



Understanding the current and potential role of self-help group federations

The National Rural Livelihood Mission is a flagship anti-poverty programme of the Indian government. The programme organises rural women into self-help groups, through which they receive access to credit and multiple forms of livelihood support. A multi-tier structure supports these women. Self-help groups within a village are federated into village organisations, which are grouped into cluster-level federations.

The federations have a key role in this structure, so it is important to know how much of a contribution they are actually making. A team of researchers from 3ie and Vrutti set out to find out. They conducted a rapid qualitative study of select federations in Kerala and Karnataka, aimed at shedding more light on the current roles and functions of federations for enterprise promotion and the benefits and challenges of this model.

India's government is planning to expand the federations' scope, viewing them as having the potential to generate income. Hence, there is a need for clarity about their role and effectiveness in enhancing the quality of self-help groups.

Highlights

- Researchers from 3ie and Vrutti conducted a rapid qualitative evaluation to understand the federations' role and effectiveness for microenterprise promotion.
- The study sample included federations supported by the government, those supported by NGOs and other entities engaged in promoting women's collective enterprises.
- The main functions of federations included building the capacities of women entrepreneurs, establishing forward and backward links for enterprises, and providing technical support.
- Benefits of federations included increased production efficiency of enterprises, protection against market fluctuations and reduction in costs faced by women.
- Being part of federations helped women to collectively act against harassment and discrimination in the marketplace.
- However, federations still encounter the challenges of inadequate technical capacity and human resources to sustainably scale up microenterprises.

Self-help group federations are a potential platform for high-investment/high-return enterprises that could improve earnings for women at the grassroots level. However, a review of the existing literature has revealed that the programme has concentrated on financial components, with little insight into livelihoods.

The role of federations varies by state, programme maturity and promoter organisation (government or NGOs). Government-promoted federations have been particularly understudied.

There is also a deeper issue. The entire three-tier model (village, village organisations

and cluster-level federations) has been successful in enhancing household savings and access to loans and incomes. However, the resulting economic gains to women have been negligible so far. Could a better understanding of the federations help solve that puzzle?



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Overview of our study

Our study included focus group discussions with women's group members and semi-structured interviews with stakeholders, including founders and operating staff of different federations. These interactions were transcribed and later verified using two methods – independent transcriptions by two researchers and comparison, across respondents, of responses to

similar questions. These separated facts from opinions and distilled patterns.

We studied Kudumbashree (State Poverty Eradication Mission) in Kerala, one of India's first group-based poverty alleviation programmes, whose federation model informed the National Rural

Livelihood Mission. We also collected insights from a federation of small farmers (Janadhanya Federation) and two producer companies (Bangalore Greenkraft and Ektha Apparel) in Karnataka. These were promoted by the NGOs Genetic Resource, Ecology, Energy and Nutrition Foundation (GREEN Foundation) and Industree Foundation, respectively.

Main findings

Although federations varied by promoter, governance structure, size, resources and financial capacity, all of them enhanced women's enterprises to improve incomes.

Structure

Kudumbashree has a three-tier structure. At the village level, women's neighbourhood groups are created by Panchayati Raj institutions. These are federated at the ward level into area development societies, which in turn are federated at the *panchayat* (municipal) level into an apex organisation – the community development society. The neighbourhood groups submit their economic, social and infrastructure development needs to the area

development society, which submit a consolidated plan to the community development society.

Plans from all area development societies are consolidated by the community development society, approved by an evaluation committee with representatives from ward and panchayat level, and incorporated into an annual action plan. Microenterprises receive financial and technical support from all levels – state, district and panchayat.

NGO promoted federations have a two-tier structure. Janadhanya Federation consists of a federation of microenterprises, called producer groups. Women from one or more self-help groups working on a

common activity can form a producer group. These groups can voluntarily join a farmer producer company – Janadhanya Farmer Producer Company Ltd – by paying an initial membership fee of INR 100 per woman, and ultimately become shareholders.

The two producer companies studied, Bangalore Greenkraft and Ektha Apparel, have more than 2,000 and more than 300 owner-members, respectively. Most of these are women, who receive access to increased finance, training, social security, childcare and other benefits. These companies have supplied to high-end brands like IKEA, Mother Earth and Eco Femme.

Federation functions

The figure below captures key functions undertaken by the

federations we studied. These spanned building individual and institutional capacities, facilitating access to finance and public

schemes and entitlements, establishing market linkages, developing profitable products, and providing technical support.



Federation benefits

Economies and efficiencies of scale: Federations can leverage the access to multiple women's groups and microenterprises to take bulk orders, manage common facilities such as packaging and storage, and organise centralised training. Having higher savings and assets than individual groups or enterprises also allows them to take higher loans. Further, centralised procurement of raw material, distribution of finished products, and connections with government agencies make costs and processes efficient. Finally, federations undertake collective bargaining and negotiations, getting women fair prices for their products and access to premium markets.

Reduced transaction costs for women: Accessing markets through federations shields women from prohibitively high participation and transaction costs. These include the opportunity cost of women's time, transportation costs and the inconvenience of going to the market. The federation gets them better prices for their produce and enables action on social issues, empowering women to collectively act against varied forms of marketplace harassment and discrimination.

Safety against market fluctuations: Federations ensure an uninterrupted supply of raw material, smooth manufacturing and fixed processes and clients for the finished products. This shields microenterprises against market fluctuations, ensuring continuous income for women.

Adaptation for survival and growth: Leadership and technical expertise from federations allow microenterprises to adapt to the environment. Federations scan the environment for fresh business leads and guide women's groups to develop new products based on market demand. They also ensure survival and growth of microenterprises through vigilance, new ideas, market facilitation, and navigation of political and market pressures.

Linkages and access to entitlements: Federations link women not only to markets but also to local governments and banks. This helps women access financial and social programmes, and schemes for microenterprise support.

Social capital: Federations forge bonds of trust amongst women's groups and with federations through collective work, social action, benefits and other shared experiences. This facilitates pooling of resources to start microenterprises and bear

out-of-pocket expenditures, as well as formation of group enterprises and support structures.

Federation challenges

Lack of technical support: Federations do not have in-house technical skills for product development, marketing or other functions needed to scale up and make businesses sustainable in a competitive marketplace. Hiring professional management specialists is challenging in the rural areas where microenterprises operate.

Limited scale: Federations help microenterprises sustain, but not substantially scale up. They presently do not generate sufficient profits to make productivity-enhancing investments such as improved technology. They are constrained by the lack of necessary expertise and systems to mobilise more members. Production of high volume of quality products to meet existing demand is a challenge as these enterprises operate at low-levels of scale. Quality assurance of products especially demands significant monitoring from the federation professional staff, which may not be sustainable at scale. All federations typically operate within their states. To increase the market for their products solutions are needed to link federations to international value chains.



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About this brief

This brief was authored by Harsh Vardhan Sahni with inputs from Bidisha Barooah. The author is solely responsible for all content, errors and omissions. The brief is based on *The current and potential role of self-help group federations in India*, 3ie Working Paper 36 by Bidisha Barooah, Raghunathan Narayanan, and S Balakrishnan. This brief was designed and produced by Akarsh Gupta and Anushruti Ganguly.

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September 2020

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