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Beyond Microfinance: Self Help Group Possibilities in Agriculture

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In recent years, Self Help Groups (SHGs) have emerged as important form of collective action in rural India. It has become a country wide movement, followed by the NABARD sponsored SHG-Bank linkage programme, which started in 1992. At present there are around 7.9 million SHGs in the country, of which more than 75 percent are exclusively women SHGs (NABARD, 2015).

Though the original intention of SHG mobilization was financial intermediation between formal financial system and those who did not have access to financial institutions, its developmental potential was soon realised by various developmental agencies and practitioners and concerted effort is being made to harness the potential of SHGs in various sectors like agriculture, natural resource management, nonfarm employment generation etc. Government of India (2008) in common guidelines for watershed development has stressed that the watershed committee shall constitute SHGs in the watershed area from amongst poor, small and marginal farmer households, landless/asset less poor agricultural labourers, women, shepherds and SC/ST persons. These Groups shall be homogenous groups having common identity and interest who are dependent on the watershed area for their livelihood. Each Self Help Group will be provided with a revolving fund of an amount to be decided by the Nodal Ministry

In agriculture, significance of the concept of SHGs arises in the context of optimising the contribution of marginal and small famers as well as mainstreaming women in agriculture. Another aspect is related to reforming agricultural extension, where group mobilization is perceived as an important strategy for making the extension system demand driven.

More than 80 percent of Indian farmers are small and marginal holders. Low asset base and paucity of productive resources make them vulnerable to risk and impede their coping ability. The competitive advantages of small holders, as reported by Poulton et al., (2005), lie principally on their use of family labor at much lower transaction cost, and their intensive local knowledge. Small farmers face high unit transaction cost in almost all non labor transactions, including non labor input markets, credit services and output markets. Vyas (2011) observed that small farm-based agriculture will grow to the extent the institutions of research, extension, marketing and credit are attuned to the requirement and capabilities of the small holdings. These institutions were at present largely bypassing these sections because of higher transaction costs, perception of high risks and low absorption capacity of small farms. Access to

credit is crucial for agriculture and allied activities. It will affect their timely access and availability of all other services which in turn may lead to problem of commitment failure. Since the transaction cost and risk in financing small holders are high, banks and other formal financial institutions are often reluctant to provide credit to the small holders in rural areas. Output market is another concern, where small holders are often confronted with price volatility and exploitative nature of market intermediaries. The marketable surplus of individual smallholders is too small to be traded economically in distant urban markets owing to high transportation and transaction costs (Birthal and Joshi, 2007). The low volume of marketable surplus also constrains the bargaining power of small holders.

The above mentioned constraints are further compounded for women farmers, since they have little direct access to land and highly unequal access to inputs and other services. Lack of access to and control over land has intensified women's difficulties, their access to credit, technical assistance and participation, all essential for development. A little access to credit limits their ability to purchase seeds, fertilizers and other inputs needed to adopt new farming techniques. Women farmers usually have been neglected in extension efforts. Gender inequality had so far not been challenged by the agricultural extension system in the past.

Agricultural extension is considered as important link in the institutional scenario for ensuring that small and marginal farmer's priorities are duly acknowledged, but could not perform up to the expectations of small holders owing to financial, infrastructural and human resource constraints. The vast majority of small and marginal farmers in India, especially women, lack an effective voice in influencing, research and extension priorities. The new policy framework on agricultural extension (DAC, 2000) stress up on creation of a demand-driven extension system for providing farmers with access to linkage mechanisms through which they will be able to access relevant information to help them articulate their problems and needs with reference to their production & marketing plans. A key factor in extension reform is to organise farmers into functional groups, such as Self-Help Groups (SHGs) and Farmer Interest Groups (FIGs). These groups/organizations can provide an effective channel for both the dissemination of technology to large number of small and marginal farmers and feedback to research and extension. Group extension will also help to replace the top down approach with bottom up approach in technology transfer, as the groups will first generate a demand for information, technology and management techniques. The extension workers would then respond to the group demand. This would lead to a farmer-extension worker participatory process with emphasis on problem solving rather than disseminating routine messages. The policy framework also suggested that the group approach in extension would also be in line with the Self-Help Groups of rural credit delivery, water user associations, and co-operatives.

Collective Action perspective.

The concept of collective action is re-emerging recently to organize small farmers in developing countries in the wake of agricultural market liberalization (Coulter *et al.*, 1999). Agarwal (2010) has given a detailed account of potential benefits of collective action in agriculture. Collective farm activity could range from just joint investment in lumpy (physically indivisible) inputs such as agricultural machinery, to land pooling and joint cultivation by small owners, or even joint land acquisition by purchase or lease. Especially where small and marginal farmers predominate, there could be gains in productivity as well as bargaining power in acting jointly rather than individually. This is likely to be even more the case with women farmers. Group farming by pooling owned land or jointly leased land, however, involves a much higher level of cooperation than simply joint investment in inputs, and would be more difficult to achieve, but it can also bring greater productivity gains and social empowerment as compared with individual production units, for several reasons.

First, it can help spread the risk of farming among a larger number and increase production opportunities. Second, land pooling can increase the cultivable area since boundaries and bunding between fields become redundant and the saved area could be cultivated. By enabling consolidation, fragmentation would also be reduced. Third, joint cultivation allows labour sharing and easy substitution for a member who is temporarily unable to work due to illness or other exigencies. This can especially benefit marginal farmers, who would also gain from labour pooling for peak season needs, for which they may normally be dependent mainly on family labour. Fourth, a group would be better

placed to enter into non-exploitative contract farming arrangements. Fifth, a farmers' collectivity would be more socially empowered than individuals. It can improve the clout of farmers with government agencies and so their access to formal credit, inputs and information. Sixth, groups would be better placed than individuals to deal with short-term shocks such as rising food prices and long-term disasters due to climate change. As a group, the poor would be better protected both as producers and as consumers. As producers, they would have better prospects of moving from being deficit to surplus farmers (and so gaining from the price rise) through improved access to infrastructure and technology, and greater ability to take advantage of higher value crops or contract farming arrangements. As consumers, they would be better able to undertake income smoothing. The groups would, however need to overcome the classic problem of free riding, such as work shirking in group cultivation. Here small group size and socio-economic homogeneity would help, since small groups, constituted of people who know each other, can enforce penalties for shirkers through weekly meetings, management committees, or other methods, and also exert moral pressure for compliance. Jiggins *et al.*, (1997) have cautioned that care is needed to sort out situations where collective efforts by groups is effective and where individual activity structured or accessed through group membership is more effective and efficient.

The collective action dimension of SHGs has much to do with the joint and several liabilities of group members, which enhance the collective action through peer pressure for effectiveness and against free riding. Forming farmer interest groups and federating them at the block and district levels is considered as an important strategy of the ATMA (Agricultural Technology Management Agency) extension approach implemented by the Government. The idea is to encourage farmer groups to organise different types of services for themselves, including input supply, credit, technical services and marketing arrangements-activities that would increase their productivity and incomes, while decreasing their dependence on government.

(This is the first part in the two part series)

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