

# Working Together

A Manual on Self Help Groups

Gitanjali Chaturvedi

Illustrations by S Jayaraj

**BOBP** For Sustainable Fisheries  
**BAY OF BENGAL PROGRAMME**  
Inter-Governmental Organisation



*BOBP/MAG/26*

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April 2004

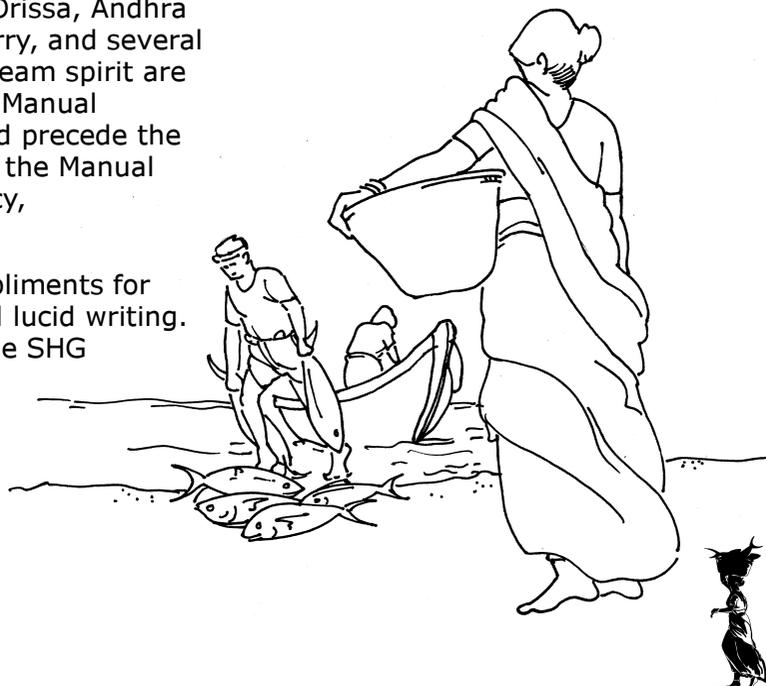
## Foreword

The Self Help Group movement has been the harbinger of many changes in the life of poor rural women in India. It has amply demonstrated that poor women save, use loans productively, and do not default on repayment. There are many success stories to show how SHGs have transformed poor communities.

This step-by-step guide to set up SHGs was prepared by Ms. Gitanjali Chaturvedi after extensive field visits and discussions with the fishing community in the east coast States of West Bengal, Orissa, Andhra Pradesh, Tamil Nadu, the Union Territory of Pondicherry, and several NGOs and R&D institutions. Focus, persistence, and team spirit are highlighted as the mantras for productive SHGs. The Manual suggests that careful deliberation and dialogue should precede the formation of such groups. For SHGs to be successful, the Manual advocates simple economy, which entails transparency, commitment, prudence, and thrift.

Messrs S Jayaraj and Jonathan Davidar deserve compliments for designing the manual with attractive illustrations and lucid writing. We hope this handy Manual will further strengthen the SHG movement in India and other parts of the developing world, where marginalised fisherwomen are struggling to sustain their livelihoods.

*Yugraj Singh Yadava*  
*Director*



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## Introduction

Self Help is not a new phenomenon. Formalised in 1992 by NABARD as legitimate groups to access institutional credit organisations, Self Help Groups (SHGs) marked a watershed in revolutionising rural credit. Through the years, SHGs have been promoted by State machinery, NGOs, international aid organisations, and similar entities. However, extensive field visits on the east coast of India have revealed that SHGs have not sustainably impacted the grassroots. Common hurdles were lack of focus, motivation, market orientation, and skill development. Many communities still believe that SHGs are merely avenues to access institutional credit at low rates of interest.

This manual presents illustrative guidelines for starting SHGs, discovering and developing skillsets, and creating products/services to fill existing gaps in the market. The case study section highlights efforts that have resulted in transformed communities and proves that an informed approach can light up the horizon for a future filled with hope and enterprise. Compact yet comprehensive, this manual will prove an indispensable guide for facilitators, NGOs, governments, development sector organisations, and social workers.

The Bay of Bengal Programme (BOBP) has played a critical role in crystallising ideas and exploring avenues for impacting the lives of people in marginalized communities through awareness programmes and development initiatives at the policy level. This manual is the outcome of the Women in Fisheries Programme initiated by BOBP's recent avatar, the Bay of Bengal Programme - Inter-Governmental Organisation (BOBP-IGO).



# 1. Frequently Asked Questions



## What is an SHG?

Self Help Groups are non-formal, voluntary organisations formed by like-minded individuals to fulfil immediate or long-term financial, emotional, or community needs. Examples of SHGs are support groups for alcohol addicts, neighbourhood welfare groups, non-political labour, and agriculture interest groups. In India however, SHGs have come to imply financial empowerment for the weaker sections of society.



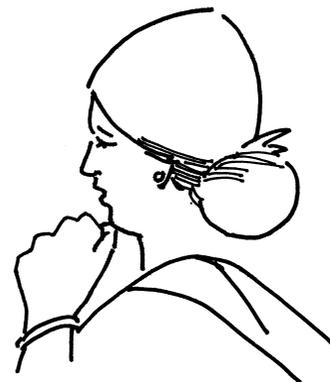
## How can I form an SHG?

Anybody with a clear vision for problem-solving through collective efforts can form an SHG.

However, the groups must be small with the number of members limited to 20. Often, groups swell to large numbers and are difficult to administer. When an SHG grows too large, divide the group into two smaller units to ensure efficiency.

People living below the poverty line (those who earn less than INR 45 per day) are encouraged by the government to form SHGs to solve problems related to micro-credit and local small-scale enterprise. SHGs are entitled to credit facilities by formal financial institutions and subsidies by different State governments. SHGs formed by women, backward castes, and tribals are promoted by banks, legal, and State political institutions.

*How many people  
What to make  
Funding*





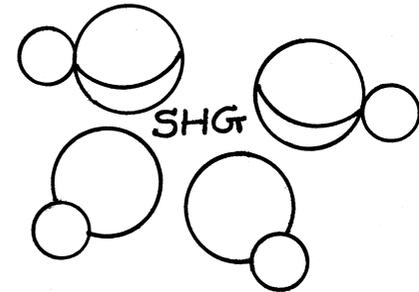
## Is an SHG different from a cooperative?

An SHG is an informal yet accountable structure that enables income-generating activities unlike a cooperative, which is more formal, mostly unwieldy and marked by an impersonal outlook.

Here are the key differences between an SHG and a cooperative society:

<b>Self Help Groups</b>	<b>Cooperatives</b>
Informal organisation	Formal registered organisation
Easy to organise	Need an organised structure
Limited numbers	Unrestricted numbers
Problems easily solved	Individual problems unaddressed
Capital investment by members on a weekly/monthly basis: financial problems solved without bank loans	Capital remitted through bank loans
Personal involvement and enthusiasm sustained	Difficult to sustain enthusiasm of all members
Unlimited role: micro-credit, income generation, community development	Role restricted to economic activity, especially marketing
Autonomous decision-making	Autonomy restricted

*Informal  
Small  
Flexible  
Low risk  
Productive  
Independent*





## What are the steps to form an SHG?

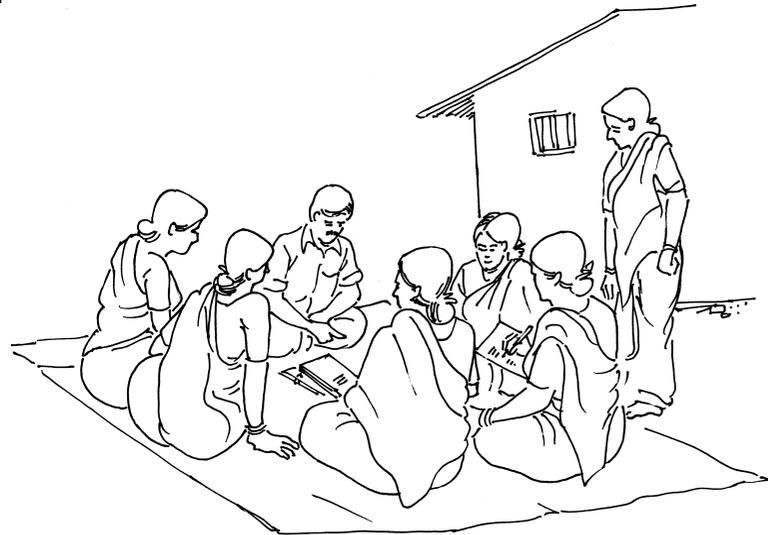
### Stages of SHG formation

- Motivate groups to address immediate needs. Liaison with an NGO or a facilitator to enable effective group formation and identify problems.
- If you detect financial problems, encourage group members to start saving on a weekly/monthly basis.
- Enable individual members to borrow money from a revolving fund to meet their requirements at a nominal rate of interest.
- In case larger funds are required for business, guide members to formal credit institutions such as banks.
- Assist the group to identify income-generating activities that will enhance savings and credit formation.

### *Ensure that:*

- Every SHG elects office bearers responsible for liaising with financial institutions.
- Members organise meetings every week.
- Group savings and minutes are methodically recorded.
- Members analyse their income and expenditure.

### **Communicate closely with the SHG**





## How can I get funds for an SHG?

The concept of SELF HELP implies that members address their financial needs themselves. However, if members require large capital (for business, repair/construction of houses, weddings, and festivals), the group can approach a bank for a loan. Present governmental policy states that banks can forward loans to SHGs without collateral. This implies that the entire group shares the onus of loan repayment.

NGOs can act as facilitators and financial intermediaries in forwarding credit to SHGs.

NABARD has identified 3 models of promoting credit linkages:

- SHGs formed and financed by banks.
- SHGs formed by NGOs and formal agencies but directly financed by banks.
- SHGs financed by banks using NGOs/other agencies as financial intermediaries.



**Encourage savings**



## What is a revolving fund?

Pooled resources of members constitute the revolving fund from which loans can be given to individuals. The interest charged on such loans is higher than that charged by banks, but lower than the rate fixed by moneylenders.





## How is an SHG accountable?

The concept of an SHG is that of a small interdependent network of people who are collectively responsible for upholding and working towards common objectives. In a typical SHG, members are socially and economically accountable to each other. Trust-building exercises and transparent interaction are critical to the positive perception of SHGs by group members.

Here are the key benefits of a well-developed SHG:

- Savings and economic activity
- Community feeling
- Discipline
- Work culture
- Cooperation
- Debates and crystallisation of opinions
- Awareness
- Rejuvenation of unused, local skills
- Empowerment of the marginalized

Steps to build successful SHGs in the community:

- Encourage SHGs to assess expenditure patterns on food and clothing.
- Ensure practical savings. For example, members should not save by compromising on nutrition.

**Savings**



**Team spirit**



**Awareness**



**Income generation**



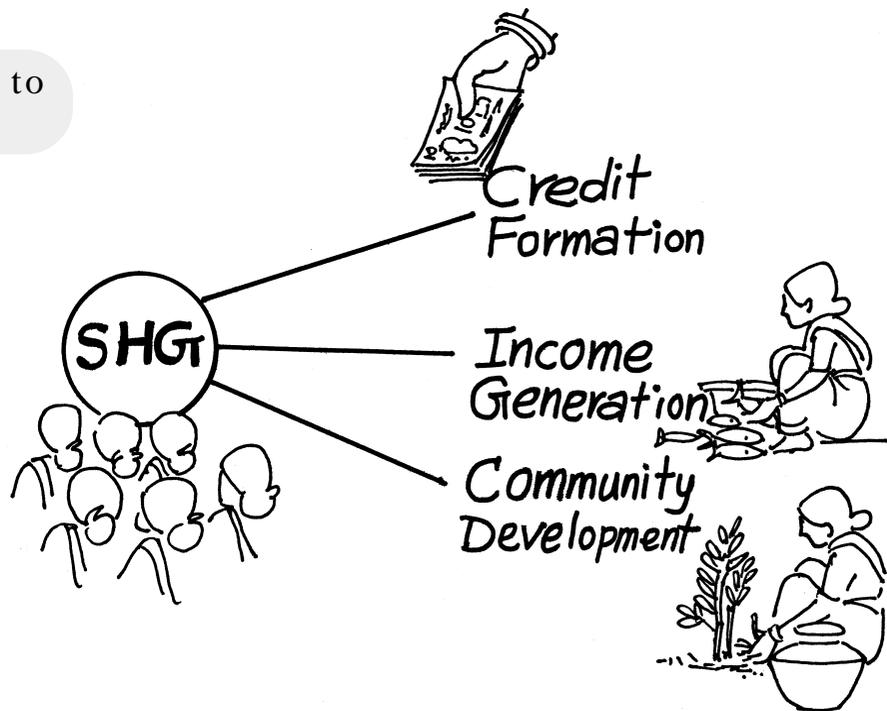
- Enable loans that are geared towards income-generating activity; personal loans can be disbursed by the revolving fund.
- Assist SHGs (by NGOs/government agencies) to become micro-economic units by facilitating advancement of loans, savings, and participation in income-generation.
- Challenge SHGs to play an active role in local community development.



What is the process for an SHG to start a business?

For people living below the poverty line, saving money is difficult. Channelling savings into business endeavours is fraught with uncertainty. There is the fear of incurring loss, investing in the wrong business enterprise, and speculation. Women need ongoing encouragement and counselling to evolve as successful entrepreneurs. Constantly monitor their activities to ensure that the venture is sustained.

There is no specified time for the women to profitably engage in business. SHGs receive easy loans from banks. Investing capital should not be difficult. However,



## Improving lives

ensure that this process is carried out with proper analysis. Encourage the women to study the market prior to investing in a business. Help them understand that there is more profit in working as a group rather than independent ventures. This is because the burden is shared among all members. It also reduces the investment made by each member and increases the output. For women with low capital, group businesses are specially encouraged.



## 2. SHG Information

### Success Stories:

- Unhappy with the postal service in their village, women in a remote village in Karnataka started a courier service. They invested in a few scooters and were soon earning considerable profit.
- People of the Gya-Miru region in Ladakh rear livestock (sheep and goats) which compete with endangered species like the Tibetan argali (80 numbers) for food. Wildlife enthusiasts, concerned about the pressures on the fragile biodiversity of Gya-Miru Wildlife Sanctuary, initiated the formation of an SHG with 10 women. Women from Gya, Rumste, and Sasoma village were trained to knit and supply woollen articles to outlets in Leh city. This measure was designed to increase alternative income generation and decrease pressure on wild pasture lands. In the long run, the success of the SHG will help stabilize livestock populations and motivate villagers to restrict livestock grazing. The initial investment was Rs. 10 000 (of which Rs. 5 000 is in the bank - the remainder was spent on training). Based on benefits to the community, it will not be long before the SHG women create a slush fund for conservation activities from their income.
- The dalit (community of people traditionally believed to be untouchables/outcastes) village of Thirukanchipet in Pondicherry is an example of how a marginalized community have transformed their lives through SHGs.



Though a well-maintained road runs through the village, there is no public transport for five kilometres. The UNDP, DRDA, and MSSRF have helped the people invest in a sixteen-seat auto rickshaw for moving people from the village to the nearest bus stand. The auto rickshaw makes about 70 trips a day and runs on battery. The charge for using the service is also nominal and the enterprise is profitable.

- SHGs in Kaitholi village in Balia District, Uttar Pradesh, have spread awareness about safe motherhood and family planning. In addition, they have started piloting the Government's Adult Literacy Programme, thereby integrating health with development.
- Women of Garibanko village in Orissa saved enough money to start a dairy farm with the aid of World Vision.
- Tribal women SHGs of Puriras village in Dantewada District, Chattisgarh, succeeded in getting electricity for their village.
- In Rameswaram Island, Kanniyakumari District, Tamil Nadu a group of physically challenged people began a centre (Nesakarangal) that imparts training to people with similar disabilities in shell and palmyra leaf craft. Today, fisherwomen also attend the training programme, which includes tailoring. Since Rameswaram is a popular tourist and pilgrim destination, these products find a ready local market. The tailoring unit has also obtained a contract for stitching school uniforms. In addition, Nesakarangal serves as a Village Information Centre with computers, where village news is distributed and weather updates and fish prices are available for fishers.



- Fisherwomen of Nallavadu (Pondicherry) debated the need for a lentil-grinding machine in their village. Two of the 10 SHGs in the village undertook the responsibility of starting a business with the grinding machine.
- SHGs formed in Vellapatty village, Tuticorin, Tamil Nadu help women to successfully conduct individual business. Women have met household needs, established petty shops, and have also joined the fish pickle unit established by MSSRF and the UNDP. Another group is also involved in fattening crabs for sale in the local market.
- An SHG of 16 women in Gadimoga village, East Godavari District (Andhra Pradesh), provides mid-day meals to the village school. Since the scheme had to be undertaken with minimal cost, the monthly earnings of a single woman amount to Rs. 225.
- An SHG in Sandeshkhali, 24 Parganas District (West Bengal) successfully breeds and markets prawns and fish. A representative of the group undergoes training conducted by the RKM KVK to update herself on technological innovations.
- Women in Gobindrampur, 24 Parganas District (West Bengal) played an important role in facilitating sanitation in their village by constructing low-cost latrines (toilet units).
- In complete role reversal, 5 women of St. Lucia Self Help Group of Eramanthurai village in Kanniyakumari District, Tamil Nadu, were trained in deep-sea fishing.



The programme was funded by the District Administration and the DRDA and facilitated by the Department of Fisheries. The programme which lasted 10 days, imparted training in spreading nets, hauling catches, and operating mechanised craft. After completing the programme, women were given financial assistance by the district authorities to purchase a mechanised fishing craft.



## SHG Trivia

- The SHG-Bank linkage programme was launched in 1992 by NABARD.
- Over 7.8 million families have been linked by the programme.
- 266 banks have been linked with the SHG network. These include 27 public, 13 private, 165 regional/rural, and 61 cooperative banks.
- 362 districts in 24 States and Union Territories have been networked.
- Over 461 478 groups have been linked with banks.
- 90% of SHG members are women.
- 66% of the SHGs are in the southern districts of Tamil Nadu and Andhra Pradesh.
- The repayment rate of loans issued to SHGs is 95%.
- Over 2 155 NGO partners are involved in liaising between banks and SHGs.
- Punnakkayal in Tuticorin District (Tamil Nadu) has the largest number of SHGs in an Indian village with over 50 groups consisting exclusively of fisherwomen with no governmental, NGO, or bank support.



### 3. The Manual

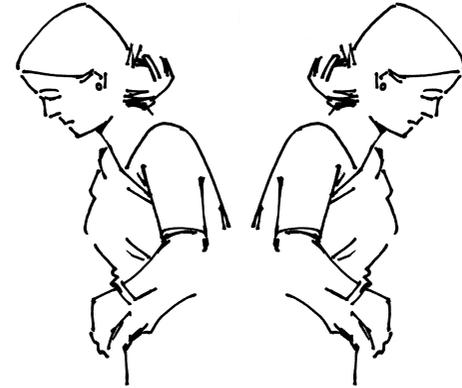
#### Getting started

Encourage the group to think: starting a group will make demands on their time, energy, and money. It will also restrict privacy. However, the outcome will be positive: they will make friends, learn to identify problems, have a life outside the home, and participate in some economic activity.

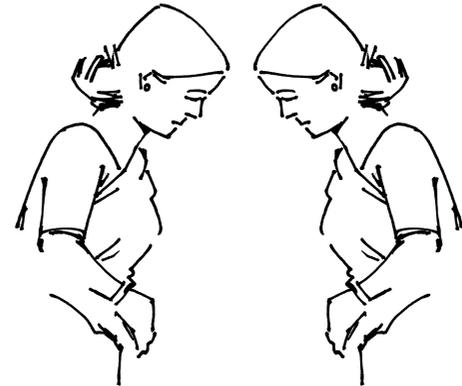
Group members must learn to trust each other. Trust may not come easily since women in rural areas are wary of sharing information on their initiatives with others. Once problems are identified through group discussion, trust builds up naturally. An easier way of getting the group to bond is to encourage women from the same family to unite. Usually, this gives them the assurance that their family would benefit from economic activity. Women from different extended families also find support from male members and parents-in-law if they form groups. Neighbours and friends are still seen with suspicion in some parts of rural India. With proper facilitation, you can enable the group to trust each other.

Several meetings are required before problems are identified and a common cause defined. Women will not start saving money right away. You will need to convince them of the positive outcomes. Keep your meetings short and focused. Long meetings result in boredom and gradual withdrawal of membership.

Instill a sense of discipline among the group members: the group must save money before seeking credit, meetings must



**Building Trust**



be regular, and every member must be given a chance to express her opinion. It is important that members of the group learn from each other's experiences.

Encourage the group to establish their own rules. They must determine how much money they can save and fix interest rates on loans disbursed. Empower the members to routinely appraise applications of loans within the group and prioritise needs.

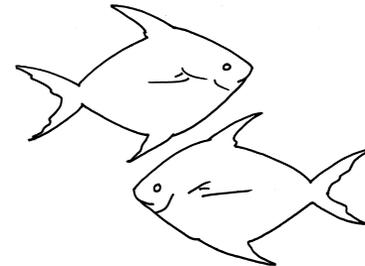
Guide the group towards self-sufficiency. Ensure that the group becomes autonomous, confident, and independent of your support/guidance. Encourage members to share responsibilities and participate equally in decision-making, setting priorities, and problem solving.

## Identifying Goals

Women in rural India have little time and even shorter attention spans. Repeatedly highlight the goals and couch the outcomes in financial terms since most problems are a product of acute poverty. It may appear logical that education, improved sanitation, and hygiene would solve most financial problems. However, many people in the rural belt are unable to make the connection.

Emphasise the idea of SELF HELP. Most rural communities and fishing communities in particular have become accustomed to government loans and subsidies. They frequently default on loan repayments and often expect loans to be written off after the first few instalments. Make the group aware that they are collectively responsible for individual loans. Exert continuous pressure on debtors to repay loans on time.

Expose the SHG members to the activities of people from other groups. Increased awareness crystallises precepts and facilitates



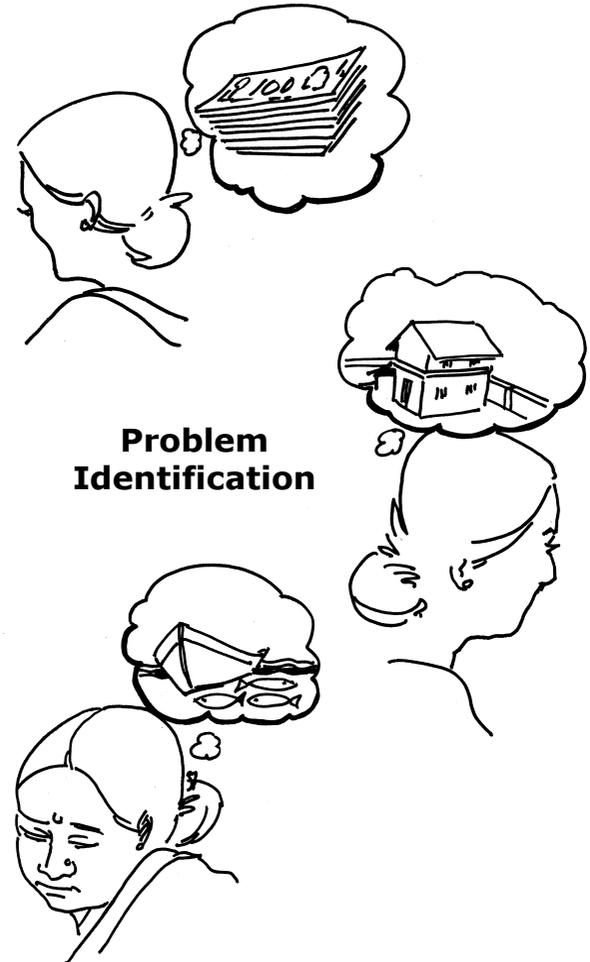
goal formulation. Such exposure also brings people into contact with procedures that could be replicated.

Impart a broad outlook on SHGs where saving is not the only objective of the group. Encourage the group to undertake income-generating activity. The group must identify the activity after making a careful assessment of resources they possess, local needs and demands, and their role in society. Arrange for appropriate training once members identify their goals. In addition to saving money, SHGs have a role to play in the community. Women must understand their role in society before they can identify with and meaningfully contribute to the goals of the group.

## Tips for Facilitators

Facilitators are instrumental in keeping the group together in the initial stages of group formation but must gradually become dispensable. In the initial stages, they build confidence among the group, act as arbiters and even conduct meetings. Most importantly, a good facilitator should also be a good listener. S/he should respect the women in the concerned community and act as facilitator rather than teacher.

However, their role is all-encompassing as they act as databanks of resource people who can conduct training, address grievances, access professionals (doctors, technicians), and even politicians who can represent grassroot demands. Facilitators also act as links between SHGs and financial institutions and update the group about bank policies, loan schemes, subsidies, and similar governmental relief packages.



In addition, they have the herculean task of sustaining individual interest. Dissemination of information is another important role played by facilitators. They must be prepared to answer any question at any time and make group activity engaging by providing interesting insights into social and political life. Field visits to other sites where SHGs successfully conduct business also keep the group interested in addition to cementing trust between the facilitator and the group.

Facilitators play an important role in suggesting livelihood strategies and outlining the goals of the SHG. They are the principle initiators who introduce the group to organised modes of income generation and business.

Facilitators must remember that their role is interim. People must gradually learn to think and act on their own initiatives. Leaders must be identified from the group and trained as office-bearers (president, treasurer, secretary) and link workers. They must understand that:

- All problems in marginalized communities arise due to lack of adequate finance.
- Problems of rural/poor people are complex and inter-related.
- Solutions such as education, improved sanitation, and nutrition are not always acceptable since they seem illogical to the uninitiated and marginalized.
- Financial upliftment, additional income, and savings solve immediate problems.
- For every intervention, financial benefit/gain must be highlighted and repeatedly emphasised.



## **Providing guidance**



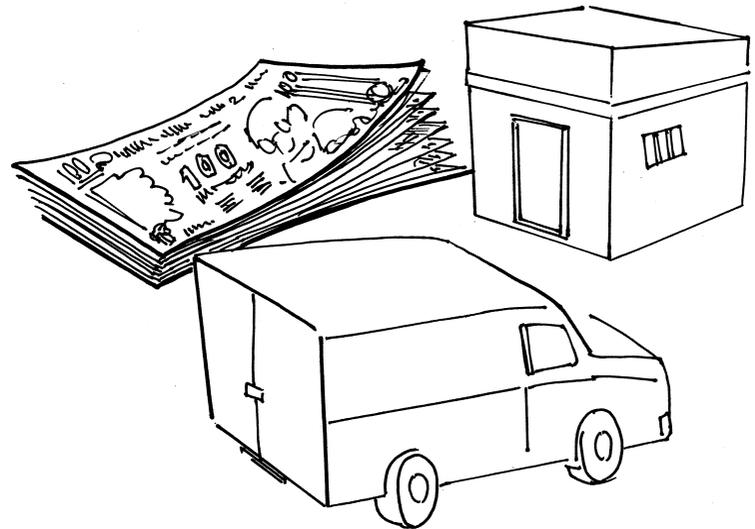
## Training and Marketing

Often, the important role played by markets is ignored by NGOs and donor agencies. Markets form an important facet of income generation and have to be understood if the group wishes to undertake business. Here is an outline aimed at making the market more accessible to rural women.

First, the group must identify an income generating activity. This must be done by assessing local resources, gaps in available facilities, local demands, and transport and communication facilities.

Next, the group must determine the reach of the marketing activities. They will have to determine whether the product/service will be limited to the village or distributed to a larger market. If the group has a regional marketing plan, they must begin their activities in the local market. Later, once the business gains stability and momentum, they can evaluate the possibility of product acceptance in the larger market. Large markets mean intense competition, larger investment, more time, and greater discipline. Evaluate whether the group is willing to invest more resources and capital.

Now that the income generating activity and extent of the market have been identified, the group must be trained. Training is essential because risks involved in businesses are tremendous. Quality has become extremely crucial in determining the popularity/success of any product/commodity.



Training packages should impart:

- Skills in the chosen activity
- Marketing skills and market assessment capabilities
- Accounting and record-keeping skills

Marketing forms an important component of training. How can women assess the market? To understand the market, they must first understand expenditure patterns. Encourage the group to discuss how they spend their income. What items are consumed regularly, what items are popular, and what items are dispensable. This will give the group an understanding of how families spend their income. They will notice patterns; for example, most families spend a large portion of their income on food and other consumer items.

The next step involves the assessment of expenditure patterns outside their homes. They can speak with friends outside their group to get an idea of such patterns. This may not be an easy exercise, which is why group assessment of family expenditure must be done thoroughly.

Once assessment of expenditure patterns is done, it is time for the group to visit the local market. Here, they can observe local demands for the commodity they have decided to produce, taste



## Encouraging group members



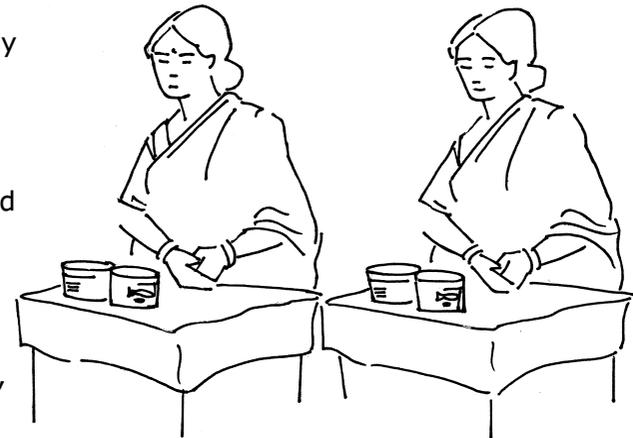
the items (if they are edible), and procure some samples to see if they can prepare an improved item. They should interact with shopkeepers to get a fair idea about the business. They should also make an assessment of the price range of the item and see if they can prepare something cheaper (that could become the Unique Selling Proposition - USP).

Women must be prepared to make the initial investment. This investment includes the cost of infrastructure (rent for business premises, ingredients, manufacturing equipment, transport, labour, raw material). It should budget for losses that are likely to occur for the first few months of the enterprise. Depending on the product, women should budget for a 6 – 8 month gestation period and expect to break even and record profit only after a year. During this time, it is essential that the morale is high and that they do not get daunted by the business. The experimental stage of business determines whether the enterprise will go any further. Money management during this phase is crucial: only a fraction of the capital should be invested so that there is enough to tide over any crisis.

A group of prospective users must be carefully selected to test the product. This minimises chances of losses during the experimental phase. It also builds up a clientele that sustains demand for the product. Women should select family members, friends, and neighbours who can buy the item at reduced rates over a given period of time.

It is important to understand competition. Competition occurs when there is more than one supplier of a given product. It lowers prices in the market and cuts profit margins. It also increases product specialisation, improves the item, and

## Competition



provides more incentives for buyers. To tackle competition, the group should explore niches in the market and provide services/ products that have few suppliers and be prepared to handle price fluctuations.

Finally, the group should look for partners. This is especially important if the group wishes to expand business. It is essential to build networks with shopkeepers, transport authorities, and even middlemen. This will help them sustain and expand their business over a period of time.



## Why Businesses Fail

Small-scale businesses are more prone to the uncertainties of the market. Often, businesses get wound up because they suffer heavy losses. The success rate of SHG ventures is yet to be properly assessed. Many businesses find that after initial profits, they begin to suffer from negative returns and struggle to recover. Here are some reasons why businesses fail:

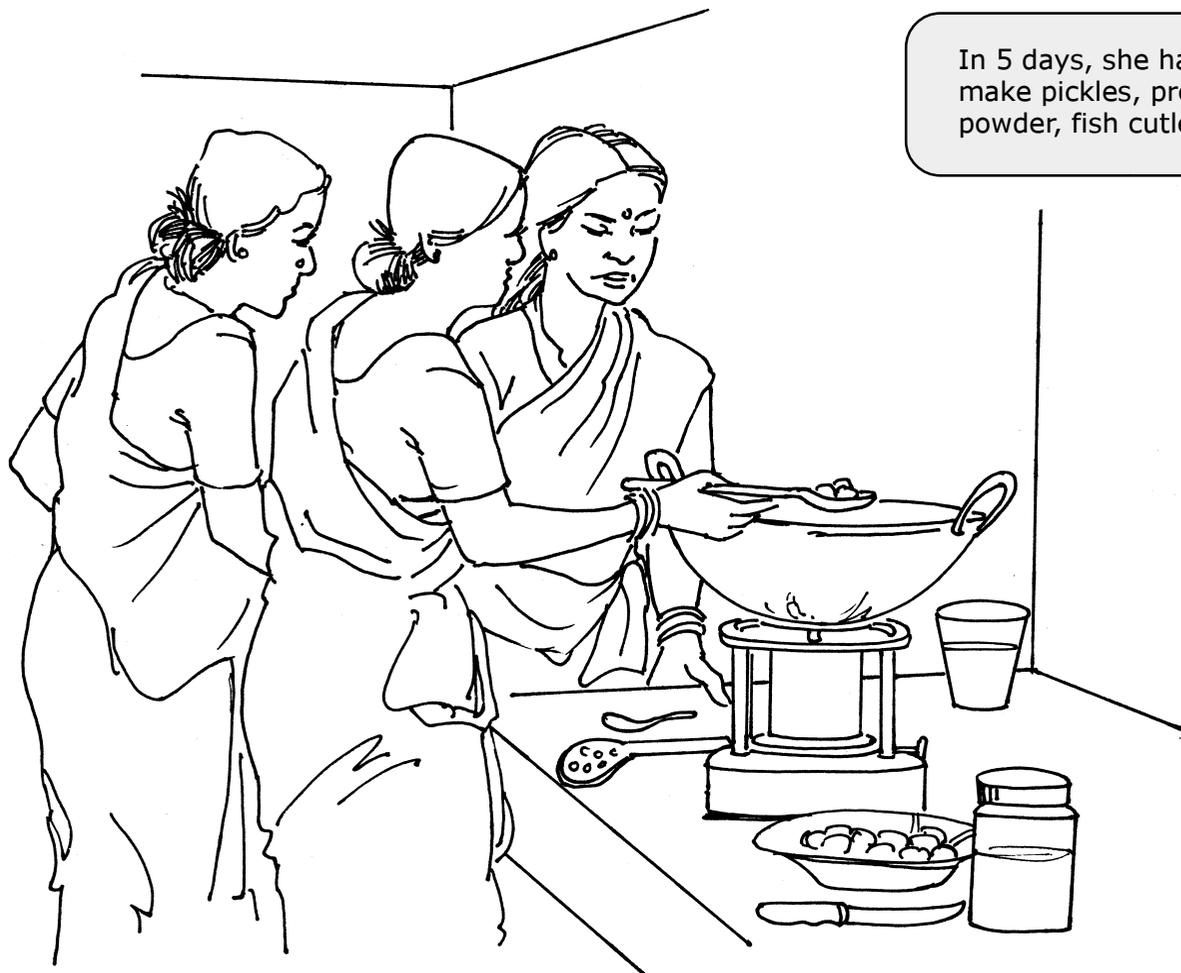
- Neglect of the business by group members due to complacency/laziness.
- Lack of experience in dealing with orders, marketing, and handling supplies.
- Fraud within the group or by external people (agents, merchants).
- Mismanagement of money, people, equipment, stock, and customers.
- Absence of a market, poor quality control, and unreliable market surveys.
- High expenses and overheads.
- Inappropriate location and poor visibility for the product/service.
- Changing credit policies of government/ financial institutions, and
- Lack of group cohesiveness, trust, and unity.



## 4. Interactive Guide for Social Workers/Facilitators

Lakshmi is a fisherwoman. She sells fish in the local market. She attends a value-added fishery product programme organised by the local NGO.





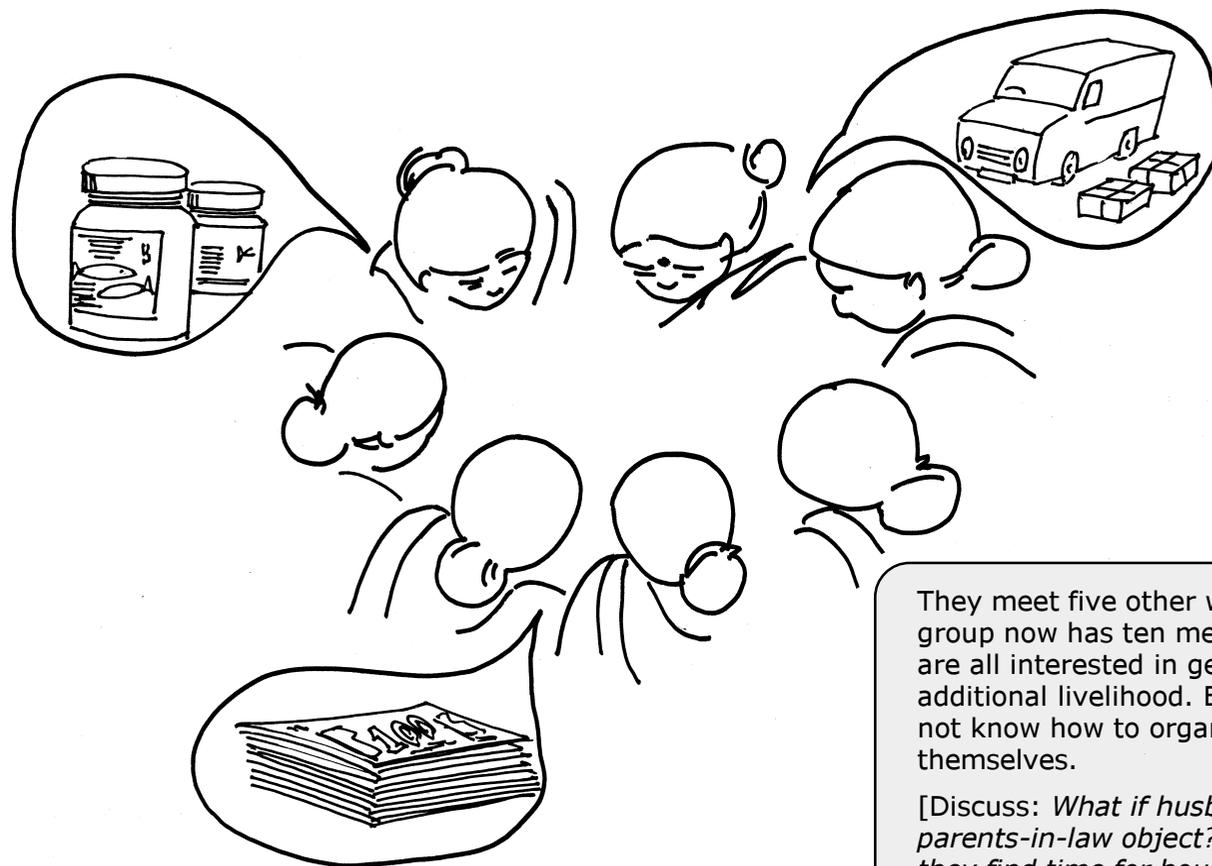
In 5 days, she has learnt how to make pickles, prepare masala powder, fish cutlets, and dry fish.



The NGO tells her that she must utilise her skill for income-generation. But she does not have enough funds.

After the course, she meets four friends in the village. She tells them about the course and what she has been advised. The friends are interested in forming a team. But they need more people.





They meet five other women. The group now has ten members. They are all interested in generating additional livelihood. But they do not know how to organise themselves.

*[Discuss: What if husbands and parents-in-law object? How would they find time for household activities? How would they look for solutions?]*

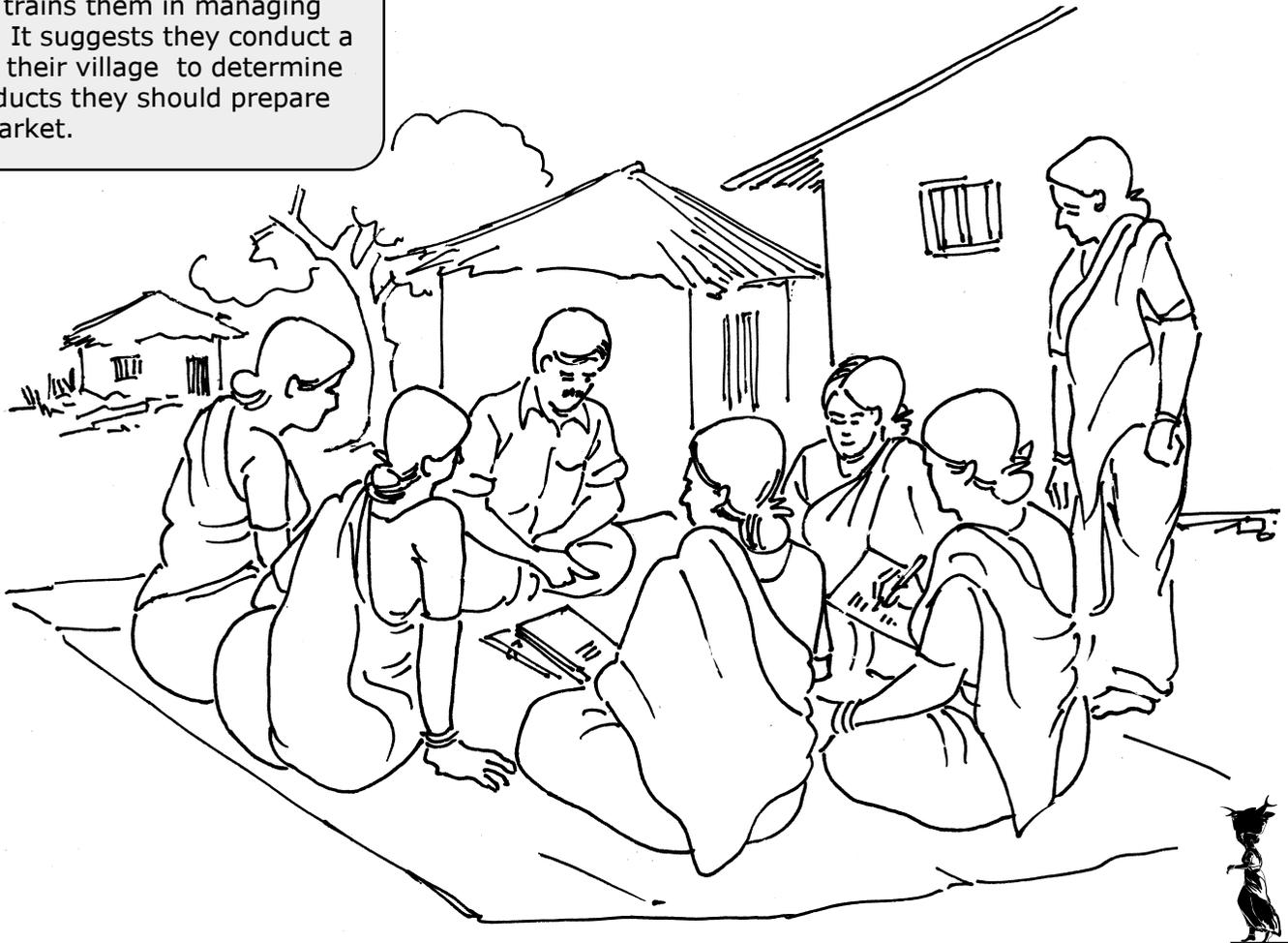


They approach the NGO. The NGO suggests they form a Self Help Group. They must begin by pooling their resources in a common fund and saving this for business ventures. They also open a bank account.

[Discuss: *What are the advantages of opening a bank account?*]

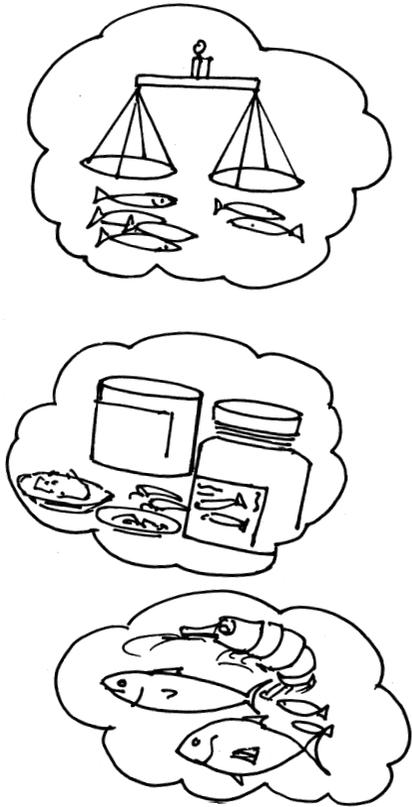


The NGO trains them in managing accounts. It suggests they conduct a survey in their village to determine what products they should prepare for the market.



Lakshmi and her friends conduct a market survey. They observe the activities of traders in the shops. They find that among articles of daily consumption, pickle is consumed almost daily by all members of the village. It is also easy to prepare and market.





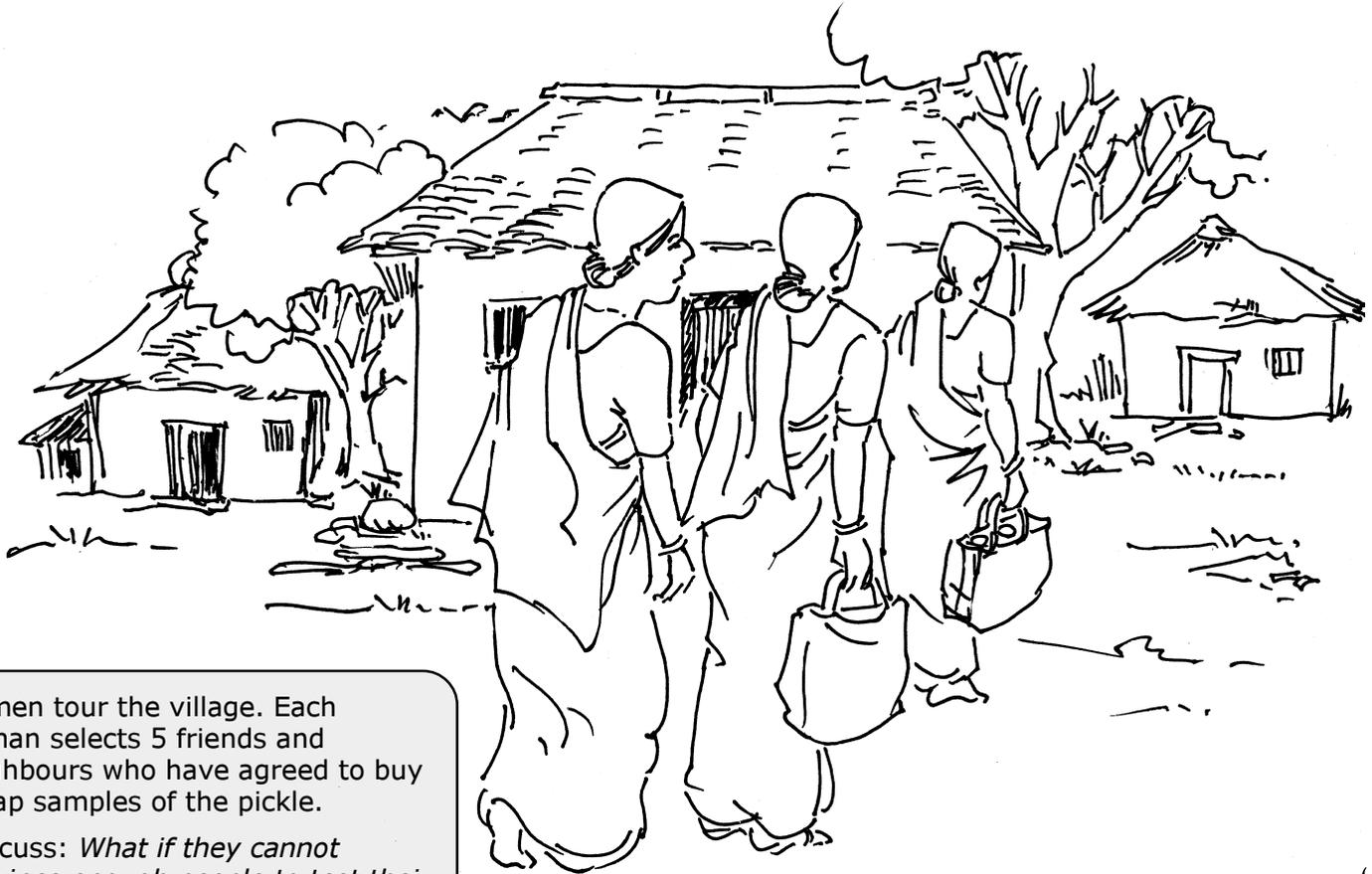
They decide to prepare fish pickle. But they have no idea about the quantities required and tastes of the people. They also have only one recipe.

[Discuss: *What if Lakshmi and her friends had not done a market survey? They would not have known market preferences, they would have prepared excess quantities, they would have prepared the wrong product.*]



One of the women suggests they select a sample of consumers to whom they will supply pickle on a regular basis and perfect their skills.

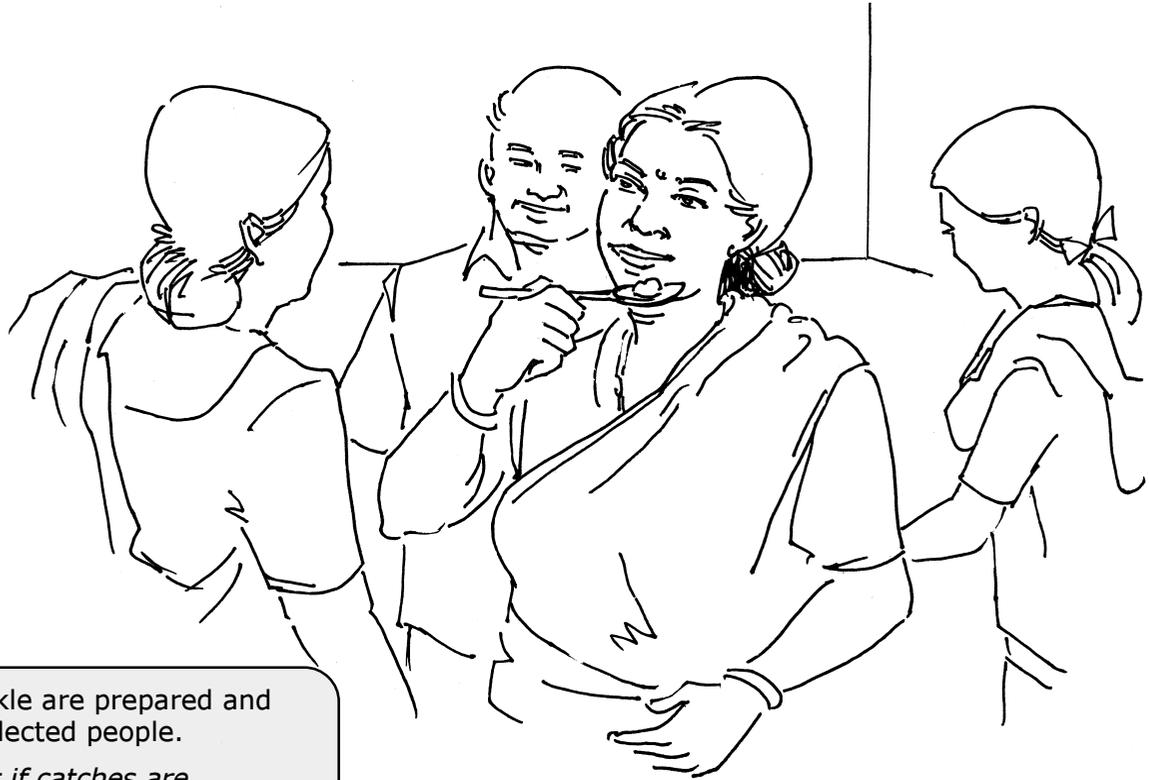




Women tour the village. Each woman selects 5 friends and neighbours who have agreed to buy cheap samples of the pickle.

[Discuss: *What if they cannot convince enough people to test their samples on? How would they convince the village community?*]





Samples of pickle are prepared and given to the selected people.

*[Discuss: What if catches are reduced and fish becomes expensive? How would they look for alternatives? How would they cut costs when they are already selling samples at low rates? Would they reduce quantity?]*

Over the next few weeks, they are given suggestions as to how the taste of the pickle could be improved.

[Discuss: *What if there is high wastage and loss? Produce in lesser quantities and appoint a group member to ensure quality control*].





Meanwhile, the women have been meeting regularly and saving money. They also keep record of which family needs more pickle and preferred tastes.

*[Discuss: What if another SHG begins to prepare the same product? How would they tackle competition? Advertising their product, highlighting their experience, improving the recipe, and reducing cost.]*

After six months, they have enough capital to expand their business to the rest of the village. They are also eligible for a loan. They have gained experience on local demands, tastes and preferences. They have also become more confident about entrepreneurial ventures.

*[Discuss: What problems are they likely to face if they expand their business to the entire village? How would they manage the business, accounts, and product? Would the quality change? Or, would they open a shop to sell their products? Emphasise the need for training in management skills and accounting.]*



# Appendix

## Acronyms

INR: Indian Rupee

NABARD: National Bank for Agriculture and Rural Development

MSSRF: M S Swaminathan Research Foundation

UNDP: United Nations Development Programme

RKM KVK: Ramakrishna Mission Krishi Vigyan Kendra

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Rita Sengupta

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