

# Quality and Sustainability of Self Help Groups in Bihar and Odisha

*Study Commissioned by*  
**NABARD**



*Conducted by*  
**APMAS**



# Objectives of the Study

- To ascertain the quality of SHGs including SGSY groups promoted by various SHPIs and comparison thereof
- To assess SHGs' ability to effectively use their savings, credit access to banks, RR and default management
- To know the role of SHGs in helping entrepreneurial members to better manage risks, shocks, disasters etc.
- To evaluate factors preventing the SHGs to reach its optimum quality through understanding gaps
- To assess the impact of SHGs, social and economic empowerment of women; and
- To come up with recommendations to improve the quality & sustainability of SHGs and their federations

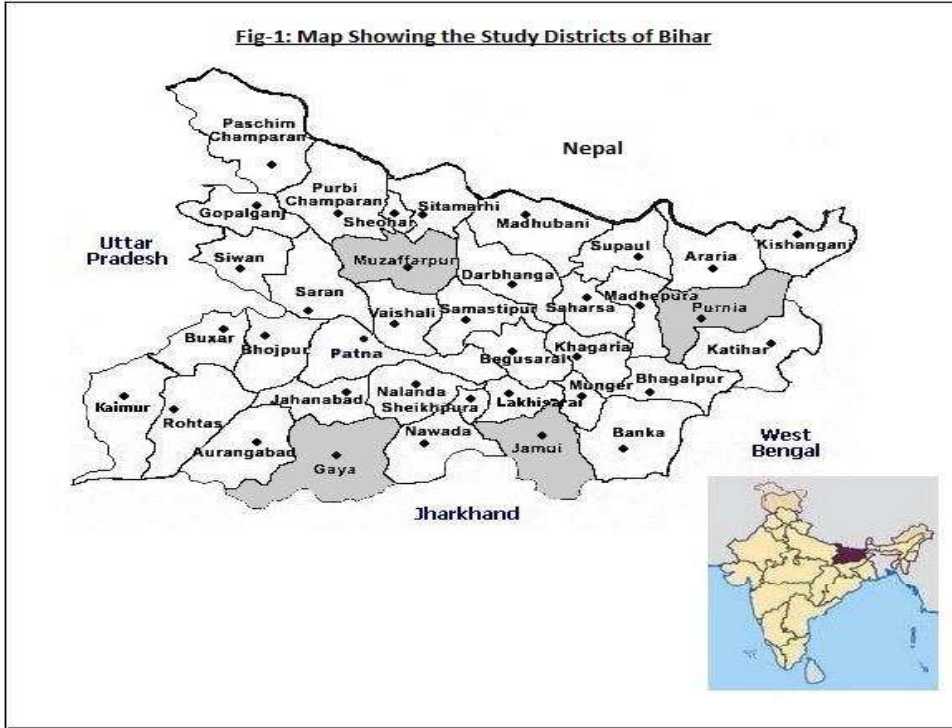


# Sampling Frame

| <u>Unit</u>     | <u>Criteria</u>                                                                                                   |
|-----------------|-------------------------------------------------------------------------------------------------------------------|
| 1. States-2     | 2 out of 13 priority states identified by the NABARD based on backwardness & quality of CBOs                      |
| 2. District-8   | 4-districts in each state; No. of SHGs; regional variations; presence of SHPIs & special projects                 |
| 3. Block-24     | 3-blocks in each district; no. of SHGs; economic development and location; presence of SHPIs and special projects |
| 4. Villages-96  | 4-villages in a block- based on location<br>Presence of promoters                                                 |
| 5. SHGs-288     | 3-SHG in a village; different ages, social category, promoter                                                     |
| 6. Officials-44 | District and Block level Officials – Banks & RD                                                                   |
| 7. Fed. -8      | 4-federations in each state –different promoters                                                                  |

# Sample States and Districts

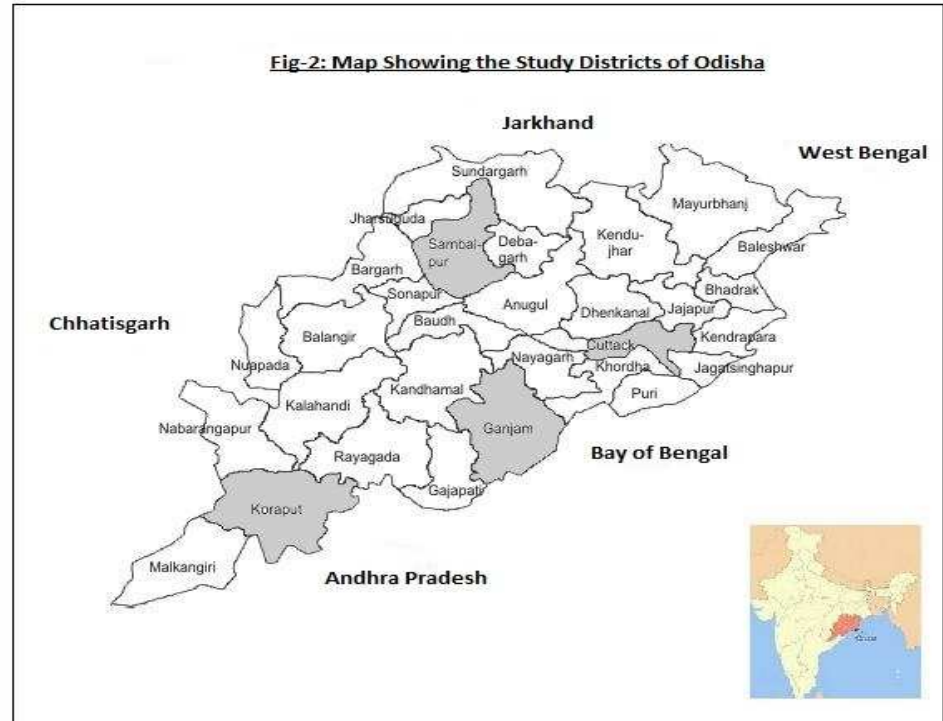
Fig-1: Map Showing the Study Districts of Bihar



**Districts in Bihar**  
**Gaya, Jamui,  
 Muzaffarpur and Purnia**

**Districts in Odisha**  
**Cuttack, Ganjam,  
 Koraput and Sambalpur**

Fig-2: Map Showing the Study Districts of Odisha





# Data Collection Tools

| <u>Format</u> | <u>Areas Covered</u>                                                                                               |
|---------------|--------------------------------------------------------------------------------------------------------------------|
| 1. SHG        | SHG components, credit linkages, Recovery Rate & default, SHGs & social activities and impact                      |
| 2. Banks      | Details of SHG Bank linkage, procedures & issues                                                                   |
| 3. SHPI       | Organizational profile; ICB, BL, and LH promotion                                                                  |
| 4. Fed.       | Governance, accountability & legal compliances, HR, asset quality, non financial services, development initiatives |
| 5. Caselets   | Context, description, outcome and learning                                                                         |



# Status of SHG-BL Programme

| <u>Particulars</u>                   | <u>Bihar</u> | <u>Odisha</u> | <u>India</u> |
|--------------------------------------|--------------|---------------|--------------|
| 1. No. of SHGs (in lakhs)            | 2.69         | 5.17          | 74.30        |
| 2. Savings amount (Rs. in lakhs)     | 16,467       | 45,734        | 989,742      |
| 3. Avg. Funds in SHG SB A/c (in Rs.) | 6,128        | 8,839         | 13,322       |
| 4. SHGs got linkage in 2013-14       | 40,036       | 53,699        | 1,366,421    |
| 5. Average loan per SHG 2013-14      | 70,936       | 94,016        | 175,768      |
| 6. % of SHGs have loan O/s           | 71           | 48            | 56           |
| 7. Avg. Amt. of loan O/s per SHG     | 47,228       | 61,838        | 102,273      |
| 8. % of Non-Performing Assets        | 7.86         | 18.91         | 6.83         |

Source: Status of Microfinance in India – 2013-14 published by NABARD

SB A/c- Savings Bank Account; O/s – Outstanding; Avg. Average; Amt.-Amount



# Federations

- **Many NGOs received grant support from NABARD**

*Rs. 1,587 lakhs to 370 NGOs in Bihar*

*Rs. 420 lakhs to 212 NGOs, 10 RRBs, 5 CBs & 4 IRVs in Odisha*

- **Large no. of fed. in Odisha compared to Bihar**

*Bihar- 6,646 feds - 6,543- PLF; 103 – SLF*

*Odisha- 11,356 feds – 10,952- PLF; 364 – SLF; 40 TLFs*

- **Govt. and NGOs are the ‘Promoting Agencies’**

*Bihar - BRLPS, WDC, NIRDESH, APMAS, etc*

*Odisha – TRIPTI, Mission Shakthi, SRLM, BISWA, etc*



# Profile of SHGs

- **Govt. in Bihar and NGOs in Odisha are the lead SHPIs**
- **26% - SGSY groups**
- **52% - SHGs are homogenous in caste**
- **5 years - Average age of SHG**
- **12 members – Average size of SHG**
- **2.16 months - Avg. time taken to form a group**
- **6 Kms – Average distance to bank**
- **Linkage with banks - CB-65%, RRB-25%, Coop-9%**
- **79% - SHGs associated with federations**

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*CB-Commercial Banks; RRBs-Regional Rural Banks; Coop-Cooperative Banks; Avg-Average;  
Km-Kilometer*





# Savings...

- **Mostly monthly (78%) followed by weekly (21%)**
  - *Weekly saving is high in Bihar (33%) compared to Odisha (9%)*
- **Rs. 55 - Avg. savings per month & member**
  - *High in Odisha (Rs. 70) than in Bihar (Rs. 41)*
- **35% - SHGs in Bihar promoted health savings**
  - *With an average of Rs. 2,771 per SHG*
- **Rs. 30,860 – Avg. amount of savings per SHG**
  - *High in Odisha (Rs. 39,591) than in Bihar (Rs. 22,372)*
- **The avg. share capital is Rs. 1,661 per SHG**
  - *High in Odisha (Rs. 1,691) than in Bihar (Rs. 1,473)*
- **71% - SHGs collect savings in meeting**
  - *High in Bihar (90%) than in Odisha (52%)*



# Utilization of Savings

- **41% - members accessed loans from SHG funds**

*Bihar - 56% & Odisha - 25%*

- **64% - SHGs reported loan O/s with members**

*Bihar – 88% with an avg. amt. of Rs. 22,521*

*Odisha – 40% with an avg. amt. of Rs.34,278*

- **21% - SHGs distributed group savings/funds**

*Rs. 33,576- avg. amount per group*

*High in NGO-SHG (43%) compared to Govt. (38%)*

*It is > 3 times in the SHGs of BCs (48%) compared to others*

- **Multiple reasons for distribution of group funds**

*Delay in getting bank linkage*

*At the time of paying savings to dropouts*

*Multiple sources of credit; No internal lending;*

*Distribution once in year /at the time of SHGBL loan disbursement*



# Meetings & Book Keeping

- **Monthly (69%), followed by weekly (25%)**
- **73% - SHGs conducting meetings regularly**
- **Moderate member attendance in meetings**
- **Agenda mostly confined to financial aspects**
- **Books are maintained but not up-to-date**
- **Records are mostly with group leaders (81%)**
- **31% of Book writers are unpaid SHG members**

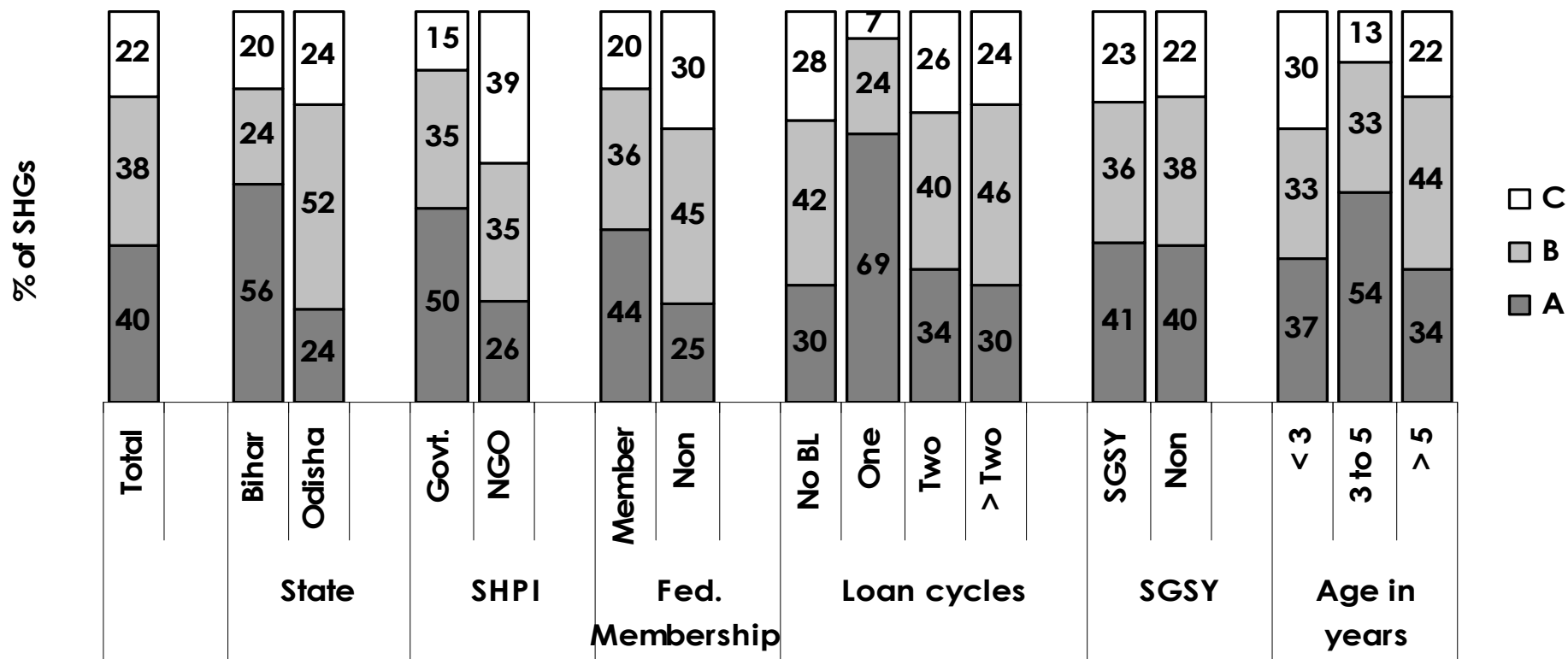


# Leadership

- **Multiple criteria in leaders selection**
  - *Good communication skills (89%),*
  - *Good character (85%) and*
  - *Education (62%)*
- **Select mostly by majority members consent**
- **20% - SHGs reported Leadership rotation (LR)**
  - *It is high in old SHGs*
  - *High in SGSY groups (27%) than non-SGSY (18%)*
- **Multiple reasons for not to change the leaders**
  - *Unwillingness of the present leaders to step-down*
  - *Other members are unwilling to be as leaders*
  - *Bankers not accepting to change leaders during BL*
  - *All other members are illiterate*



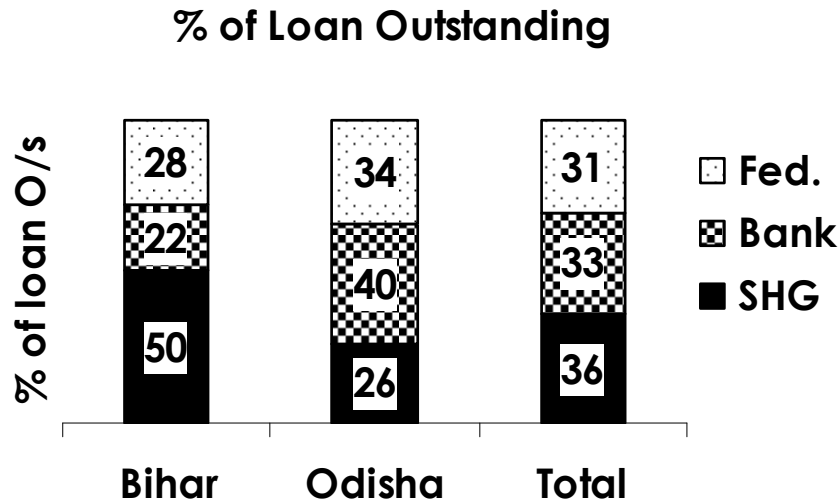
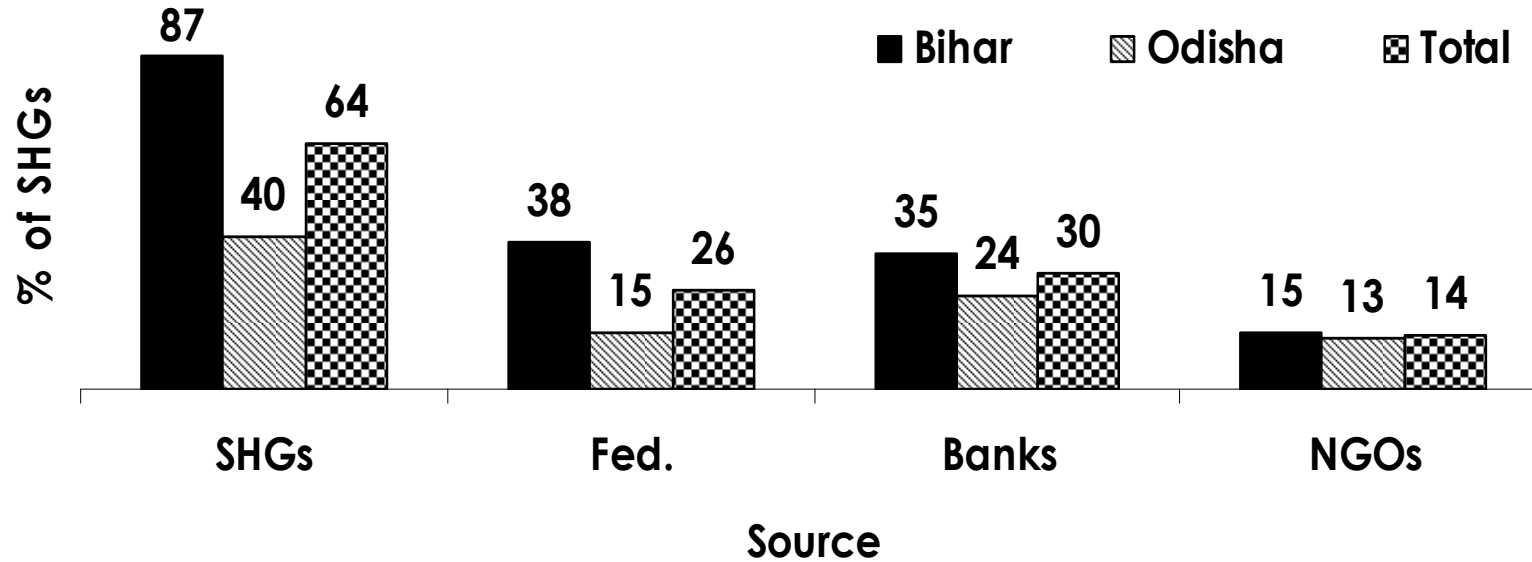
# Grades of SHGs



Critical Rating Index (CRI) was administered to grade the SHGs; A- 70 & Above marks; B – 50-69 Marks; C-< 50 marks



# Access to credit



## Avg. loan size (current)

- SHG-BL Rs.85,000
- Federations Rs.91,000



# Large Amount of Idle Funds

- **Rs. 19,940 - avg. amt. of idle fund per SHG**

*Odisha -Rs.30,066 & Bihar - Rs.9,598*

- **50% - SHGs credit linked to banks**

*avg. no. of loans -1.9 loans; avg. amt- Rs. 1,20,182*

*Odisha - Rs.1,84,030; Bihar - Rs.58,958*

- **19% SHGs got revolving fund**

*with an avg. amount of Rs.13,893*

*Odisha – 35%; Bihar- 4%*

- **8% - SHGs accessed SGSY loans**

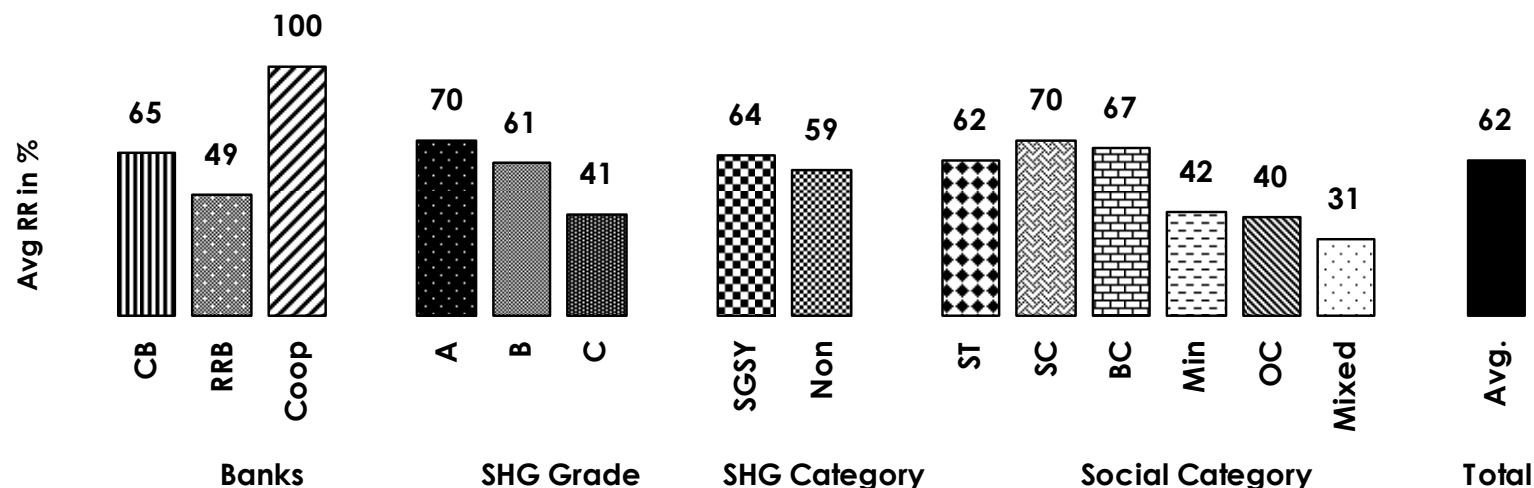
*1.1- avg. no. of loans; avg. amount - Rs.1,61,695*

*Odisha - Rs.2,70,667 & Bihar - Rs.1,23,235*



# Repayment Rate – SHGs to Banks

## Repayment Rate



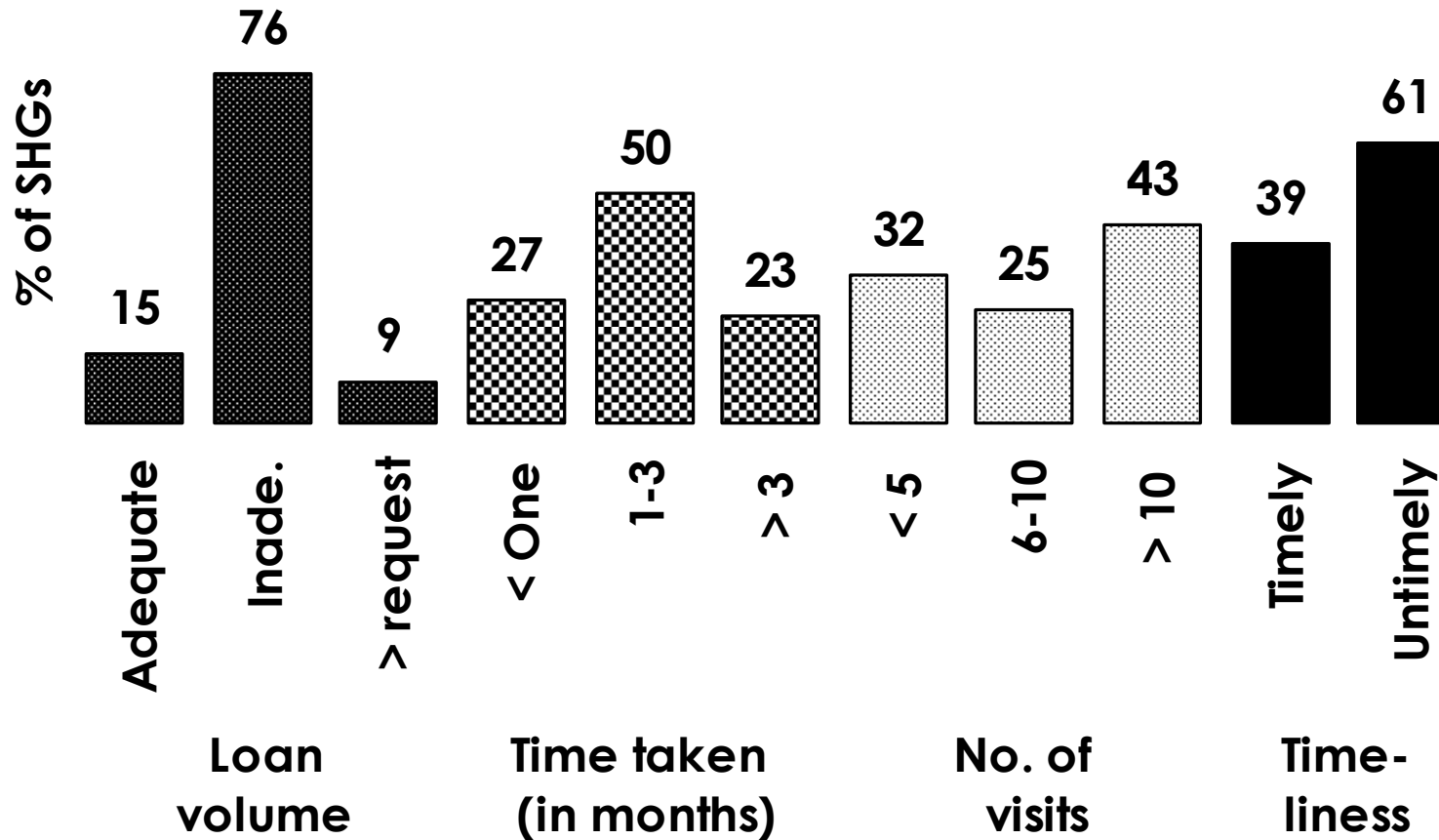
## Defaulting

- **SHG funds – 58% of SHGs with average of Rs.16,350**
- **Bank loans – 54% of SHGs with average of Rs. 27,951**
- **Federation loans – 47% of SHGs with average of Rs. 24,442**





# Voices of SHGs on Bank Linkage





# Membership- Enrollment & Withdrawal

- **42% - SHGs reported dropouts**
  - *Incidence of dropouts is more in old SHGs*
  - *SHG-BL cycles increases dropouts decreases*
- **Enrollment of new members in two ways**
  - *Replacement with HH member*
  - *Admission to new members*
- **Reasons for membership withdrawal**
  - *Migration, old-age, ill-health, group norms*
  - *Small loan & delay in getting credit linkage*



# Quality of SHGs – The Preventing Factors

- **Strategies and approaches of SHPIs**
  - *Programmatic and target approach*
  - *Inputs at the time of group formation*
  - *Nominal visits of SHPI staff to SHGs*
  - *No withdrawal strategy*
- **More focus on financial agenda and less/no focus on non-financial and social agendas**
- **Attitude of leaders**
  - *Selection of leaders - Leader centered - Leadership rotation*
- **Low CB inputs & nominal on the job support**
- **Poor Access to development programs**

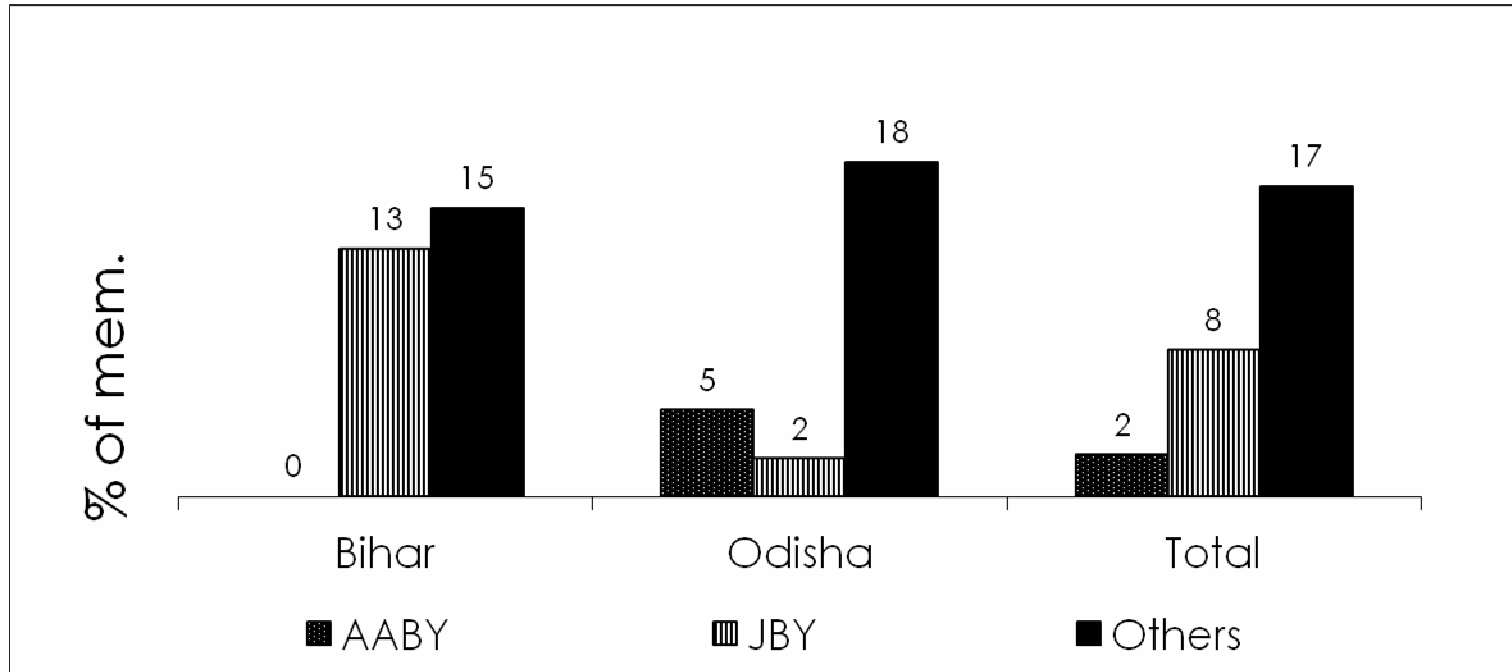


# Quality of SHGs – The Preventing Factors

- **Inadequate support from financial institutions**
  - *Delay in getting subsequent linkages*
  - *Branch managers have low understanding on SHG-BLP*
  - *Grading of SHGs and assessment of credit worthiness*
- **Socio-economic vulnerability of members**
  - *Migration - Low literacy levels*
- **Policy support and other externalities**
  - *Subsidy loans to SGSY groups*
  - *Implementation of CCL*
  - *Introduction of NRLM*
  - *Micro finance institutions*

# Social Risk management

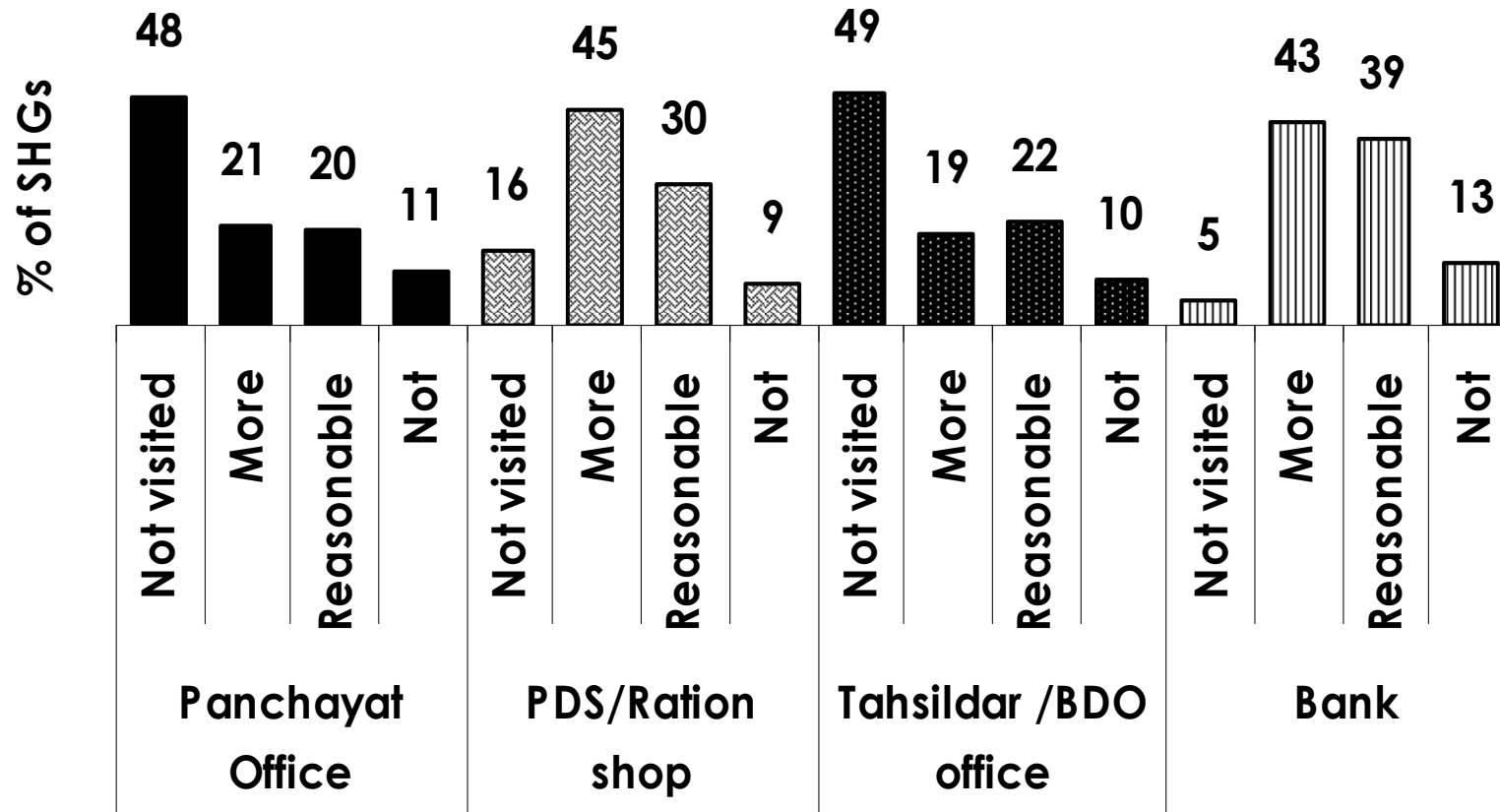
## Enrollment in insurance



- Level of awareness on govt. sponsored insurance programs is very low in both states
- Claims : only one claim reported and settled in Odisha

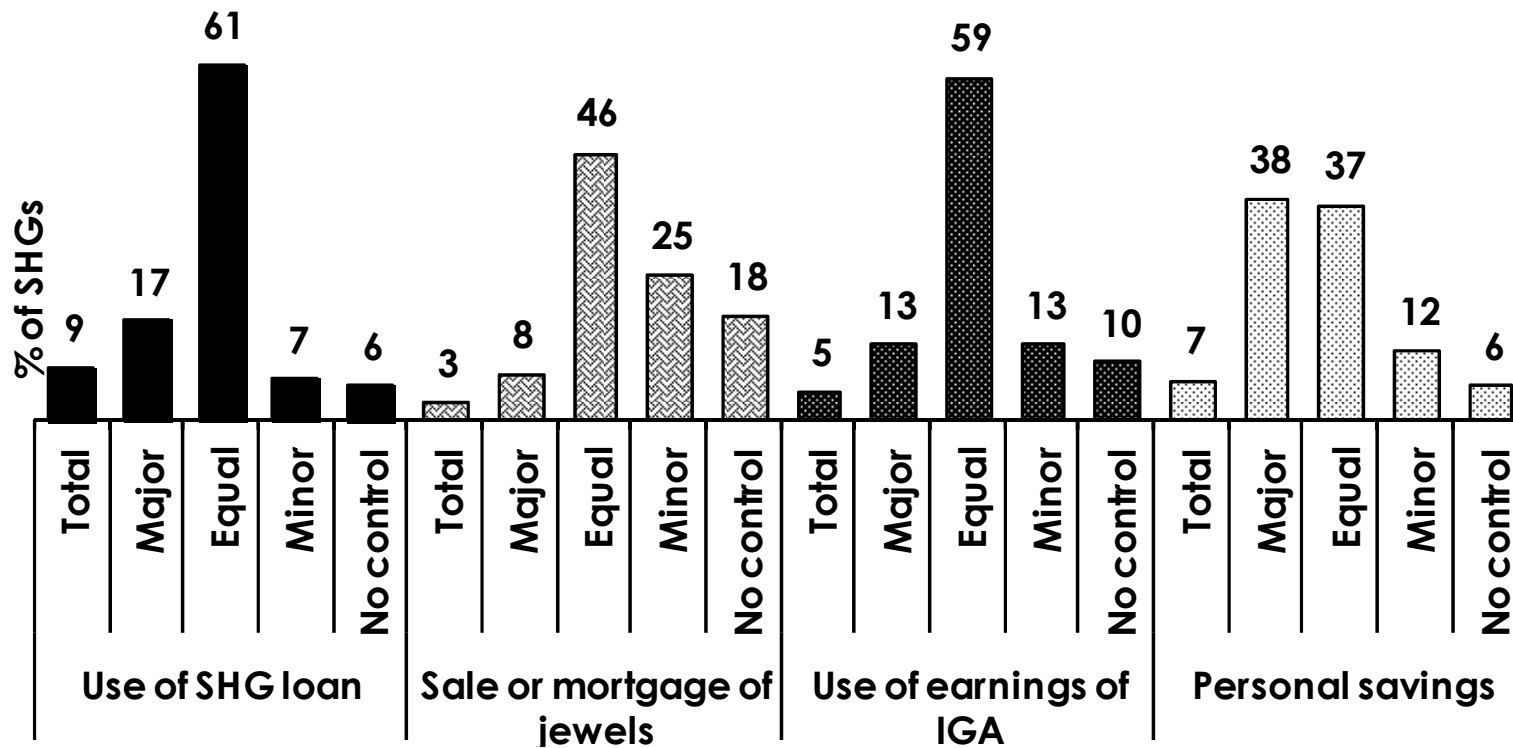


# Changes at Institutional Levels





# Changes at Household Level





# Changes at Household Level

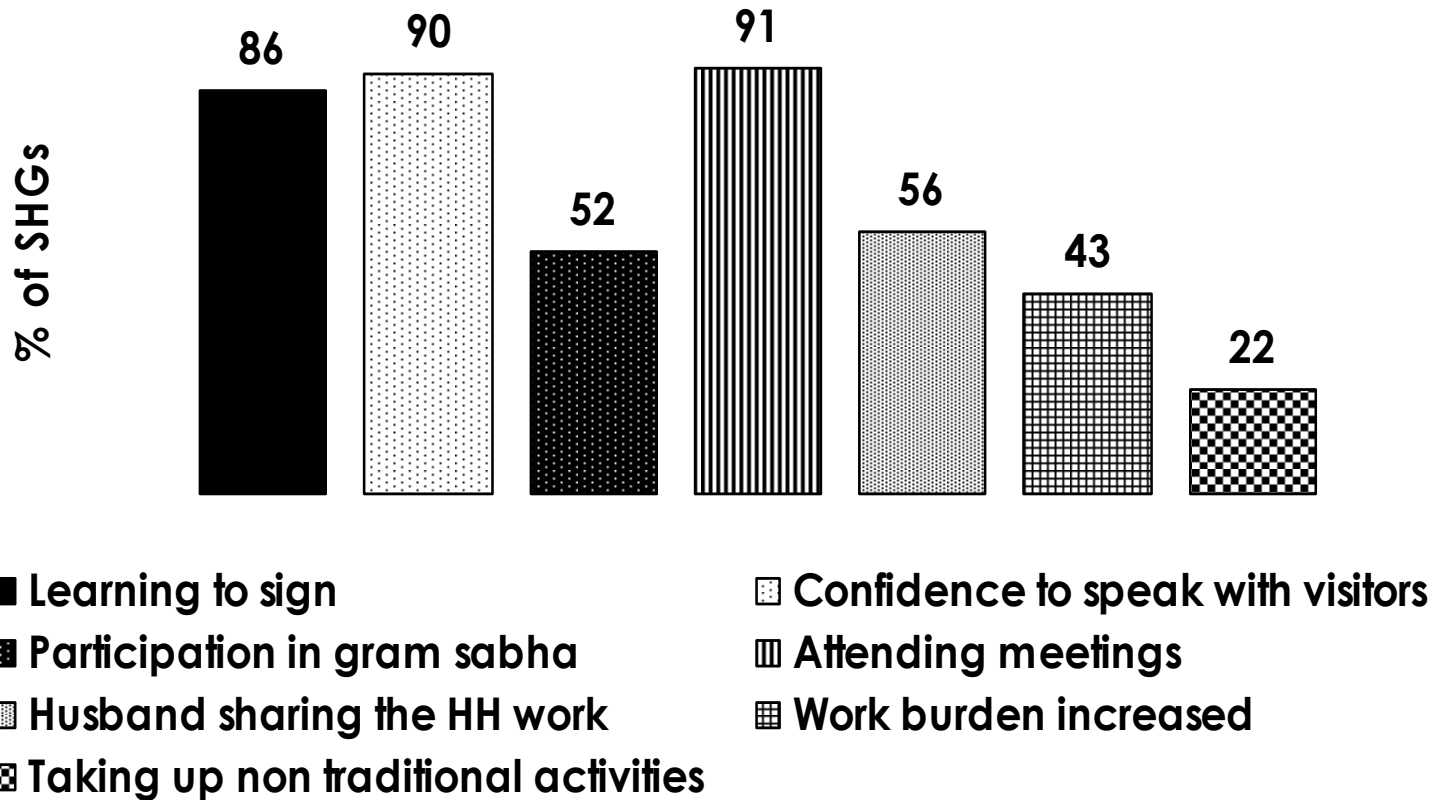
- Household support – Cooperative (55%)
- Access to food, health and education
- Access to family income – Equal (54%)
- Control on resources
  - Use of SHG loan – Equal (61%)*
  - Sale or mortgage of jewels – Equal (46%)*
  - Use of earnings of IGA – Equal (59%)*
  - Personal savings – Major (38%)*
- Mobility & decision making – Minor to equal role
- Poor participation in governance

*To know the opinion four point scale was used to measure the change – minor, equal, major, do solely*





# Changes at Individual Level





# Conclusions

- More focus on targets & programmatic approach
- The quality of groups are moderate
- Needs to promote diverse savings products
- Poor financial & non-fin. services to members
- Needs to be focus on credit linkages with banks
- Poor SHGs' participation in social & devt. activities
- No group enterprises, 1 or 2 individual IG activities
- Mostly the change is perceptual
- Low impact on the quality of life



# Way Forward...

## Quality of SHGs

- *Continuous trainings and CB to SHG members*
- *System of annual election*
- *Paid book keepers*
- *Internal audit once in a year*
- *Sector owned control*
- *NRLM could partner with NGOs*

## Self Help Promoting Institutions

- *Capacity building to SHPIs*
- *SHGs & Fed. as Business Facilitator & Business Correspondent*
- *Bank linkage can be facilitated by Bank Mitras*
- *Need based products to be designed by banks for SHGs*
- *Training & Capacity building organizations*



# Way Forward

## Sustainability of SHGs

- *Promotion of SHG Federations in underserved areas*
- *Strengthening of existing federations*
- *National policy on SHG federations*
- *Guidelines on bulk finance to federations*
- *Appropriate legal forms for SHG federations*
- *Livelihood organizations to be promoted*

## Specific recommendations

- *Consolidation of SHG movement in Odisha before scaling up*
- *Strengthening SHGs that have already been formed*
- *Reorganization of PLFs into village organizations*
- *Strong Advocating for Pancha Sutras through NRLM*
- *BRLPs will have to follow non-negotiables*
- *Financial literacy for optimal utilization of group funds*
- *A system of high quality training and honorarium to Book keepers*
- *Build various forms of social capital*

**Open for Discussion...**

**Thank you**