans. Family enterprises had been fuelled by SHG loans. Education, health and every other area some benefit reach the family through SHG thus enhancing the image and power of the women at the family and village level. Women interact with panchayats and banks confidently. Micro Finance brings assertiveness and confidence among poor women who were marginalized.

## **6. ANALYSIS OF INTERVENTION STRATEGIES AND OUTCOMES**

### **6.1 Intervention Strategies:**

- i. Women represent a neglected section of Indian society, particularly in the rural areas. They have latent potential that can and should be explored and nurtured. Hence CCD decided to target women as the primary beneficiaries of their interventions.
- ii. CCD successfully integrated micro-finance with micro-enterprise and community enterprise development.
- iii. This was made possible through the creation of suitable social capital. A three-tier organizational structure (including SHG, cluster and federation) is responsible mainly for financial operations and social development. Community enterprises like GMCL, Aharam and Adharam take care of employment generation, building market linkages and identifying markets and relevant interventions in order to enhance the income level of the members of the program. Each institution has an independent legal identity yet they interact with each other and work in tandem.

The success of community enterprise lies in the uniqueness and differentiating factors of the intervention strategy. The following were the key differentiating factors of all three-community enterprises.

- i. They were built based on the locally available resources in terms of natural, human and physical resources.
- ii. Each enterprise has a dedicated market in terms of SHG members to serve. In all three companies, they can make break even effortlessly by selling only to their members.
- iii. All three enterprises basically addresses the very basic needs of the markets, hence its relevance is broad based and have huge potential for growth.
- iv. Each enterprise has a unique social mission to achieve beyond excelling itself as a thriving commercial enterprise. For example, Aaharam tries to revitalize the local food practices.
- v. They adapted simple technology
- vi. Beneficiaries are shareholders of the company; hence have more than one reason to make the enterprise successful.

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Their legal structure was also well thought out keeping in mind the target community. For example “Agaram” was registered under producers company act that is more relevant and convenient for the people. GMCL and Aadharam were registered as for profit companies where SHG Federations were shareholders.

## 6.2 Creating new livelihood options:

CCD and CEFI had promoted community enterprises by making their SHG Federations as stakeholders, in the areas of medicinal plants, energy and food products. This is a bold strategy because it encompasses expertise in marketing, logistics and inventory management. These are the key critical areas to make any modern business successful. CCD cannot afford to make mistakes, as that would endanger the health of the entire micro finance program. The profit sharing mechanisms and perpetual equity creation strategies, sourcing systems were all geared to enable growth, wealth creation and ownership issues.

**GMCL:** Experiential learning paved the way for modifying/redesigning the strategy in the case of GMCL. Medicinal plant gatherers and cultivators, who could become potential members of the initiative, were brought into the fold in two ways. Members of existing Kalasam micro-finance Groups who depended on gathering of medicinal plants were identified. Alternatively, new groups of medicinal plant gatherers were formed first and then micro finance activity was introduced to these groups to stabilize them and give them financial independence. Both the approaches seemed to work well. This program leads towards sustainability of the whole system that encompasses communities, CBOs, markets and technology.

GMCL has 1300 shareholders as on date. It made a net profit of Rs. 6 lakhs last year. Though the profit is yet to be shared among shareholders, the members have already gained substantially through access to sustainable livelihoods make possible due to the realization of reasonable price for the medicinal plants, access to markets throughout the year and access to non-exploitative credit.

**Aaharam:** In the demand side, poor peasants and weavers have to pay higher prices to purchase the commodities in the market, which they produced and procured in the market at low prices. If the company realizes its goals, the challenges like starvation and malnutrition in the villages would have been addressed.

**Aadharam:** Need for alternate energy sources are growing in the villages as cities. Traditional dependence on firewood would come down only if alternate energy sources are available in the villages at affordable rates. This initiative of CCD will energize homes, pump sets and villages at the same time open up livelihoods opportunities for many families. The key challenges in this enterprise include choosing the right business model to cater to the various segments and needs of the society and building the complimenting institutional partnerships with existing and new players. The role of Micro finance in this venture other than energy loan product and energy distribution agency management should be worked out especially in the areas of energy for agriculture and business segments.

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### **6.3 Building Institutional Linkages:**

A mobilizing financial resource is a critical component of a Micro Finance program. Since CCD follows the SHG model, the focus is on internal (savings) and external resource mobilization (bank loan). CCD believes that poor are bankable and so it facilitated people's organizations to come out with customized savings and loan products. Savings products such as regular savings and special savings (Diwali chit, etc) help the community to save in the SHGs to fulfill their needs. The federations have mobilized around Rs. 40 lakhs as internal savings. As part of borrowings, federations' mobilized loans from various formal credit institutions like commercial banks. During the formative years, federation itself was involved in on-lending by routing the loans it received from Apex Banks like SIDBI to SHGs. Subsequently it decided to link the SHGs directly with banks to strengthen the collaboration between SHGs and banks. CCD's groups have availed around Rs 2.3 crores as credit from the commercial banks.

### **6.4 Capacity Building:**

The goals of the federations will be better served only when it deploys capable human resources to plan, execute, monitor and evaluate its programs. Enabling communities require investments in building the knowledge, skills and attitude of the SHG members, office bearers and staff. Capacity building is the most crucial factor in the institution building process. CCD provides conscious efforts while forming clusters, federations, community enterprises and marketing linkages. As a part of capacity building of their staff, it sent the staff, federation leaders and members to various NGOs and livelihood promoting organizations for exposure which helped them to upscale their field operations both horizontally as well as vertically.

### **6.5 Building Social Capital:**

CCD has been consciously working to improve women's leadership qualities apart from enhancing their livelihoods. For example in GMCL, out of 5 board members, three of them are women who came from gatherers group. In Aaharam and Aadharam also more women leaders are being involved in the decision making process. The intervention demonstrates how creation of various people's institutions including community enterprises enables the poor women to come out of poverty through partnership with other development actors like government, panchayats and banks.

### **6.6 Institution Building Challenges**

CCD and its federations are currently faced with a set of critical institution building challenges. These include creating a unique identity of the federations, covering the cost of the people's organizations with less external support, capacity building and formalizing partnerships among federations & community enterprises.

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### **a. Identity to Federations**

Federations were organized around the administrative block of the district administration. They are registered entities and have their own governing byelaws. The intention of the NGO is to make them independent and autonomous. CCD's federations have to go a long distance to realize this objective.

### **b. Cost Coverage and sustainability**

The reason for creation of three-tier structure is to help them to attain financial as well as institutional self-sufficiency. Natham federation has already started meeting its own cost except for the salary of its staff for which it is still dependent on CCF. It is expected that in future, when the community enterprise become viable, these will be able to support the federations. As of now, the almost the entire program is running on donor funds.

### **c. Formalizing Partnerships among Federations & Community Enterprises**

Community enterprises and federations are different legal entities. Though federations promote community enterprises, the latter need to balance the needs of its shareholders and customers. Yet many of the shareholders are customers too. Shareholders control community enterprises, yet there should be an institutional arrangement to collectively review the progress of the enterprise by all the concerned stakeholders including federations. In some instances, federation's micro finance staff took up the business management role and served as marketing agents. This dual role may affect the priorities of the organization and create conflicts of interest among staff. The clear demarcation of staffs' roles is vital for smooth functioning of both types of institutions.

### **d. Insulating Business Risk from Micro Finance**

The foremost challenge is to insulate the micro finance operations from the business risk that is arising out of community enterprises. The current system differentiates enterprise equity with that of micro savings of SHGs. But, moral hazard and adverse selection that may emanate from enterprise failures would hamper the whole spirit and functioning of micro- finance organizations. Hence, federations should educate the community on shareholder responsibilities in the case of adverse market conditions. Since these enterprises are more of livelihoods creating corporations, they should have coping strategies to deal with business cycle fluctuations

### **e. Creating Management Information Systems**

The major weakness in the institutional system is its inadequate management information system. In fact, the organization does not have full-fledged credit disbursement information on SHG lending to members using members' savings. This is applicable to many aspects of SHG functioning, federation and business organizations performance. It restricts the ability of the organization to take decisions.

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## **6.7 Livelihood Challenges:**

Micro-loans have not created equal impact among the members who invested in the business/ livelihood activities. Some livelihoods failed to fetch the required income. As such members agree that the SHGs helped them to come out of the exploitative money lending system. In many cases, external loans were not adequate to support the business, debt redemption and shelter needs of the members.

The major issue is that in the case of many of the SHG members, they start their membership in the SHG either with zero or negative cash flows, hence need credit for various purposes in a specific time period. This requires graduation in the loan amount and loan usage. The analysis of Muthalamman Kalasam suggests that Panchavarnam got a cumulative loan of Rs.25000/- in a period of 6 years. Due to her enterprising capabilities, she initiated many businesses and became economically strong. Though all members were 7 years old in the same SHG, the development disparity among the SHG members reminds us that even SHG fails to address the concerns of the ultra poor.

## **7. Way Forward: Strengthening Livelihoods and Community Enterprises**

### **7.1 Credit Deepening**

Average loan consumption per member is abysmally low and it is less than Rs 1000. Even after averaging out the members' years of association with SHGs, this figure brings out the urgent need for credit deepening. Since community enterprises are in place and the employment options are assured to totally around 8000 families, CCD and federations has to increase their lending to strengthen the livelihoods already created and to broad base to cover new families and livelihoods. Need based credit products can be launched to serve the members higher order credit needs like housing and enterprises promotion.

### **7.2 Technology Enhancement**

GMCL and food processing enterprises should deploy cost effective yet efficient technologies to cater to the emerging needs. CCD and its federations should keep watch on the emergence of new technologies in the relevant areas and work towards deploying the same to bring productivity and enhance the bottom line of the businesses. GMCL's medicinal plant processing plant can be taken to heights by increasing its volume of production, and creating a kind of integrated supply chain mechanism to cater to various segments of the markets and restructuring the business processes on the shopfloor.

### **7.3 Strengthening Marketing Strategy**

There is a huge scope to strengthen markets in the areas of food and healthcare

enterprises. CCD should come out with effective strategies to create new markets through new products in the same category and at the same time expanding the existing markets.

#### 6.4 Sourcing & Supply Chain Efficiency

In the era of competition and modern technology, the competitiveness of the enterprises is increasingly determined by the efficiency of the supply chain and procurement. Federations and CCD should work out productivity and quality goals in these areas to gain maximum advantage. It requires efforts in the areas of logistics management, vendor management and distribution channel enhancement with complimentary delivery options to the end customers. For example, Aahaaram enterprise requires consolidating the farmers markets on various commodities and the storage facilities to keep the procured commodities safe and fresh without pilferage or loss of quality.

### 8. CONCLUSION

It is clearly evident from the study that micro finance provides livelihood support to the people who have relevant skills and risk taking capacity. Others who do not have entrepreneurial skills can be effectively supported through community enterprises, and they do not require entrepreneurial skills, especially risk taking to earn for their living. However, community enterprises directly affect the lives of the people in a way they are organized. A failure due to wrong strategic decisions would directly affect the lives of the communities. Hence, the challenges lie in sustaining the livelihoods created due to community enterprises and insulating the business risk by not affecting the livelihoods of the communities in the event of business cycles and its fluctuations. Technology enhancement and business process reengineering should be the ongoing institutional process to withstand competition and sustained value creation.

#### Cash Inflow

S.No	Occupation Particulars	No of days	Amount/wage per month in Rs.	Amount/wage per year in Rs.
1	Thatch making – Wages	300	1000	12000
2	Thatch making - Own	264	1144	13728
3	Wage employment in the coconut godown by her husband	300	2500	30000
4	Coconut sale - own		250	3000
5	Mango contract		550	6600
6	Herbal Medicine sale		30	360

7	Loans from Kalasam			5000
8	Jewel Loan		2000	
	Sub Total		7000	
	Grand Total	864	4924	<b>72688</b>

### Cash Outflow

S. No	Particulars	Monthly expenses (Rs)	Annual expenses (Rs)
	Food Expenses		
1	Rice (Ration)	255	3060
2	Sugar	40	480
3	Kerosene	70	840
4	Grocery, vegetables	800	9600
	Sub Total	1165	13980
	Functions&Festivals		
5	Social obligation (Seimurai)		2000
6	Temple festivals		3000
7	Diwali & Birthday celebrations		3500
	Sub Total	-	8500
	Savings		
8	Savings in Kalasam group	50	600
9	Savings in Men SHG by her husband	100	1200
10	Insurance – LIC		714
	Sub Total	150	2514
	Repayment		
11	Interest for loan to Kalasam group	300	3600
12	Interest for loan to Men SHG	60	720
13	Interest to outside loan	150	1800
13	Loan Repayment to Kalasam group	850	10200
14	Loan Repayment to Men SHG	300	3600
15	Repayment to outside loan		2000
	Sub Total	1660	21920
	Education		
15	School fees for three daughters	500	6000
16	School Uniform		1500
17	Note Books & other materials	100	1200
	Sub Total	600	8700
	Health		

18	Medicine for BP - Panjavarnam	200	2400
19	Un expected medical expenses		1000
	Sub Total	200	3400
	Asset Purchase/Maintenance		
20	Jewel purchase		12000
21	House up-gradation		4000
	Sub Total	-	16000
	Grand Total	3775	75014

Total inflow during 2004-05 = Rs. 72688

Total outflow during 2004-05 = Rs. 75014

Deficit during the year = Rs. 2326

### Annexure – II (Balance Sheet)

Asset		Liabilities	
Name	Value	Name	Value
House	1,00,000	Kalasangam Loan	15,000
60 cents of coconut orchard	1,80,000	Men SHG Loan	3000
Savings (both groups)	4200	Jewel Loan	5000
Jewels (40grams)	35,000	Outside Loan	5000
Total	3,19,200		28000

### Annexure III

Thatch Making – Cash flow

Coconut orchard contract for one-year @ Rs. 6000/- (900 trees)

Income	Month	Year	Expenses	Month	Year
1000 pieces @ Rs. 400* 7500 pieces	3000	36000	Wage (Rs. 140 per 1000 Pieces- totally 7500 pieces) Rs.	1050	12600
Water expenses			for processing raw materials	25	300
			Interest for loan @ 24% monthly diminishing	50	600
Total	3000	36000	1125	13500	

\*300 pieces of thatches per day \* 25 days = 7500 pieces (kiduhu), 90000 pieces per year

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## Profit

(Total Income - Expenses + Contract amount)

Total Income	=	36000
Total Expenses + Contract amount	=	13500 + 6000
Net Profit	=	16500

\*Since she has taken the coconut tree contract near to her villages, she could able to get Rs.16,500 as net profit.

\*If others in this village had taken this contract means, they would have spent Rs. 8520 for travel expenses, loading & unloading, wage, etc.

Details of Expenses when the contract will be taken in outside villages

Expenses	Month	Year
Vehicle hiring charge for getting raw materials	250	3000
Loading & unloading charge	400	4800
Packing expenses (10 Kattu)	60	720
Total	710	8520

Profit for Panjavanam's Thatching business	:	17000
Expenses by others	:	8520
Actual profit	:	8480

## Annexure IV

Mango Contract - (Panjavarnam)

Contract amount for 3-5 acres = Rs. 30000

Particulars		Particulars	
Income 2004-05	Amount	Income 2005-06	Amount
12 ton (100Kg) of Mango (Kallamai Variety) sale	7000	Total sales	37000
30 kg of 'Kalapadi' variety sale- Rs. 12/kg*30kg	3600		
1 1/4 ton of 'Kasa' variety Mango	8250		
Others	2000		
Total	20850	Total	37000
Expenses 2004-05	Amount	Expenses 2005-06	Amount
Vehicle rent, hiring charges	1000	Vehicle rent, hiring charge	2250
Fertilizers	800	Godown rent	325
Wages	500	Travel	600
Interest rate for loan amount	2000	Wage	3300
Land processing	250	Interest rate for loan amount	1500
Food expenses	1500		
		Land/fruit processing	450
Total	4550	Total	9925

\*The mango price was very low during 2005-06 in Madurai & Natham markets,  
 \*\*Panjavarnam and her family members went to Thirupur for about two months for selling mangos.

Profit calculation (two years income- two years expenses - contract amount)

2004 2006 total income	=	57850
2004-2006 total expenses	=	14475
		-----
Total		43375
Contract amount		30000
		-----
Total profit for two years	=	13375
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### Annexure V

The Profile of the CCD		
Sl. No	Particulars	Number
1	No of working districts	5
2	No of Taluks	11
3	No of blocks	15
4	No of villages	301
5	No of registered federations	3
6	SHGs	764
7	SHG with bank linkage	645
8	No of members	11,563
9	Total family members	34,700
10	Savings	2,06,12,559
11	Credit	41,75,000
12	No of families-Health insurance	596
13	Government grants	20,53,800
14	Other development agencies	47,000
15	Credit revolved	86,64,650