

# Self Help Groups in India

A Study of the Lights and Shades



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# Foreword

I recall a time in Jharkhand, India in the forest town of Chandwa, sitting with a self-help group under a *mahua* tree. We ate the *mahua*'s large raisin-like berries, soon to be turned into country alcohol, while a few of the women recounted their story. A well-meaning organisation (WMO) had come to empower this self-help group, which had formed on its own about a year earlier. The WMO advised the group that its members would have more money if they were to pickle and pack their garden harvests to sell to customers in Calcutta. The organisation helped the group with recipes, with bottling and labeling. For several weeks the WMO and the women applied themselves day and night to the task. Somewhere along the way, the WMO lost the group's savings and never did find a market for the chutney. The women pointed to a houseful of jars as evidence.

Invincible, the group forged ahead, without the benefit of the WMO. Group members met each week, deposited cash savings into a box, then lent the cash to one another for emergency needs. The group fund began to accumulate once again. Some members had helped other new groups form in the village and they too began to increase their savings. A few groups had linked to a local bank for more credit. Women members were checking into benefits they might receive by connecting to a government programme.

I asked the women what activity might have been more lucrative than chutney production. Several said they preferred to work on their own, not in a group business. Working alone, except for harvesting activities, was less risky than putting all their eggs - their hours - into one basket. Yet they did cite one exception, an enterprise which they found to be most promising if undertaken as a collective. On occasion, together in the night after the children had fallen asleep, they would gather at the railway tracks to remove coal from the parked cars of the local freight train. Several women would stand guard while the others skimmed the goods. The next day they would sell the coal to nearby shops. There was no cash-outlay, just their time as a cost. They laughed as they confided their secrets.

Empowerment seemed less like a quaint watercolour of women pickling fruits and vegetables in the countryside, thanks to the benevolence of an empowering NGO, and more like guerrilla survival in a setting where self-help meant fending off assistance whenever possible. This group was pure inspiration - entrepreneurial, full of humour, immune to whatever good intentions might come its way. Without intending to, these women had become a symbol in my mind of a paradox that lay at the heart of development - an outsider promoting the self-help of others. Does it ever work? It seems like real self-help, well, comes from the self. If it was ushered along from the outside, by NGOs and well-meaning organisations, what should it look like?

Many CRS partners - local NGOs - were arriving at questions concerning the self-help movement in India. The rural landscape was studded with SHGs. Groups had emerged as the link between individuals and local banks and cooperatives. They were seen by NGOs as the entry point for many other social activities - from watershed councils to school committees. They had become voting blocks and able to help neighbours stand for office and win elections.

But, despite these remarkable accomplishments, a few of us had nagging questions at the back of our minds. Did these groups really include the poorest women or most marginalised? Did they share benefits and decisions equitably? Were they dependent on others for self-help? What was our role, if any, in forming these groups? Would these groups stay intact once we departed? Should they? But before we could get at these questions, we had to understand better how the groups themselves functioned.

In 2002, my friend and colleague, Girija Srinivasan had come to help CRS with some of our own good intentions, setting us straight here and there, ultimately leaving a permanent mark of tough love in the form of much stronger groups and outreach. In the same year, I had the luck to meet several colleagues and I trust permanent friends from NABARD - Prakash Bakshi, N. Srinivasan, and KR Nair - who also asked similar questions. What groups worked and what works with groups? And how can we most effectively help these groups tap mainstream resources like banks and other formal financial institutions? Malcolm Harper whom I would meet at Nabard's 2002 SHG-Bank Linkage Seminar, had similar observations and questions. In 2004, Vipin Sharma of CARE approached CRS and said we should combine resources to tackle shared problems and questions. Also in that year, Lynn Carter of USAID, said she too was interested in what made good groups tick and how might they best move forward to empower themselves in league with other forms of local governance and social justice. We decided that CRS, CARE, NABARD via GTZ, and USAID would pool resources to learn more about self-help groups so that we could understand how best to support them. A steering committee was formed, chaired by Malcolm Harper and Girija Srinivasan. Representatives of the sponsors also served on the committee. The committee members shared the same vision. We did not want a study that would glorify self-help groups or whitewash their problems. We wanted the truth and that meant we wanted a tough, responsible organisation to help us find the answers. Together we developed a process for inviting proposals and after reviewing many, we selected EDA.

EDA, under the guidance of Frances Sinha, spent the next year designing and implementing 'SHGs - The Lights and Shades' a study of 214 self-help groups in 108 villages in four states and nine districts. The mission of the study was better to understand the promotion and operation of self-help groups, how members related to one another, how groups interacted with their communities, as well as the effect groups had on their social, political, and economic environments and vice versa. The study was thorough, delved into many questions with a variety of techniques, and took great pains to respect the privacy of villagers as they confided their experiences. The result is a rich profile, both quantitative and qualitative, of rural self-help in India.

Within these pages are many answers, and much is left to the reader to draw his or her conclusions. The inevitable has surfaced: the more we know the more we do not and those of us reading this study will have a growing list of brand new questions. Let us begin to ask them.

**Kim Wilson**

The Fletcher School, Tufts University  
Formerly, Catholic Relief Services, South Asia

# Preface and Acknowledgements

This study results from the support and efforts of very many people who are part of the SHG movement in India. In particular, in the field, it is impossible to name all the SHG members - and others too in their villages (including drop-outs, and non-members) - and the leaders and staff of the SHG promoting agencies (NGOs, government agencies and banks) who have spent time with the study team and shared their views, experiences and data. Our main hope is that we have fairly reflected what they told us, and that the study findings will lead to a better understanding of some of the realities facing SHGs - and SHPAs and banks - especially as their numbers grow, and to practical strategies to address the dark sides and strengthen the lights.

The study team was drawn from EDA Rural Systems (based in Gurgaon, outside Delhi) and APMAS (based in Hyderabad, Andhra Pradesh) with Ajay Tankha and Shashi Rajagopalan as associate consultants. APMAS covered the two southern states, EDA the two northern states. Members of the study team are listed on the next page. The main field work was carried out between October 2004 and June 2005.

We have been assisted by Malcolm Harper and Girija Srinivasan who, as co-ordinators of this study, provided their extensive expertise on SHGs, helped to frame the original research questions (the Terms of Reference) and have contributed to the research and analysis. Senior staff of the sponsoring organisations have also contributed: Kim Wilson and Snigdha Chakraborty of Catholic Relief Services, Lynn Carter of USAID, Marie-Luise Haberburger and R.Ramakrishna of GTZ/NABARD.

As Kim mentions in her foreword, the more one finds out, the more the urge to explore and analyse further. We have endeavoured to present as comprehensive a picture as possible in the time frame available for this study. We present the findings and implications to invite debate and engagement from all those with a concern to 'optimise' SHGs.

Frances Sinha  
EDA, 2006

## Study Team From



**EDA Rural Systems Private Ltd**  
602 Pacific Square, 32nd Milestone NH8,  
Gurgaon 122001 INDIA  
Website : [www.edarural.com](http://www.edarural.com)



**Andhra Pradesh Mahila Abhivruddhi Society (APMAS)**  
Plt No. 20, Road No. 2, Banjara Hills,  
Hyderabad 500034 INDIA  
Website : [www.apmas.org](http://www.apmas.org)

# Study Team

## **EDA**

Frances Sinha, Ajay Tankha,  
Amit Brar, Nishant Tirath, Sakshi Varma, Kamal Narayan Mishra, Jyoti Gidwani,  
A K Bijoy, Rahul Bist, Biplav Chatterjee

Field assistant researchers in Orissa:

Prabhat Mohanty, Namita Nayak, Ashok, Ramesh, Bapi

## **APMAS**

K Raja Reddy, Shashi Rajagoplan, CS Reddy,  
L B Prakash, G Nagendra Prasad, T Sudharani, S Rama Laxmi, G Trivikrama Devi,  
K Rajendra Prasad, N Vinayaka Reddy,  
N Tirupataiah, B Kapilnath, P. Ravikumar  
S Vanaja, K Nagesh, T Ramesh Reddy,  
K Lugendrapillai, B Geethanjali, S Subhasini

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# Abbreviations

AP	Andhra Pradesh
ASCA	Accumulated Savings and Credit Association (traditional informal savings group)
BC+MIN	Backward Castes and Minorities (muslims)
BPL	Below Poverty Line (Indian national poverty line)
DRDA	District Rural Development Agency (Government programme)
DWCRA	Development of Women and Children in Rural Areas (Government programme)
FD	Fixed Deposit
FGD	Focus Group Discussions
HH	Households
ICDS	Integrated Child Development Services (Government programme)
MF	Micro-finance
MF+	Micro-finance plus development support initiatives
MIS	Management Information System
N	Sample number
n	Sub-sample number
NABARD	The National Bank of Agriculture and Rural Development
NGO	Non-Government Organisations
OBC	Other Backward Castes
OC	Other Castes
PAR	Portfolio at Risk
PDS	Public Distribution System
PRI	<i>Panchayati Raj</i> Institution (village, block or district level)
ROSCA	Rotating Savings and Credit Association (traditional informal savings group)
SC	Scheduled Caste
SGSY	<i>Swarnajayanti Gram Swarajgar Yojana</i> (Government subsidised credit programme to SHGs)
SHG	Self Help Group
SHPA	SHG Promotion Agencies (also known as 'institutions' or SHPIs)
SP	Superintendent of Police
ST	Scheduled Tribe
VO	Village Organisation
WHH	Women Headed Household

## Notations

- 'Light'
- 'Shade'



# Fact Sheets

## 1 By State

	Indicator	South		North		Overall
		AP	Karnataka	Orissa	Rajasthan	
<b>1.</b>	<b>SAMPLE</b>					
1.1	Sample villages	28	16	31	33	108
1.2	Sample SHGs	60	51	50	53	214
1.3	SHGs >= 4 years old	54	47	42	50	193
	Average age of SHGs (yrs)	5.8	5.7	5.1	6.9	5.9
1.4	SHGs promoted by:					
	NGO	23	27	42	45	137
	Government	31	2	8	8	49
	Bank	6	22			28
1.5	Average members/SHG	12	14	14	15	14
1.6	Average distance from bank (km)	6.2	2.8	2.1	2.2	3.5
1.7	SHGs in federation or cluster	97%	29%	56%	53%	60%
1.8	SHGs provided mF+	90%	57%	46%	51%	62%
<b>2.</b>	<b>OUTREACH</b>					
2.1	Village household coverage in SHGs	43%	23%	35%	21%	29%
2.1a	SC/ST household coverage (North)	-	-	53%	24%	
2.2	Single caste SHGs	63%	69%	74%	60%	66%
2.3	Functionally literate SHGs	72%	45%	50%	36%	51%
2.4	% SHG members:					
	poor	53%	61%	58%	34%	51%
2.5	SC	7%	45%	41%	27%	30%
2.6	ST	13%	10%	35%	41%	25%
2.7	women heads of households	13%	16%	14%	3%	11%
2.8	completed primary school or above	20%	8%	8%	2%	10%
2.9	casual labour as main activity	22%	45%	45%	39%	38%
2.10	SHGs with dropouts	43%	47%	56%	66%	52%
2.11	Rate of dropout	7%	10.5%	9.5%	12.2%	9.8%
2.12	Rate of dropout among the poor	9.0%	9.9%	8.0%	17.3%	10.1%
<b>3.</b>	<b>SOCIAL ROLE</b>					
	<b>POLITICS (panchayat)</b>					
3.1	SHGs with members elected	23%	18%	14%	19%	19%
	Elected women representatives					
	- n	14	12	7	11	44
3.2a	- proxy	7	8	1	3	43%
3.2b	- engaged/active	7	4	6	8	57%
	<b>SOCIAL &amp; COMMUNITY ACTION</b>					
3.3	SHGs acted on social justice issues	25%	-	10%	11%	12%
3.4	SHGs engaged in community activities	42%	20%	22%	36%	30%

	Indicator	South		North		Overall
		AP	Karnataka	Orissa	Rajasthan	
3.5	SHGs involved in group enterprises	20%	16%	28%	23%	21%
4.	<b>SUSTAINABILITY/FINANCIAL ROLE</b>					
	<b>GROUP RECORDS</b>					
4.1	Good/adequate quality records	45%	60%	65%	62%	54%
4.2	Weak records <sup>a</sup>	52%	37%	34%	36%	40%
4.3	Book keeping by:					
	- SHG office bearer	65%	22%	14%	19%	31%
	- SHPA staff	7%	6%	64%	38%	28%
	- other (paid/unpaid)	28%	73%	22%	43%	41%
4.4	Up-to-date passbooks (within 6 months)	59%	83%	70%	76%	72%
	<b>FINANCIAL TRANSACTIONS</b>					
	[n = sample groups applicable or with data]					
4.5	Average monthly savings/member (Rs)	36	74	29	43	45
4.6	Average group fund - incl profit (Rs)	28,900	45,900	17,100	43,000	33,700
4.7	Average member savings (Rs)	2,400	3,300	1,200	2,800	2,400
4.8	SHGs that have had external loans	60	51	42	37	190
	SHGs with external loans outstanding	40	32	38	22	132
4.9	Average external loans (Rs):					
	- cumulative [n=164]	105,500	105,700	72,000	127,100	102,300
	- outstanding [n=121]	60,500	89,000	29,800	61,400	58,600
4.10	Internal lending: outstanding/SHG (Rs)					
	[n=190]					
	- mean	70,900	98,500	27,400	76,000	69,100
	- median	49,000	74,100	19,000	67,500	48,000
4.11	Charging $\geq$ 24% annual interest	83%	92%	86%	78%	83%
4.12	Borrowers/total members [n=189] <sup>b</sup>	96%	93%	93%	91%	
4.13	Average loan/borrowing member <sup>b</sup> (Rs)	6,700	13,000	5,600	13,400	
	Std deviation	3,180	7,360	3,150	7,070	
4.14	SHGs lending to non-members	23%	14%	22%	11%	18%
	<b>FINANCIAL VALUE</b>					
4.15	SHGs with a current profit	53%	47%	45%	52%	50%
	For SHGs with a current profit [n=106]					
	Current return: -on total assets	6.2%	7.2%	2.9%	7.8%	6.5%
	-on member equity (own savings)	12.6%	15.5%	5.1%	9.1%	11.0%
4.16	Overdues at group level $\geq$ 1 year					
	[n=155]					
	% SHGs	66%	46%	41%	12%	45%
	% 'portfolio at risk' (PAR)	35%	12%	9%	2%	17%
	[n=91] Average 'PAR' (Rs)	34,300	24,700	5,400	11,400	24,200
	<b>DEFUNCT/BROKEN GROUPS</b>					
4.17	Inactive SHGs (% total formed) in sample villages	7.9%	1.7%	9.9%	10.9%	7.0%

<sup>a</sup> Records not accessible in 6% of sample groups

<sup>b</sup> Note: there are different time periods for the regional samples, with higher levels of borrowing in the south: the south sample covers the previous one year; the north sample covers time since group formation - northern sample

## 1 By SHPA

	Indicator	NGO	Government	Bank	Overall
1.	<b>SAMPLE</b>				
1.1	Sample SHGs	137	49	28	214
1.2	SHGs >= 4 years old	126	41	26	193
	Average age of SHGs (yrs)	6.3	5.2	5.0	5.9
1.3	SHGs in:				
	AP	23	31	6	60
	Karnataka	27	2	22	51
	Orissa	42	8		50
	Rajasthan	45	8		53
1.4	Average members/SHG	14	13	13	14
1.5	Average distance from bank (km)	3.4	3.5	3.7	3.5
1.6	SHGs in federation or cluster	41%	17%	2%	60%
1.7	SHGs provided mF+	73%	67%		62%
2.	<b>OUTREACH</b>				
2.1	Single caste SHGs	61%	69%	86%	66%
2.2	Functionally literate SHGs	47%	65%	50%	51%
2.3	% SHG members poor	48%	55%	61%	51%
2.4	SC	28%	21%	54%	30%
2.5	ST	35%	7%	4%	25%
2.6	women heads of households	10%	14%	12%	11%
2.7	completed primary school or above	7.5%	14.6%	11.8%	9.5%
2.8	casual labour as main activity	39%	22%	58%	38%
2.9	% SHGs with dropouts	57%	49%	32%	52%
2.10	Rate of dropout	10.7%	7.8%	8.2%	9.8%
2.11	Rate of dropout among the poor	12.0%	7.0%	8.3%	10.1%
3.	<b>SOCIAL ROLE</b>				
	<b>POLITICS (<i>panchayat</i>)</b>				
3.1	SHGs with members elected	20%	14%	16%	19%
3.2	Elected women representatives - n	31	8	5	44
3.2a	- proxy	32%	4	5	43%
3.2b	- engaged/active	68%	4		57%
	<b>SOCIAL &amp; COMMUNITY ACTION</b>				
3.3	SHGs acted on social justice issues	11%	18%	7%	12%
3.4	SHGs engaged in community activities	37%	14%	25%	30%
3.4	SHGs involved in group enterprises	25%	16%	14%	21%
4.	<b>SUSTAINABILITY/FINANCIAL ROLE</b>				
	<b>GROUP RECORDS</b>				
4.1	Good/adequate quality records	61%	32%	61%	54%
4.2	Weak records <sup>a</sup>	36%	53%	36%	40%
4.3	Book keeping by:				
	- SHG office bearer	25%	41%	46%	31%
	- SHPA staff	35%	20%	4%	28%
	- other (paid/unpaid)	40%	39%	50%	41%
4.4	Up-to-date passbooks (within 6 months)	72%	66%	80%	72%
	<b>FINANCIAL TRANSACTIONS</b>				
	[n = sample applicable or with data ]				
4.5	Average monthly savings/member (Rs)	42	40	69	45
4.6	Average group fund -incl profit (Rs)	35,200	27,900	34,500	33,700

<sup>a</sup> Records not accessible in 6% of sample groups

	Indicator	NGO	Government	Bank	Overall
4.7	Average member savings (Rs)	2,500	2,100	2,700	2,400
4.8	SHGs that have had external loans	119	43	28	190
4.9	Average external loans (Rs):				
	- cumulative [n=164]	101,800	91,900	120,700	102,300
	- outstanding [n=121]	53,500	48,900	88,500	58,600
4.10	Internal lending: outstanding/SHG (Rs)				
	[n=190] - mean	72,200	58,500	80,400	69,100
	- median	51,120	48,000	45,410	48,000
4.11	Charging =/> 24% pa interest	82%	89%	79%	83%
	South sample for previous year [n=102]:				
4.12	Borrowers/total members	94%	98%	93%	95%
4.13	Average borrowed/borrowing member (Rs)	12,445	7,220	10,050	10,370
	Std deviation	11,455	5,260	8,590	9,630
4.14	SHGs lending to non-members	17%	24%	11%	18%
	FINANCIAL VALUE				
4.15	SHGs with a current year's profit	50%	55%	39%	50%
	For SHGs with a current profit [n=106]				
	Current return: -on total assets	6.0%	7.9%	7.0%	6.5%
	-on member equity (own savings)	9.5%	15.6%	13.5%	11.0%

# Study Context & Design

Objectives Methods Sample

## 1 Study design: objectives and methodology

In India, Self Help Groups or SHGs represent a unique approach to financial intermediation. The approach combines access to low-cost financial services with a process of self management and development for the women who are SHG members. SHGs are formed and supported usually by NGOs or (increasingly) by Government agencies. Linked not only to banks but also to wider development programmes, SHGs are seen to confer many benefits, both economic and social. SHGs enable women to grow their savings and to access the credit which banks are increasingly willing to lend. SHGs can also be community platforms from which women become active in village affairs, stand for local election or take action to address social or community issues (the abuse of women, alcohol, the dowry system, schools, water supply).

But there are also some questions. How effective are the groups in managing their financial transactions? Are the groups sustainable? Do they help in mobilising women to take social action? How effective are such actions? Who is really benefiting? Do the poorest benefit, do they not join at all or if they do join, are they more likely to drop out?

This study explores such questions, based on field research in four states of India, presenting a reality check of 'what is really happening'.

In the context of the data for the growth of the SHG bank linkage programme in the country, this chapter sets out the research design for this study: the objectives, methodology and the sample on which subsequent findings are based.

### 1.1 Introduction - SHG numbers and trends

India brims with Self Help Groups (SHGs). The National Bank of Agriculture and Rural Development (NABARD) estimates that by March 2006 over 33 million women have been linked to banks for financial services through 2.2 million SHGs. 'Linkage' is defined by NABARD as taking a loan from a bank, although banks in fact first become linked to SHGs by taking their deposits. Growth has been spectacular in the past couple of years: 'over 400 women per hour' according to the NABARD web-site. The hourly rate is actually more than this, with an increase in 2006 of 620,000 SHGs or over 9 million women SHG members.

Growth has been strongest in the southern region where SHG bank linkage first began, with three states (Andhra Pradesh, Tamil Nadu, and Karnataka) the top three in the country. The south accounts for 54% of SHGs (half of this in Andhra Pradesh alone) and 75% of bank credit. The rest of the country is beginning to catch up, at least in terms of SHG numbers, although the share of credit remains at one-fourth, both cumulative and current (Table 1.1 and Figure 1).

	2000				2006			
	SHGs linked		Bank loan		SHGs linked		Bank loan	
	'000	%	mill Rs	%	'000	%	mill Rs	%
<b>Total</b>	115	100%	1,930	100%	2,238	100%	1,139,740	100%
Southern region	79	69%	1,512	78%	1,214	54%	856,769	75%
Rest of the country	36	31%	418	22%	1,024	46%	282,971	25%

Source: NABARD

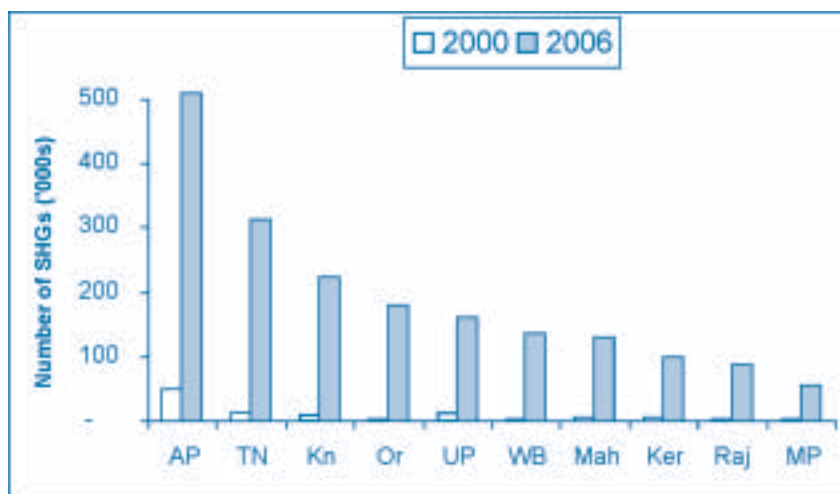


Figure 1  
The Top 10 States for SHG bank linkage  
State data in Annex 1.1

Whilst the SHG system uses existing marketing channels, the banks, to bring formal financial services to a new market segment, the SHGs as intermediaries have to be formed and developed. The development role or 'promotion' as it is usually called is undertaken by different agencies which we refer to in this study as Self Help Promotion Agencies or SHPAs. They are generally known as Self Help Promotion Institutions (or SHPIs), though 'agency' seems a better term for a variety of organisations<sup>1</sup> for whom SHG promotion is often not the main activity.

The three main types of SHPA are Non-Government Organisations (NGOs), Government Agencies (as part of various government programmes) and banks. The majority of SHGs were initially promoted by NGOs though Government agencies now appear to be playing a predominant role in the increasing numbers (Table 1.2).

By March:	No. of partner NGOs for bank linkage	Total no. of SHGs linked (cumulative)	% SHGs by SHPA		
			NGOs	Govt agencies	Banks
2000	718	114,775	66%	11%	23%
2006	4,323	2,238,525	28%	51%	21%

NABARD

## 1.2 Study objectives

NGOs, the donors who support them, and other institutions which promote and finance SHGs are, of course, interested in the numbers of groups promoted, the number linked to banks, the financial services they offer. They are also interested in what else an SHG means to its members, to its village, and to the larger community, and increasingly there are questions too about group sustainability and quality.

For many, SHGs are seen to confer social benefits. They can be community platforms that provide a range of services. SHG members stand for local election. They halt the abuse of women, alcohol, and the dowry system. Groups supervise schoolteachers, manage grain banks and bring roads and dams and literacy to their villages. They bridge chasms with members of other castes, other tribes, and other classes. Social transformation, the result of good group development, has become the rallying cry of self-help promoters.

There are also many possible concerns, both economic and social. Some people may be excluded from membership, some members may drop out, the benefits of membership may not be equitably shared within SHGs and defaulters may end up worse off than before, both socially and financially. And, whilst banking services and credit disbursements are expanding through SHGs, the repayment rates are not being clearly reported. In AP, the state with the largest number of SHGs, 40% of SHGs are rated 'A' Grade (i.e. = credit-worthy); nevertheless, in the drive to meet targets, banks are lending to 'B' and 'C' Grade SHGs<sup>2</sup>.

This study explores the 'lights' and the 'shades' of SHGs, the social and economic benefits and the downsides. The aim is partly to find out what is really happening at group level.<sup>3</sup> It is also to try and look at what can be done, exploring factors that contribute to positive and negative outcomes, and to consider what can be done to optimise the benefits or to avoid or mitigate the downsides.

### 1.3 Methodology

#### 1.3.1 Research questions

This study tries to address three broad areas of enquiry: the social role of SHGs, their outreach and their sustainability. For the study sponsors, the social role was paramount. However at the study design stage, it was agreed that sustainability issues should be explored alongside the social. This is because SHGs do have a basic financial intermediary role, and sustainability in this role is fundamental, whatever the social role or potential may be.

The research questions in relation to each area of enquiry are summarised in Box 1.1, in the order in which they are covered in this report.

Box 1.1 Research questions	
Areas of enquiry	Questions
Outreach	<ul style="list-style-type: none"> <li>• Membership: who are the women who join?</li> <li>• Who does not join: is there exclusion?</li> <li>• Dropouts: how many drop out? who drops out and why?</li> </ul>
Social role	<ul style="list-style-type: none"> <li>• SHGs and politics: what role have SHGs played in local elections, have members elected as women representatives in village <i>panchayats</i> been effective?</li> <li>• SHGs and social harmony: do SHGs reflect or help to overcome communal divisions?</li> <li>• SHGs and social justice: do SHGs contribute to raising and solving issues of injustice, especially those affecting women?</li> <li>• SHGs and communities: do SHGs contribute to community services and livelihoods?</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>• Group records: quality and accountability</li> <li>• Equity within groups: do all members have equitable access to services?</li> <li>• Defaults and recoveries: what is the pattern of loan repayment and what happens in case of default?</li> <li>• Financial value: are the groups financially viable?</li> <li>• Defunct and broken groups: how many and why?</li> </ul>

### 1.3.2 Conceptual framework

The findings on such questions were likely to be affected by a number of factors, including:

- regional socio-economic and cultural environment
- type of SHPA and promotional support provided
- physical context - distance from bank/main road,
- institutional context - whether part of a federation or cluster organisation of SHGs, and
- socio-economic profile of SHG members (social/caste status, economic level, literacy)

These factors guided the sampling design and are reflected in the data analysis.

### 1.3.3 Research tools

The research involved a series of steps and tools at different levels, as summarised in **Box 1.2** (next page). At district and block levels, data was collected from NABARD officers, Bank Managers, Government agencies and NGOs about the SHG programme in their local area and their experience and approach to SHG promotion.

At village level, we were interested in a range of issues and we wanted to 'triangulate', or cross-check for different experiences and perceptions. Accordingly, we reviewed the available group records and talked not only to SHPA field staff, SHG leaders and to members in a group, but also to some individual members by themselves (especially low or non-borrowers), to drop-outs (if we could locate them), and to members of broken groups. We also interviewed non-members (from the poorest part of the village), and village leaders (usually men) to understand their perception of the SHG programme. We were interested in the 'stories', whether 'light' or 'dark' and had detailed discussions on some of these to develop into case studies. SHG members who had been elected to the *Gram Panchayat* were interviewed separately.

As much as possible we wanted to be able to quantify, but at the same time, be exploratory and open-ended in our approach. Semi-structured checklists and data formats were used to collect some specific information, whilst several questions were left open to follow up depending on what we found. The research tools were designed with the idea of exploring whatever leads emerged, trying to cross-check from different sources, and also to understand from different perspectives: 'the group', group leaders, individual members, drop-outs, others in the village, the SHPA field worker.

A central question in outreach is that of depth or the proportion of poor among SHG members: whether banking services are reaching those previously excluded, and specifically whether they are reaching the poor. For poverty assessment of SHG members, we collected information on who were from households listed as BPL or having the appropriate ration card. BPL means 'officially recognised as poor and accordingly eligible for targeted programmes'. It is, however, well known that some non-poor get themselves onto the BPL list (in order to qualify for the targeted programmes), and that some of the poor are not included. We therefore included a participatory wealth ranking exercise with SHG members, applying 'objective poverty parameters' to enable us to compare wealth ranking across groups and regions on the basis of key socio-economic indicators reflecting quality of life (livelihood security, housing, assets, health). This is based on a method developed and applied by EDA in other studies and is described in **Box 1.3**.<sup>4</sup>



Box 1.2 Outline of research tools by level of enquiry

Level of enquiry	Respondents	Tools	Focus
District/Mandal/ Block	Officers of the district administration, government programmes, NABARD, local banks, and NGOs	<ul style="list-style-type: none"> <li>• Semi-structured interviews</li> <li>• Data collection</li> </ul>	<ul style="list-style-type: none"> <li>- SHG programme in the area</li> <li>- Background of SHPA and support to SHGs</li> </ul>
Village	'Key informants': Village Secretary Community Coordinator, Leaders - men	<ul style="list-style-type: none"> <li>• Transect walk</li> <li>• Semi-structured interviews</li> </ul>	<ul style="list-style-type: none"> <li>- Village profile</li> <li>- List of SHGs in the village</li> <li>- Perception of experience and role of SHGs</li> </ul>
SHG	Group leader/ treasurer and Book-keeper	<ul style="list-style-type: none"> <li>• Record review</li> <li>• Semi-structured discussions</li> </ul>	<ul style="list-style-type: none"> <li>- SHG records and financials</li> </ul>
	SHG Members	<ul style="list-style-type: none"> <li>• FGDs and case studies</li> <li>• Individual interviews</li> </ul>	<ul style="list-style-type: none"> <li>- Details of current members and dropouts; wealth ranking</li> <li>- Group experience, issues and community involvement</li> <li>- Interesting stories, positive or negative</li> <li>- Triangulation (cross-checking different experiences/perceptions)</li> </ul>
	SHG members elected to <i>Gram panchayat</i>	<ul style="list-style-type: none"> <li>• Individual interviews</li> </ul>	<ul style="list-style-type: none"> <li>- Experience and achievements</li> </ul>
Non-SHG	Dropouts	<ul style="list-style-type: none"> <li>• Individual interviews/ FGDs</li> </ul>	<ul style="list-style-type: none"> <li>- Reasons and experience in dropping out</li> </ul>
	Non-members	<ul style="list-style-type: none"> <li>• Individual interviews/ FGDs with poorer women</li> </ul>	<ul style="list-style-type: none"> <li>- Awareness and experience of exclusion</li> </ul>
	Broken Groups	<ul style="list-style-type: none"> <li>• Individual interviews/ FGD</li> </ul>	<ul style="list-style-type: none"> <li>- Reasons and experience of break-up</li> </ul>
SHPA - Field staff	Community Coordinator, NGO field worker, Bank Field Officer	<ul style="list-style-type: none"> <li>• Semi-structured interviews</li> </ul>	<ul style="list-style-type: none"> <li>- Experience and approach to SHG promotion</li> </ul>

### Box 1.3 Wealth rank categories for poverty assessment

Poverty assessment involved wealth ranking of SHG member households through a 3-step process. In step one, we asked a few members of each SHG to rank all their group members through a process of participatory wealth ranking, based on their knowledge of one another's household situation, and their own perceptions of quality of life. In step two, we asked what indicators they had used to identify the wealth ranks, and how they differed between the wealth rank categories. In step three, we matched the local indicators of quality of life with a matrix of four objective wealth ranks to assign a wealth rank which is comparable across different areas. This matrix and the main indicators and values are shown below.

Indicators for four wealth rank categories				
	Very Poor	Poor	Borderline	Non-poor
Housing	Small <i>kuccha</i> (thatched) houses	Mostly small houses, either <i>kuccha</i> or mixed (tin)	Medium size, usually mixed or pucca (concrete)	Mostly large, pucca houses
Assets	No major assets, basic utensils only	Landless or marginal landholding (<1 acre, mainly unirrigated), few small animals, cot, radio, cycle	Small land holding (1-5 acres, some irrigated), 1-2 milch cattle, small animals, B&W TV, fan, bicycle, radio, some furniture, old two-wheeler	Irrigated landholding (> 5 acres), >2 milch cattle, tube well, TV, phone, fridge, motorcycle, tractor
Food security	Usually one meal a day - basic cereals only	Just able to manage two meals a day - but variable	2 meals a day but sometimes face problem (a few weeks in a year)	Regular family diet - (2 meals/day and 'quality' items)
Income sources	Low paid casual wage labour, single earner	Regular wage labour, one-two earners	Seasonal business; low paid jobs; may sometimes depend on skilled wage labour	Assured regular income e.g. establd. business or high paying job
Educ-ation	No schooling, some up to primary, govt	Govt school, some up to secondary	Govt/private, up to secondary, some college	Mostly private, up to college
Others	Health problems, old age	Large family, health problems	Many earners, good health-able to work hard	
Poverty line	Poverty line equivalence: Below		Above: may slip into poverty in case of an 'income shock'	Above

The 'very poor' and 'poor' wealth ranks are equivalent to 'below the national poverty line'. This equivalence is based on earlier studies by EDA, where wealth rank indicators have been compared with estimated per capita income for a sub-sample of households. The 'poverty line' was taken as that estimated by the Planning Commission (2002, relating to 1999-2000) updated using the consumer price index for rural agricultural labourers.

The equivalence is not 'absolute' but is as close as practically feasible, without undertaking a detailed household survey. SHG members did the exercise quite readily.

## 1.4 Study sample

### 1.4.1 Four states: south and north

The study was undertaken in four states, two southern (Andhra Pradesh and Karnataka) and two northern (Orissa and Rajasthan). In terms of SHG numbers, as we saw in Table 1, Andhra Pradesh is the lead state with a substantial number of SHGs promoted by the government District Rural Development Agencies (DRDA). Karnataka, at 'number 3' has a substantial number of SHGs promoted by banks and by NGOs, and is the state where the SHG bank linkage was first piloted with MYRADA in the early 1990s. In the north, Orissa and Rajasthan, were selected for the presence of a number of NGOs as SHPAs, including coverage in tribal areas and the role of the government's District Women's Development agencies in Rajasthan.

### 1.4.2 SHG selection

Within each state, sampling was guided by the criteria that SHGs should:

- (i) be rural
- (ii) all women groups
- (iii) usually have had bank savings accounts for at least four years, with some external borrowing (from local banks or MFI intermediary)
- (iv) have been promoted by different SHPAs - NGOs, banks and government agencies
- (v) include tribal SHGs
- (vi) exclude SGSY groups<sup>5</sup>.

Two districts were purposively selected in each state (three in AP) to reflect the above and to represent different agro-climatic and socio-economic regions (districts listed in Annex 1.2). Within each district, and following the sampling criteria, villages at different locations were selected where we expected to find SHGs which had been linked to banks for at least four years (i.e. by March 2000). This time criterion was important since we were looking for mature groups whose experience would provide lessons. The selection of SHGs was roughly proportionate to the numbers promoted by different types of SHPA, and was also guided by a desire to seek out 'stories' or examples of social action. Due to this, the criteria of age and being non-SGSY were relaxed in a few cases, especially since government and bank promoted SHGs are fewer and younger.

The study covers **214 SHGs** in **108 villages** of **9 districts**.

The numbers by region and by State are shown in **Table 1.3** (next page). The majority of groups, both south and north, are promoted by NGOs, reflecting the pattern of promotion in 2000. Government promoted SHGs predominate in AP, and there are a number of Bank promoted SHGs in Karnataka. There are no Bank promoted SHGs in the northern sample. A few were identified but turned out in practice to have been promoted by NGOs.

Study states	Sample districts	Blocks/Mandals	No. of villages	No. of SHPAs	No. of SHGs	SHGs by SHPA		
						NGO	Govt	Bank
Total	9	38	108	35	214	137	49	28
South	5	18	44	14	111	50	33	28
North	4	20	64	21	103	87	16	
AP	3	13	28	7	60	23	31	6
Karnataka	2	5	16	7	51	27	2	22
Rajasthan	2	12	31	11	53	45	8	
Orissa	2	8	33	10	50	42	8	

<sup>a</sup> The nine districts are AP: East Godavari, Warangal, Chittoor; Karnataka: Mysore, Gulbarga  
Rajasthan: Alwar, Udaipur; Orissa: Ganjam, Kalahandi. List of districts and SHPAs in **Annex 1.3**

Thirty five SHPAs are represented, 28 NGOs, four Government agencies/programmes and three Bank branches (as listed in **Annex 1.4**).

### 1.4.3 Group discussions and interviews

Focus Group Discussions (FGDs) combined with wealth ranking and review of records were carried out with each of the 214 sample SHGs. There were also FGDs with broken groups (20). Individual interviews included SHPA field staff, and nearly 150 key informants (village leaders - *sarpanch*, *panchayat* member, village secretary, school teacher, political party workers; husbands of SHG members, SHG federation leaders); also individual SHG members, non-members and dropouts; and SHG members elected to the *gram panchayat*.

The numbers of group discussions and individual interviews are given in **Annex Tables 1.5 and 1.6**.

### 1.5 Data collection and the field experience

The research design was pilot tested in three villages of AP and three villages of Rajasthan during September-October 2004. The main field work was carried out between October 2004 and May 2005. It involved three teams of two-four researchers, with initial data collection and SHPA interviews at district and block/mandal level followed by 2-3 days in each village.

During the course of field testing, it was found that due to the limited outreach of the SHG programme in the northern states of Rajasthan and Orissa by the year 2000, it would not be possible to restrict the study sample only to four-year-old SHGs. Further, records available with NABARD DDMs and SHPA-level numbers of SHGs promoted by March 2000 reported in NABARD publications and collected from Banks did not always match data provided by SHPAs from their management information system.

In some instances, SHGs that had been loaned funds by banks in the past had since discontinued bank linkage and records of their transactions had been lost. Other SHGs had defaulted on their first loans and had subsequently stopped functioning. (In the case of one major NGO, in 1999 it had channelled funds borrowed from the local banks to SHGs but had terminated the experiment after only one year of operations on account of serious shortfalls in repayment by SHGs.) In other cases, NGOs could not produce accurate lists of SHGs that had taken external funds over the years. This resulted in several futile visits in efforts to locate SHGs that met the study criteria. Consequently either the age criterion or the external borrowing criterion for selection of sample SHGs was relaxed in some districts.

In certain districts there was difficulty in identifying SHGs with a particular promoter as affiliation and support had been claimed by more than one SHPA. NGO-promoted groups had been ceded to banks (or vice versa), or had been recast under some government programme or agency. In such cases, for analytical purposes, the SHGs have been identified with the original promoter. In the northern states while the NABARD publications point to several hundred Bank-promoted groups, operating banks denied the existence of four-year old SHGs in the study districts.

Not only were we trying to identify older groups, we were also looking for 'stories' - stories of interesting groups, stories of social action, positive and negative, SHG members elected to the local panchayat. Preliminary enquiries with SHPAs were sometimes a bit misleading, with a tendency to 'over-optimise'. What we found in the field did not always match what we had been led to believe. And if not what we expected, we were in a dilemma whether to continue in that village (without a story) or to continue searching elsewhere. Searching further would have required more time than we had, especially if we had already spent time in discussions in a village.

The study team was sensitive to the fact that long interviews, particularly with SHG members, would impose an unwarranted burden on their time. Indeed, in several cases, feedback suggested that SHG members would have to forego work opportunities to meet with the study team. As far as possible, we adapted the field schedule to times convenient to group members. We also had provision to compensate members' time in some appropriate manner (sweets, cash contribution to the group fund) although as it turned out this was not usually approved by SHPAs with whom we consulted. In most SHGs, women were happy to meet with the team, it seemed all members wanted to be part of the discussion - without any expectation of financial contributions or other inducement.

## 1.6 Data analysis

We have used a combination of methods to analyse the data. We did not use a conventional survey format but have used the structured checklists to quantify as far as possible. Data both from FGDs and interviews has been entered into Excel spreadsheets and SPSS<sup>6</sup> and tabulated by different variables (SHPAs, SHGs, villages, SHG members, drop-outs, non-members, elected women representatives of *gram panchayats*). Depending on the issue, analysis is with reference to regional/village context, promotional inputs (SHPA category and type of support) and the socio-economic profile of the group. Frequencies have been analysed as a percentage within the sample, to reflect findings across the four states (though without weighting to reflect relative proportions within the national programme).

Examples from the group discussions and individual interviews have been cited as illustration, with some developed into case studies to document different experiences in more detail.

## 1.7 Limitations

Do the findings from our sample of 214 SHGs apply to the current number of over two million? How representative are they of the country as a whole? We cannot claim 'statistical' confidence, nor would we try to in the context of the numbers across all Indian states. We were aiming at quantitative coverage but also depth of qualitative analysis, encompassing a variety of research issues. We have therefore covered a 'significant enough' number of SHGs, from different regions and in different contexts, to provide a robust basis for profiling members and groups, and quantifying the incidence of issues and actions.

The findings are broadly representative, with two provisos. One, this is not a random sample. We were looking for examples of social action by SHGs which means that our sample may to some extent be 'biased' towards those with a story to tell - whether light or dark. Two, the balance between SHPAs has changed since March 2000. Groups promoted by Government agencies now account for around half the total SHGs in the country, up from 11% in 2000, with a corresponding reduction in the number promoted by NGOs. This, combined with the national emphasis on targets, has implications for the type and intensity of inputs received by SHGs.

Within the numbers covered, each topic - each chapter - represents a research issue in itself around which very many questions could and should be asked. We have addressed some of these within the time prescribed for the study, we would not say that we have addressed them all. Several questions remain, including, for example, the role of federations, the cost-effectiveness of promotional inputs, and the contribution to poverty reduction (or impact for member households).

## 2 SHG sample profile: villages, SHGs, SHPAs

This chapter sets out the context and profile of the study sample. We focus on aspects which seem most relevant to the later findings and analysis. These are the village context, some features of the SHGs (age, savings, external borrowings), and the approach and type of inputs provided by different SHPAs.

### 2.1 Village context

One of the features of the study sample is the range of contexts from which it is drawn. The sample SHGs are drawn from villages and hamlets located in the plains, forests and hill country, drought-affected arid regions and coastal areas. These villages range from bustling settlements of over 500-1,000 inhabitants to isolated tribal hamlets (of up to 35 households) in forests composed of just one kin group of a dozen families.

**Table 2.1** shows the differences in size of the village areas visited for the study - 44 in the two southern states of AP and Karnataka, 64 in the two northern states of Orissa and Rajasthan. The southern sample includes a number of large villages, especially in Karnataka (>500 households), the northern sample is mainly of smaller villages (<250 households).

Table 2.1 Sample villages and hamlets						
	Total	%	South	%	North	%
<b>Sample villages</b>	108		44		64	
<b>By size</b>						
Hamlets (up to ~35 households)	10	9%			10	16%
Small (<250 households)	55	50%	15	34%	39	61%
Medium (251-500 households)	17	16%	9	20%	8	13%
Large (>500 households)	26	25%	20	45%	7	11%

Over half the sample villages have more than five active SHGs. The southern villages, with larger populations, average 15 SHGs/village (14 in AP, 18 in Karnataka; just one village is in the 2-SHG category). The northern villages average 4-5 SHGs/village in both States, and are evenly distributed across the SHG number categories, with 20 villages having only 1-2 SHGs (usually 2, **Table 2.2**).

	Total	%	South	%	North	%	
Sample villages	108			44		64	
Average SHGs/village	9			15		5	
Distribution of villages by number of SHGs:							
1-2	21	19%	1	2%	20	31%	
3 to 5	31	29%	9	20%	22	34%	
>5	56	52%	34	77%	22	34%	

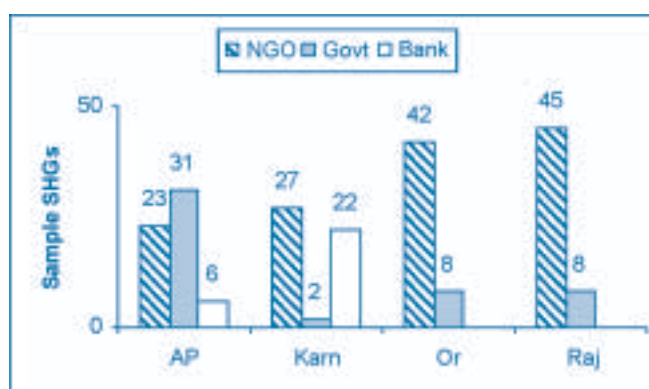
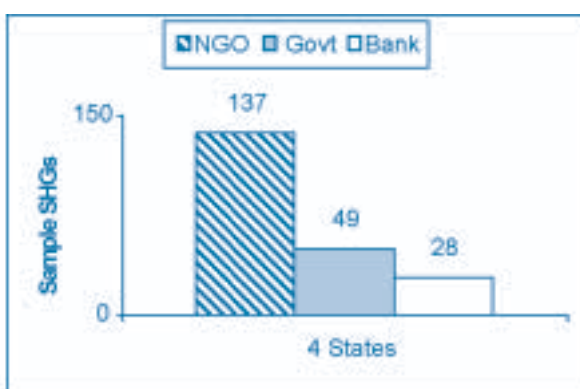
[Village level key informants]

In both regions, it is common to have at least two types of SHPA represented in a village. In the south, sometimes more than one NGO. In the north, there may be one NGO, and one or two SHGs promoted by a Government agency.

## 2.2 The SHGs

### 2.2.1 SHPA

The 214 SHGs in four states were sampled roughly in proportion to the different types of promotion agency by the year 2000. As noted in Chapter 1, the southern sample includes the three types of SHPA, with a number of Government promoted groups in AP, and Bank promoted groups in Karnataka. The northern sample is mainly of SHGs promoted by NGOs, with a few Government promoted groups, and no bank promoted groups. Overall, 64% of the sample are NGO promoted, 23% are Government promoted, 13% are Bank promoted (Figure 2.1).



### 2.2.2 Size and age

The SHGs have on average 14 members, with some variation between states (lower in AP) not much by SHPA (Table 2.3). The average age of the SHGs is 6 years, though 10% of the sample have been formed for less than three years and a similar proportion for more than eight years- across the study states.

	Total	State				SHPA		
		AP	Karnataka	Orissa	Rajasthan	NGO	Govt	Bank
Sample SHGs	214	60	51	50	53	137	49	28
Average members/SHG	14	12	14	14	15	14	13	13
Years since formation:								
up to 3	10%	10%	8%	16%	6%	8%	16%	7%
4-5	42%	32%	51%	52%	36%	34%	51%	64%
6+	48%	58%	41%	32%	58%	58%	33%	29%

List of SHGs and members by time since formation in Annex 2.1

### 2.2.3 Distance to nearest bank

Overall, under half the groups are within walking distance (<3 km) of a bank branch, around one-third are within 4-8 km (a short bus journey) and 21% are more than this. A higher proportion of the groups (52%) have closer access in the south. This proportion is highest for the bank and Government promoted groups, implying more accessible promotion by these SHPAs, though all SHPAs have a similar proportion of groups at more than 8km (Table 2.4).

**Table 2.4 Distance to bank branch**

	Total	%	South	%	North	%	NGO	%	Govt	%	Bank	%
Sample SHGs	214	100%	111	100%	103	100%	137	100%	49	100%	28	100%
Low (0-3 Kms)	93	43%	58	52%	35	34%	54	39%	22	45%	17	61%
Medium (4-8 Kms)	77	36%	27	24%	50	49%	54	39%	17	35%	6	21%
High (>8 Kms)	44	21%	26	23%	18	17%	29	21%	10	20%	5	18%

### 2.2.4 Savings

It is a condition of SHG membership to save regularly. Nearly all groups keep their savings in a group account deposited in a local bank (or, in one village in Rajasthan, in a local post office). Most SHGs have monthly savings, though savings are weekly in Karnataka where the savings amount/month is higher, and NGOs and Banks encourage small weekly savings (Rs12) in preference to larger monthly deposits (averaging Rs74). One third save up to Rs30 (equated with a daily savings rate of Re1) especially in AP (where two-thirds of the sample groups save this amount or less) and amongst Government promoted groups (Table 2.5).

**Table 2.5 Group rate of savings/member**

	Total	AP	Karn	Orissa	Raj	NGO	Govt	Bank
N SHGs	214	60	51	50	53	137	49	28
Frequency		m	w	m	m	m	m	w
Average/month (Rs)	45	36	74	29	43	42	40	69
Distribution of SHGs by savings/m								
<= Rs30	36%	67%	4%	34%	34%	38%	45%	11%
Rs31-50	51%	33%	57%	64%	53%	51%	51%	50%
>Rs50	13%		39%	2%	13%	11%	4%	39%

Note: m = monthly, w = weekly

For an average group saving Rs40/month, the annual savings deposit works out to Rs480/member and Rs6,700 for the group. Total savings for the sample groups are just under Rs7 million with an average of Rs33,700/SHG and Rs2,400/member. Variation across States and SHPA reflect different rates of saving, as well as time since formation of the SHG, as shown in Table 2.6.

**Table 2.6 Total group savings**

SHG savings (Rs)	Total	State				SHPA			Age of SHG (yrs)		
		AP	Karn	Orissa	Raj	NGO	Govt	Bank	<3	4-5	6+
n	201	60	51	45	45	128	45	28	19	85	97
Total in millions	6.7	1.7	2.3	0.8	1.9	4.5	1.2	1.0	0.5	2.6	3.7
Average/group	33,700	28,900	45,900	17,100	43,000	35,200	27,900	34,500	24,000	31,000	37,700
Average/member	2,400	2,400	3,300	1,200	2,800	2,500	2,100	2,700	1,800	2,200	2,700

[SHG records: not available for all SHGs in the northern sample]



Who decides the rate of savings? Usually the group members, guided by the SHPA, and various considerations, including their own cash capacity and the prospect of accessing an external loan which is usually linked to the amount of savings deposited in a bank account (Box 2.1).

### Box 2.1 Deciding the savings rate

The savings rate of a group is usually guided by the SHPA and is agreed by group members at the time of forming the group and later when negotiating a bank loan. SHPAs tend to advise a monthly deposit of Rs30/member, based on the notion of Rs1/day. Or, Rs10 in the case of weekly deposits. Over half the sample groups had increased their rate of savings over time - from Rs30 to Rs50/month and in a few groups (25 - in Karnataka and Rajasthan) to Rs100. The main reason given was that this increases the size of the group fund to make a group eligible for bank loans, especially a larger repeat loan, which is determined by the amount of group savings in the bank account.

One third of groups, including the majority in AP, still save less than Rs30/month. Such groups - especially those with poorer members, and tribals less integrated with the cash economy - are reluctant to increase their deposits. Even so, we came across tribal SHGs in Orissa where the Government supported federation is insisting on a minimum Rs30/month (again looking to a future bank loan), and NGO SHPAs are uncertain whether to work within the existing capabilities of their SHG members or to push them to take advantage of the prospect of future credit.

Contrary examples come from NGO promoted SHGs in Rajasthan (Udaipur district) who have decreased their savings amount due to drought in the region over the past three years.

[FGDs]

### 2.2.5 External borrowings

*External borrowings* refer to loans borrowed by an SHG usually directly from a bank, in some cases through the intermediation of a federation.<sup>1</sup> SHGs become eligible for a bank loan after six months of functioning, following an assessment carried out by the bank or by SHPA staff which covers regularity of savings, meetings, internal lending, repayments and records. A bank loan to an SHG usually starts at Rs10,000, with repayment within six months to one year. Subsequent loans follow, on repayment of the previous loan, and as a ratio of the group savings deposit, with larger amounts of loan (Rs25,000, increasing through subsequent loans up to Rs2 lakhs) and longer pay-back periods (3-5 years). Banks charge 8-12% interest on loans to SHGs. Federation loans to SHG groups who are part of the federation are similar, with amounts from Rs10,000 increasing up to Rs90,000, and rather variable rates of interest (6-24%) depending on the source of funds.

SGSY loans, supported under the Central Government's Swarnajayanti Gram Swarozgar Yojana, are targeted through banks to mainly BPL groups (previous all, now 80% of members of the group should be below the poverty line/have a ration card). These loans start at Rs25,000 but subsequent loans can increase quickly up to Rs3 lakhs, and have a substantial subsidy element (30-50% of the loan). The size of the loans, the subsidy element and the way it is administered by banks, make the SGSY scheme a very different approach to microfinance, and another story in itself. For this reason, it was not intended to be part of this study, though a few of the sample SHGs have been covered by SGSY.

All sample SHGs in the southern states, and three fourths of sample SHGs in the northern states have taken external borrowings. Data on external borrowings for sample SHGs is given in **Table 2.7**. The average number of borrowings is 2.5, totalling just over Rs1 lakh/SHG cumulatively, with Rs58,600 outstanding (excluding 14 SGSY groups).

Table 2.7 External borrowings (EB)								
	Total	State				SHPA		
		AP	Karn	Orissa	Raj	NGO	Govt	Bank
N - sample SHGs	214	60	51	50	53	137	49	28
Distribution by number of EBs								
0	11%			16%	30%	13%	12%	
1	18%	13%	24%	12%	25%	23%	10%	11%
2-3	57%	78%	67%	48%	32%	47%	71%	79%
4	10%	8%	8%	12%	11%	12%	6%	7%
4+	4%		2%	12%	2%	4%		5%
SHGs that have had EB <sup>a</sup>	164	55	39	37	33	103	34	24
SHGs with outstanding EB <sup>a</sup>	121	39	27	33	22	76	24	21
Averages/SHG:								
Number of borrowings	2.49	2.42	2.30	2.88	2.43	2.49	2.49	2.52
Cumulative amount (Rs) <sup>a</sup>	102,300	105,500	105,700	72,000	127,100	101,800	91,900	120,700
Current outstanding <sup>a</sup>	58,600	60,500	89,000	29,800	61,400	53,500	48,900	88,500

[SHG records]

<sup>a</sup> Excluding 7 groups where data is not available and 14 SGSY groups (7 in Karnataka, 5 in Orissa, 2 in Rajasthan) for which the average external cumulative borrowings is Rs126,500

The number of external borrowings increases with time since group formation, but not uniformly. Taking older groups (of 6+ years), 55% have had 2 or 3 loans, 16% have had 4 or more, but 17% have had just 1 external loan.<sup>2</sup> Thirteen percent (in the north) have not borrowed externally at all, functioning more as ROSCAs, saving and rotating their savings as group loans.

### 2.2.6 Internal group lending

SHGs lend to members within their groups at an average rate of interest of around 24% a year (2% a month). Eighty-five percent of the sample lend at this rate, or less; fourteen percent lend at 36% (with two at 60%). The pattern is to charge higher rates in the early stages of group formation, with an emphasis on growing the group fund; with rates sometimes reducing over time (**Table 2.8** and **Box 2.3**; details by State and SHPA in **Annex 2.2**).

Table 2.8 Interest rates paid by members to group				
Rate of Interest	Overall	By time since group formation		
		<3 years	4-5 years	6+ years
N	214	21	90	103
60%	1%	5%	1%	
36%	14%	10%	21%	8%
24%	68%	80%	64%	70%
18%	7%	5%	8%	6%
12%	10%		6%	16%

**Box 2.3 Deciding the rate of interest on internal loans***Building the group fund*

Again this is a case of guidance by the SHPA. 24% is the norm since it allows a margin above the rate of interest payable on most external borrowings. Group members usually agree to this as a reasonable amount which is less than the informal rate, and represents a margin that goes back into their own group fund.

*Reducing the rate as the group fund grows*

In the early years of SHG formation, there is more of a focus on building the group fund, for two reasons. This serves to increase the amount available for internal lending and perhaps more importantly, to become eligible for larger external loans, faster. Over 3-4 years, as the group fund grows, SHGs consider lowering the interest rate. Thus, in Rajasthan, seven SHGs reduced the interest rate - six from 24% to 12% and one from 60% to 24%. An interesting instance of this is provided by an NGO-promoted SHG in Thuamul Rampur Block of Kalahandi that won the Chief Ministers' Award for the best SHG in the state of Orissa. The SHG women started by charging 5% per month interest on loans to members from their limited funds in the initial years with a view to build up SHG capital. Over the years, as the demand for loans of group members stabilised and the flow of bank loans increased, the SHG reduced the rate of interest on loans to members such that it now stands (after 5 years) at 1% per month.

The 60% cases may in some cases be explained by lending to non-members in the name of members - matching the 5-10%/month interest rates charged by local money-lenders and rich farmers. Eighteen percent of sample SHGs say they also lend to non-members, always at higher rates of interest. When a group has more funds than it needs for its own members to borrow, it can decide to lower the interest for borrowers and earn higher rates from non-members.

[FGDs]

**2.3 The SHPAs****2.3.1 Different types of SHPA**

The different types of SHPA - NGO, Government and Bank - represent different development programme contexts and objectives in promoting SHGs. For NGOs, SHG promotion usually began as one component of a village development programme, covering issues of land, watershed, forestry, livelihoods and sanitation. As part of such programmes, some NGOs started village-wide groups for men, and for women separately, to build participation in planning and managing resources. Smaller Self Help Groups too started as groups for men and groups for women, with SHGs for women beginning to be seen as a means of promoting women's development, participation and empowerment.

Within Government programmes too, SHGs were started as part of a wider development agenda - related to for example promoting income generating activities for women (Swa-Shakti, other Women's Development Schemes implemented by District Rural Development Agencies) or added on to social programmes (e.g. ICDS - Integrated Child Development Services). In AP, the State Government has strongly supported the growth of SHGs through promoting SHGs as part of the DWCRA scheme (Development of Women and Children in Rural Areas) during the 1990s, and making membership in SHGs a criterion of eligibility for state hand-outs, not only the DWCRA grants, but cooking gas connections and other benefits. Since 2000-1, SHGs have been further promoted in AP under a well-funded World Bank programme called 'Velugu' which channels community investment funds through Village Organisations and federations of SHGs.<sup>3</sup>

For Banks, naturally, the focus of SHGs is linkage for lending, in line with priority sector guidelines for the banking sector, though in practice Bank branches take the help of local NGOs to provide capacity building and monitoring of these groups - on the basis of fee for service.

As SHGs become a target for bank linkage, the practice of microfinance has become more of a focus for all SHPAs in terms of regular savings, accessing credit, on-time repayments. As a result, whilst a broader development agenda continues, up to half the NGOs we visited say that their development focus in promoting SHGs has shifted to microfinance and providing support related to managing savings and credit. Part of the reason for this lies in the fact of fund availability. When more funds are available for microfinance activities, then those are the activities which tend to be undertaken.

SHPAs operate at different scales. In the study districts, NGO SHPAs work on average with 500 SHGs (four NGOs with over 1,000 SHGs, twelve NGOs with less than 200), the bank branches work with 1,000, and Government agencies with 5,000 up to 20,000+/- district in AP.)

In practice, we found some shifting or overlap between the different SHPAs, not only local NGOs assisting Bank promoted groups, but Government or Bank SHPAs sometimes 'taking over' SHGs promoted by NGOs (Box 2.4 gives an example from Orissa) or a case of an enterprising 'SHPI' - SHG Promoting Individual - a women in Rajasthan who has formed SHGs and linked them to both government and bank programmes (Box 2.5)

#### Box 2.4 Does Bank linked mean Bank promoted?

The Bank staff of a RRB in Kalahandi, Orissa, stated they were comfortably able to achieve their target of promoting 25 groups in a year, and accompanied the study team to meet the group members. The group members did not recognize the bank staff nor could they recall the name of the promoting bank. But some members did mention that a 'didi' comes to their meetings regularly. After probing further we found out that the group was promoted by a local NGO ('didi' was an NGO field staff) which had linked the group to the bank. NGO staff were surprised to learn that the bank claims the group as their own. Especially, since they had recently received a notice from the bank which warned the organisation to improve repayments of 'its groups'.

#### Box 2.5 An individual as SHPA - linking in to Government and Bank 'promotion'

Sudesh is a Khatri Punjabi - ('Other' Caste) in Alwar district (Rajasthan). She is from a well off family in the village. Forty years old, with secondary level schooling, mother of three children, her husband is a contractor of auto parts. Her involvement with SHGs has led to her working full time as a 'promoting individual' working directly now with over 30 SHGs, most of which she has 'given' to a local bank manager and the government DRDA programme to contribute to their SHG targets. It started nine years earlier...

*"I was leader of a group under the Government's programme. The staff asked me to form a few more groups in my village. I did that, and was keeping their records. And a local NGO helped me by giving me training in SHG promotion and record keeping. " I have promoted more than thirty groups in neighbouring villages. This is my main job, since I am working with all these groups at the same time. The bank manager said that he needed a few groups so I gave him a few (for Rs800 each SHG); then DRDA needed some groups so I gave them some (also for Rs800 each SHG). Now, DRDA's targets are achieved so they don't need any more groups, and the banker needs SHGs from time to time. I still have eight groups. I charge each group Rs20 a month for writing the records - which gives me a good income" (Rs600/month).*

### 2.3.2 Federations

A substantial proportion of SHGs in the sample (66% in the south, 54% in the north) are members of SHG networks or federations, formed at either the village, village cluster or higher level (Table 2.9).

Total	South	North	NGO	Govt	Bank
45%	36%	54%	61%	12%	21%

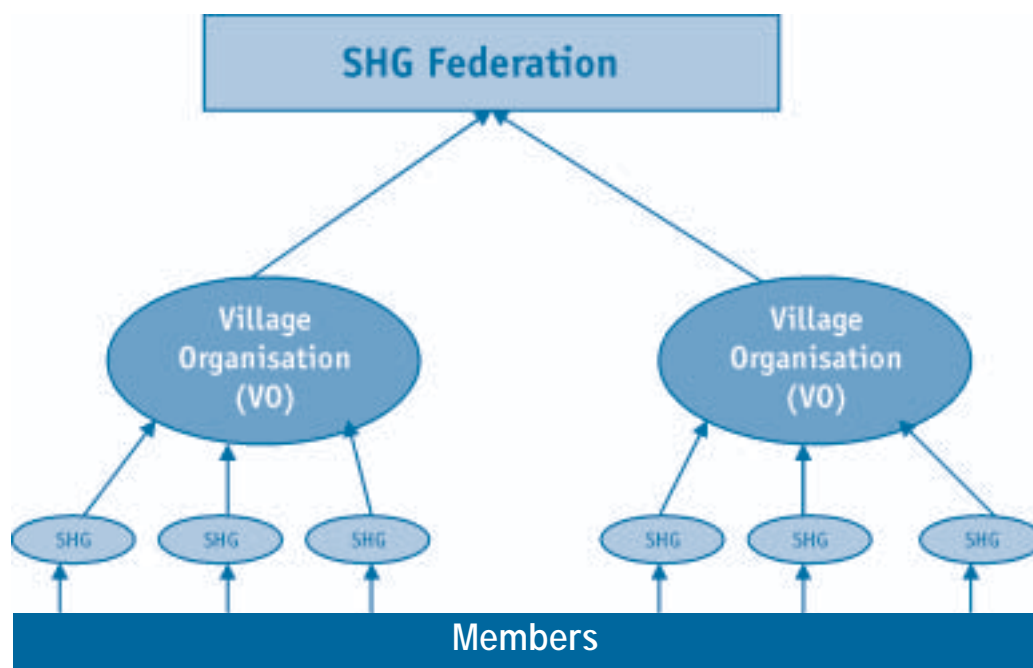
The dictionary meaning of federation is "Association of autonomous bodies uniting for a common perceived benefit". A federation is an association of primary organizations. Primary organizations may federate to realize economies of scale or to gain strength as an interest group.

Federations of SHGs have been promoted by NGOs and State Governments from the 1990s. The aim has been to create institutions to facilitate withdrawal of the promoting agencies from some of their functions and roles, in terms both of microfinance - facilitating credit access and repayments, and development - by providing a structure enabling women (and their representatives) to negotiate with wider institutions in society, acting collectively in a way which is not possible for SHGs by themselves, as small informal groups of 10-20 women.

The structure of federations varies, but follow a 'two-tier' or 'three-tier' model with 10-20 SHGs forming a cluster association and linked with other clusters (about 12) to form a federation - at the block level, and potentially upwards to the district level as the apex federation. Cluster associations network SHGs across a number of villages. In AP, where there are already around 20 SHGs in a village, SHGs are networked into the village organisation (VO), as depicted in Figure 2.2.

Figure 2.2

SHG federation structure in AP (under the Government/World Bank Velugu programme)



While SHGs are informal, the federations often become formal institutions adopting appropriate legal forms. Federations access funds either through their supporting NGO (or SHPA) or the NGO facilitates their direct access to bulk loans from a variety of financial institutions including banks. In most cases, the SHG Federations perform both financial and non-financial functions. Some of the promoting agencies have ensured that the SHG federations perform the functions of a financial institution, others have facilitated the federations taking a more holistic role including marketing activities.

The idea of federations was first introduced by NGOs in the southern states and since the late 1990s has begun to be introduced in the northern states, both by NGOs and, in Orissa, adapted by the Government as part of its Mission *Shakti* programme for women as a means of expediting disbursement of bank credit to SHGs.

## 2.4 SHPA support to SHGs

SHPAs are expected not only to form SHGs, but to provide supporting inputs to groups. Such inputs sometimes include grant contributions or revolving funds (Rs5,000-10,000 added to member savings - for internal lending: by just under half the NGO SHPAs, all government agencies). More generally, and usually longer term, is the training and capacity building provided to SHG members. This typically involves an initial orientation of all SHG members to the 'self help concept', norms for the group (meetings, savings, lending, interest, instalments etc), role of group leaders and an introduction to the type of books maintained for the SHG transactions. This is usually the responsibility of the SHPA field worker. It starts during an initial meeting of the SHG and continues over the first 4-6 group meetings. Thereafter, too, the SHPA field worker may continue to give guidance, though this varies.

Group leaders (usually 2-3 in a group, including a president, a secretary and a treasurer) get 'on-the-job' training, especially if one among them is responsible for maintaining the group books. Nearly all SHPAs also provide exposure visits for group leaders to visit established SHGs, including visits by SHG leaders in the northern states to pioneering programmes in the south.

Several SHPAs, both NGO and government, also provide different types of development support (summarised in **Box 2.6**). These are often part of community wide initiatives.

**Box 2.6 Development support by SHPAs [Total SHPAs in sample = 35]**

Development aspect [number of SHPAs]	Type of inputs
Community mobilisation and services [16]	<ul style="list-style-type: none"> <li>• Watershed and land development</li> <li>• Campaigns on social issues</li> <li>• Construction of schools,</li> <li>• Installation of hand pumps</li> <li>• Sanitation</li> </ul>
Enterprises [16]	<ul style="list-style-type: none"> <li>• Idea and guidance on starting enterprises</li> <li>• Training - skill development</li> <li>• Market support (e.g. dairy)</li> </ul>
Women's issues [10]	<ul style="list-style-type: none"> <li>• Anti liquor campaigns and rallies</li> <li>• Legal counselling</li> <li>• Awareness campaigns, discussions in group meetings</li> </ul>
Women and Panchayati Raj [9]	<ul style="list-style-type: none"> <li>• Training/information to group leaders on panchayati raj and elections</li> <li>• Motivation to vote and to contest</li> </ul>

Analysing SHPA support to SHGs, in terms of 'microfinance' = focus on group financial transactions, or 'microfinance + development', around half the sample groups in three states are covered by each approach. In AP, the majority of groups are covered by 'microfinance +' reflecting the strong role of government agencies in the state, as well as NGOs, in linking SHGs to other development programmes (Table 2.10).

Type of SHPA support	Total	AP	Karnataka	Orissa	Rajasthan	NGO	Govt	Bank
N	214	60	51	50	53	137	49	28
Microfinance	38%	10%	43%	54%	49%	27%	33%	100%
Microfinance/development	62%	90%	57%	46%	51%	73%	67%	

Analysing further, we found considerable variation in quality and regularity of the inputs provided by to SHGs. Even within a SHPA, there can be variation of inputs between groups. This results in four categories of SHPA inputs to SHGs, as shown in Box 2.7.

Inputs	% SHGs	Description of category
1 mF	27%	Regular and continuing microfinance inputs: thorough training on SHG norms, with follow-up; group leader training on book-keeping, and other issues; regular supervision and support from field workers; emphasis on record maintenance
2 mF+D	21%	Regular microfinance and development inputs
3 D	15%	Development inputs, but low guidance on financial transactions
4 Low	37%	Low or negligible inputs of any kind (whether microfinance or development): one time meeting on SHG norms, with no follow-up inputs; low or no fieldworker supervision

Overall, 27% of SHGs receive continuing microfinance inputs, 21% receive mF+development inputs, another; 15% receive continuing development inputs (but low microfinance inputs); and over one third have had low or negligible inputs of either sort.

Figure 2.3 shows differences by SHPA, with NGO promoted groups being in all four categories, over one-third receive continuing development inputs. Government promoted groups show the highest proportion (77%) with low inputs of any kind, and in Bank promoted groups over two thirds have continuing microfinance inputs, but nearly one-third receive low inputs.

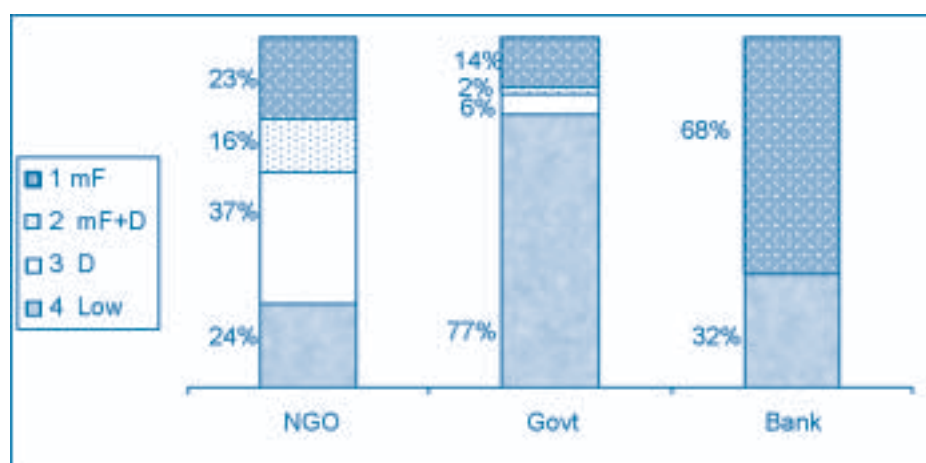


Figure 2.3  
Sample SHGs by type and quality of SHPA inputs  
[Discussions with SHPA management and staff, and with each SHG]

The finding of low quality inputs especially to Government promoted groups is likely to reflect the target driven approach of Government programmes under which SHG promotion is added to the existing tasks of field staff, with increasing numbers of SHGs, and limited capacity building related to guiding the groups. This is a factor in all SHPAs, affecting SHGs in all the States though to a less extent in Karnataka (Table 2.11).

**Table 2.11 Sample SHGs by quality of SHPA inputs**

	Total	AP	Karnataka	Orissa	Rajasthan
N	214	60	51	50	53
1 mF	27%	35%	37%	20%	13%
2 mF+D	21%		45%	4%	40%
3 D	15%	25%		24%	8%
4 Low	37%	40%	18%	52%	39%

The minimum time of support is three years across all SHPA types. There are 14 SHPAs which say that they would try to make the SHGs independent within 3 to 5 years. Another 10 SHPAs have long-term goals for supporting their SHGs ranging from 7 to 10 years. Government SHPAs in the south have fixed plans but in the north they say it is dependent on government policy - targets and budget driven. The remaining SHPAs are those who have either not thought/decided about it or say that they would withdraw support after the SHGs become self sufficient, without specifying a time line.

Several of the currently debated questions around the SHG movement, relate to the degree of support and follow-up that SHGs need, for how long - and who will pay for it? The findings from this study, with a sample mainly of older groups, show that such questions are still to be resolved.



# Outreach

## Members Exclusion Dropout

### 3 SHG members

This chapter explores who are the SHG members - and who are the leaders - in terms of selected social and economic indicators: wealth rank, caste, economic activity, schooling, and how homogeneous are the groups. The information comes from Focus Group Discussions with each sample SHG which included listing of members, wealth ranking and noting of member details. The total sample is nearly 3,000 SHG members across the four study States.

SHGs are expected to focus on the poor for poverty reduction and women's empowerment, specifically including those who have been by-passed by the banking system".<sup>1</sup> Discussions around the data for SHG outreach accordingly tend to assume that SHG members are all from poor families. Yet, there is usually not much evidence for such an assumption. Nor can it be assumed that all those by-passed by the banking system are "absolute have-nots". According to the Census of India (2001), 70% of the total rural population does not have access to banking services (savings or credit through the formal banking system).<sup>2</sup> If we compare this with the estimates of poverty in India - 25-50% of the rural population<sup>3</sup> - it is clear that it is not only the poor who are excluded from banking services.

Before analysing data for the SHG members, we start by looking at SHPA approaches to targeting and to group formation, since this has a bearing on who becomes a member.

#### 3.1 SHPA approaches to group formation

The formation of SHGs, in which villages and with which women as members, is influenced by SHPA policies and targeting for group promotion. Such policies can be seen as "exclusionary" or "inclusionary", reflecting a difference between focused targeting of only poor areas and poor people or having a softer target of *some* poor people.<sup>4</sup> As described in the previous chapter, SHGs are often part of inclusive hamlet or village-level initiatives involving the wider community.

In the study sample, the majority of the NGO SHPAs said they target backward and more remote and tribal villages; around one-third work have a more general approach, linked to the implementation of broader development initiatives. Government agencies and Banks, naturally, have a general approach (**Table 3.1**).

	All	NGO	Govt	Bank
N - Sample SHPAs	34	27	4	3
Backward/more remote/villages	18	17	1	
General (incl. links to other programmes/no other NGO; including backward villages but not a focus)	16	10	3	3

[SHPA reports, interviews and observation]

To form SHGs, in most SHPAs the field staff hold introductory meetings with all men and women in the village. Some talk to village elders (including the *Sarpanch*), some only to women and a few use influential families of the area as an entry point.

The general consensus is that SHG members are self-selected but NGO facilitators also play an important role in directing the course of SHGs and their work especially in the early days. Once groups are formed in a village, then further SHG formation and selection of members may be done by existing SHG members. In many FGDs, SHG members asserted that the ultimate decision about who would be included was theirs. NGO SHPA staff also support this practice. "We ask the existing group members to approach women interested in joining SHGs. Once enough women are available we form them into groups". However, in the case of SHGs promoted by Government SHPA workers (such as ICDS workers) or individual agents, the fact that it is the *individual* initiative of the local worker (who is also a leader, or at least a member, of an SHG she has promoted) leads to their exercising influence in the composition of the SHG.

Potential SHG members may nevertheless be required to fulfil certain poverty criteria laid out by the SHPA or are identified through other (participatory and non-participatory) selection methods. **Table 3.2** summarises the targeting approach of the SHPAs in the study sample. Around two-thirds of them state a focus on the poor, and nearly all of these apply some kind of poverty-related targeting criteria while forming SHGs. Nearly one-third of the SHPAs work with specific castes - almost invariably with the SCs and STs, a few with OBCs ('Other Backward Castes'). The SC and STs in particular are targeted as marginal communities recognised as structurally poor. Funding agencies too prefer that SHPAs work with these communities. Some NGOs are more "hands-on" in determining the poverty status of the prospective SHG members. The wealth ranking tool pioneered by one of the southern NGOs (Myrada), serves to provide a participatory basis for determining eligibility for membership. Such a tool is used by six SHPAs, including one Government agency in the south (Velugu in AP).

Targeting criteria	Total	NGO	Govt	Bank
N Sample SHPAs	34	27	4	3
Open to everybody in village/entire community	12	9		3 <sup>b</sup>
Stated focus on poor	22	18	4	
Of which: <sup>a</sup>				
Use wealth ranking tools	7	6	1	
Caste focus (SC/ST; some OBCs)	10	10		

[ SHPA reports, interviews and observation ]

<sup>a</sup> Not all those who state a poverty focus have specific criteria to identify their target group

<sup>b</sup> When banks involve local NGOs in SHG formation, then the targeting approach will in practice reflect that of the NGO, which may have a poverty focus, as we shall see in our Karnataka sample.

### 3.2 Depth of outreach: inclusion of the poor

Poverty estimates in practice are not easy. For this study, we did a participatory wealth ranking exercise for each sample SHG, based on a discussion with a few of the members. As described in Chapter 1 (Box 1.3), the wealth ranking was correlated with Objective Wealth Rank categories to enable comparison across different areas; the line between poor and borderline categories in the objective wealth ranking classification is approximately equivalent to the local poverty line.

The overall sample findings (Table 3.3) show that 51% of SHG members are poor, including 15% very poor; 32% are borderline (or 'vulnerable non-poor'); 17% are non-poor. The depth of outreach (to poor and very poor families) is similar (53-61%) across the three states of AP, Karnataka and Orissa, and lower (34%) in Rajasthan reflecting a community inclusive approach among NGOs in the study districts of this state.

	Total	AP	Karnataka	Orissa	Rajasthan
	2,968	736	718	707	807
Very Poor	15%	18%	26%	13%	5%
Poor	36%	35%	35%	44%	29%
Borderline	32%	26%	28%	29%	41%
Non Poor	17%	20%	11%	13%	25%
Very poor + poor	51%	53%	61%	58%	34%
BPL card holder <sup>a</sup>	62%	83%	82%	61%	27%

[FGD wealth ranking and SHG member listing]

<sup>a</sup> BPL = 'Below Poverty Line', that is holding a ration card issued by the local government which entitles the household to subsidised food grains intended for the poor

By SHPA, the depth of outreach (proportion of poor and very poor) is within the range of 48%-61% (Figure 3.1). Targeting differences between SHPAs are not clear-cut since banks and government programmes may take the help of local NGOs for SHG promotion. Deep outreach in bank promoted groups reflects poverty targeting by associated NGOs in the Karnataka sample.

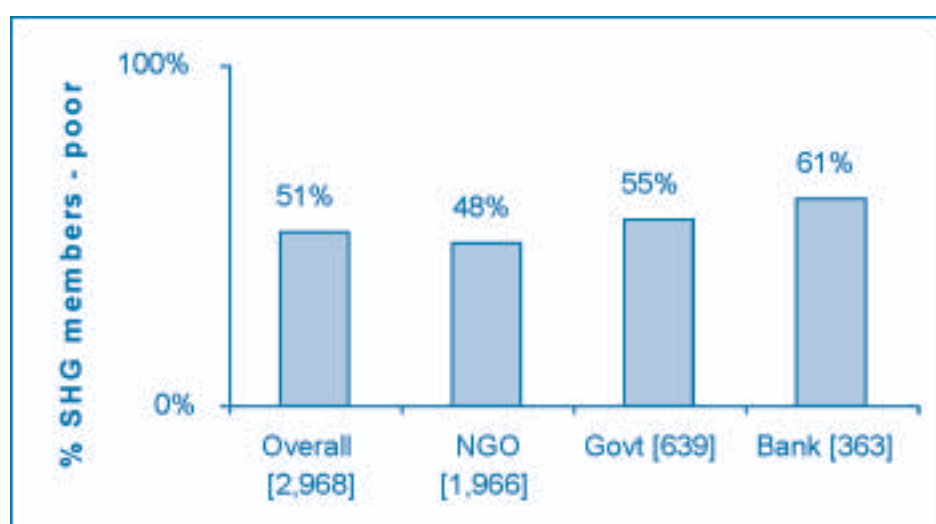


Figure 3.1

Depth of outreach by SHPA

[wealth ranking, FGD with sample SHGs]

Sample numbers in [ ]

As shown in Table 3.3, a substantial proportion (62%) of SHG members are BPL card holders,<sup>5</sup> 83% in the southern sample, 43% in the northern sample. In the south, large numbers of BPL cards were distributed at election time, just before this field survey, with an apparent view to political canvassing (rather than carefully reflecting poverty so as to target resources better). In the north, we have a close convergence between

the proportion of BPL families and poor + very poor, though they may not necessarily be the same families.

This data represents poverty status of SHG members at the time of the survey - when the majority of our sample had been members for at least four years. Analysing the data further, we can compare the wealth rank of members by time of membership, to explore the hypothesis that there is a greater likelihood of more recent members being poor with an upward shift in wealth rank profile with higher years of membership. The data (in Figure 3.2) suggests a marginal shift, which is significant in the case of the very poor (who are 29% of <2 year members, and 13% of >7 year members). Nevertheless, in the context of poverty reduction goals, it is significant that we do not see a clear shift up out of poverty: after five and seven years, more than half the members are (still) poor.

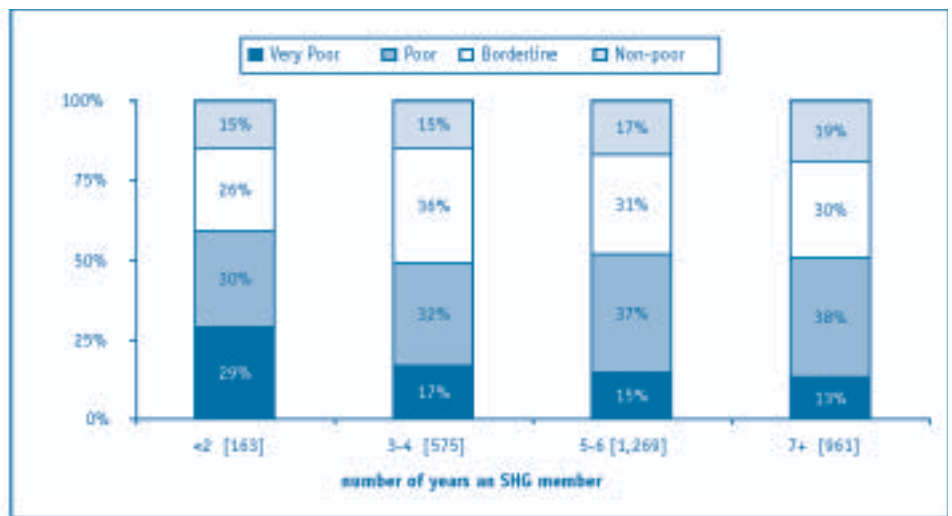


Figure 3.2

Wealth ranking by time of membership

[member wealth ranking of sample SHGs]

Sample numbers in [ ]

Chi-square test: Difference between very poor clients compared to other WRs is statistically significant at 0.05 level

Apart from the poor - and women - there are certain categories of people who are recognised as marginal to Indian society, facing social and economic barriers because of their caste, or the absence of male family support.

Scheduled castes and Scheduled tribes (SC/ST) are traditionally peripheral to rural society, as reflected in their living usually on the edge of villages, in separate hamlets. Across the study states, their proportion in the total population is similar for SC (16-17%) but more variable for ST (6.6% - in AP and Karnataka, 12.6% in Rajasthan, 22.1% in Orissa).<sup>6</sup>

The caste profile of sample members (partly reflecting a focus of the study on tribal areas) shows 30% SC and 25% ST across the four states, higher SC (over 40%) in Karnataka and Orissa, and higher ST in both northern states. This proportion is lowest in AP where half the sample are backward caste, and 27% are other caste (Table 3.4).

	Total	A P	Karnataka	Orissa	Rajasthan
SC - Scheduled castes	30%	7%	45%	41%	27%
ST - Scheduled tribes	25%	13%	10%	35%	41%
MN - Minority (Muslim)	5%	2%	10%		8%
BC - Backward castes	28%	51%	23%	19%	19%
OC - Other castes	12%	27%	11%	5%	6%

[SHG member listing]

Figure 3.3 shows the caste profile of SHG members in the sample by SHPA

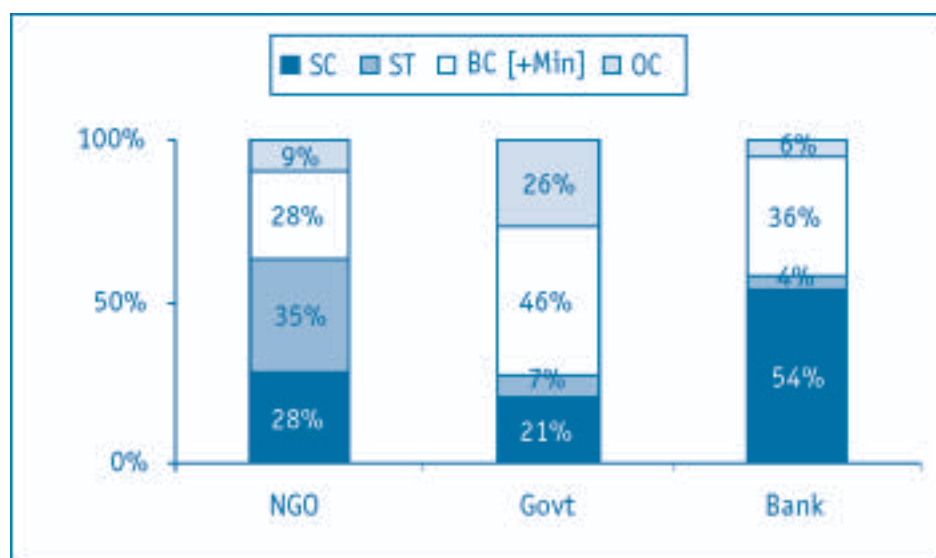


Figure 3.3

Caste of SHG members by SHPA

In NGO promoted groups, 63% of members are ST and SC. NGO focus is more on STs, as compared to other SHPAs. Government promoted SHGs include 28% SC and ST, with nearly half the members from BC, and another one-fourth OC. This largely reflects the situation in AP, where the Government has promoted enrolment in SHGs across communities. The caste profile of Bank promoted SHGs (over half SC) again reflects the poverty focus of associated NGOs in Karnataka, and involvement of BCs in AP.

A comparison of caste and wealth ranks for the sample is given in **Annex 3.1**. This partly shows an expected pattern: over half (50-60%) of Scheduled caste and Scheduled tribe members are poor, whilst over half (55%) of Backward and Other castes are borderline or non-poor. Though, there are better off among SC/ST and there are poor and very poor amongst other castes.

Apart from caste, a vulnerable and under-privileged group amongst women are widows (see **Box 3.3**). In the study sample, 10% of SHG members are widows, 13-14% in two States - Karnataka and Orissa. A somewhat different category (though with some overlap) are women heads of households, defined as those without a male earner in the household. In the sample, 11% of SHG members are women heads of households - over 13% in all states, except for Rajasthan, which has a low 3%.<sup>7</sup> In AP, the wider gap between % of widows and women heads of households probably reflects migration by men in the family. Women who are heads of households are from all castes, but more likely to be poor (**Table 3.5**).

Table 3.5 Widows and women heads of households (WHH)

	Total	A P	Karnataka	Orissa	Rajasthan	
Widows	10%	7%	13%	14%	5%	
Women heads of households	11%	13%	16%	14%	3%	
WHH:		Very Poor	Poor	Borderline	Non Poor	
within wealth rank categories		19%	12%	9%	6%	
within caste		ST	SC	MN	BC	OC
	7%	12%	14%	12%	13%	

### Box 3.3 Two widow's groups in Orissa

One member: 'no-one in the village treated a widow nicely before we had this SHG. Now at least we get some independence'

But another: 'no-one can help a widow who is entirely on her own - not even the group'

Two of the sample SHGs for this study in Ganjam district were part of a number formed by an NGO entirely of widows following the 1999 cyclone - supported by a donor. These were groups of very vulnerable women, all scheduled caste, with very poor and poor members, and a couple of borderline. Their savings amount is still Rs10-20/month, compared to other SHGs in the village which save at least Rs50. Nevertheless, a few of the members are also members of other groups - including daughters in law of widows who have died.

The widow's groups each received Rs36,000 interest free from the NGO. Some members have used it for small vending activities (fish, groundnut). They also take small loans to meet household expenses - borrowing Rs500, repaying Rs600 (20% interest).

### 3.3 SHG members - work and literacy

The work and literacy profiles of SHG members reflect both their wealth ranking and the different contexts in the four study states. The main activities are agriculture based, with 38% of women in the overall sample engaged in casual/agricultural labour and 29% engaged in own agriculture; 17% of women reported non-farm enterprise as their main activity (Figure 3.4).

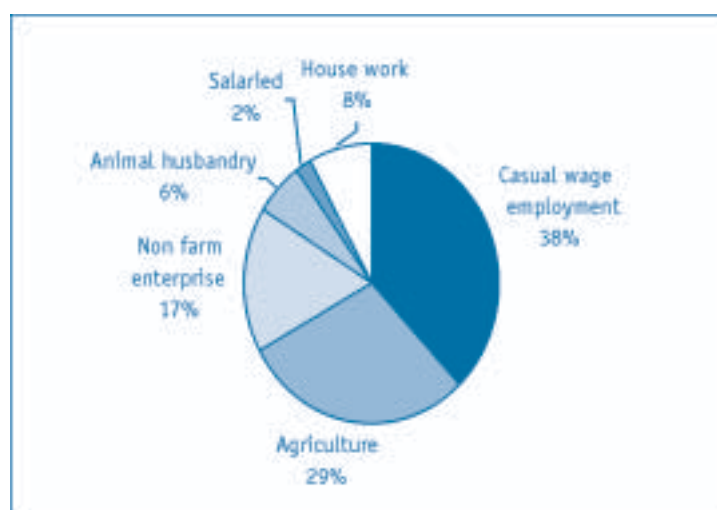


Figure 3.4

Main activity reported by SHG members

Comparing the sample by state, non-farm enterprise as the main activity is higher in the AP and Orissa samples (27%), including enterprises managed by the women themselves; in the AP sample, fewer women (22%) are engaged in casual labour, more (37%) are engaged in own agriculture (Annex Table 3.2).

Schooling levels are very low: 74% of the sample had had no schooling, 11% had had some adult education to become 'neo-literate' (able to read and write - some words/numbers, with difficulty, though a bit more than just signing their names); 15% had had some schooling of which 6% had completed primary, 3% had completed secondary (Figure 3.5). There are substantial differences by State, reflecting higher levels of literacy in the southern state of AP, especially among the BC community (Table 3.6).

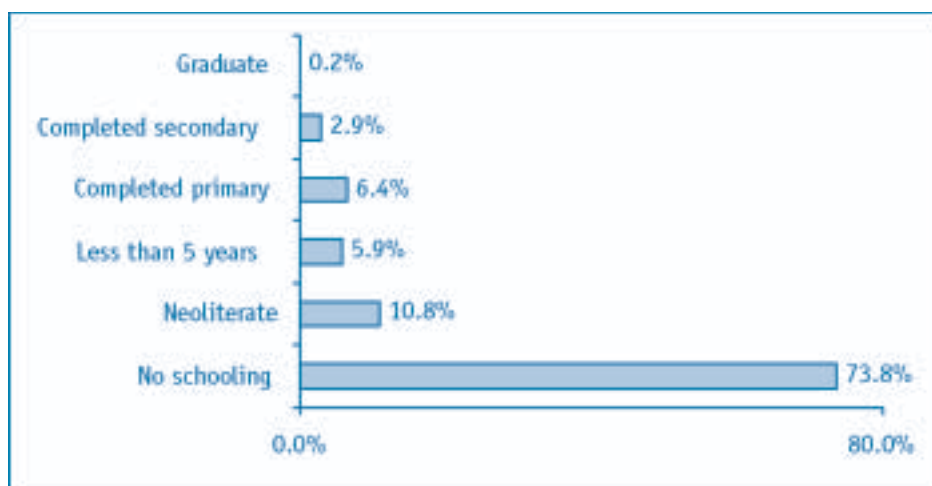


Figure 3.5

Schooling of SHG members

Table 3.6 Schooling of SHG members by State

	Total	A P	Karnataka	Orissa	Rajasthan
No schooling	73.8%	37.4%	87.6%	77.2%	91.6%
Neoliterate	10.8%	34.2%	0.1%	8.3%	1.2%
Less than 5 years	5.9%	8.0%	4.0%	6.1%	5.3%
Completed primary	6.4%	14.4%	4.3%	5.8%	1.6%
Completed secondary	2.9%	5.2%	3.9%	2.5%	0.2%
Graduate	0.2%	0.8%			

<sup>a</sup> In AP, the State Directorate of Adult Education organised a literacy programme (*Akshara Sankranthi*) exclusively for SHG women in DWCRA SHGs from Oct 2, 2000 (Gandhiji's Birth Day) to March 23, 2001 (Ugadi-Telugu New Year's Day). Almost all our sample SHGs were formed under DWCRA by the time of this programme and were covered under Akshara Sankranthi. Hence the high percentage of neo-literate women in the AP sample.

### 3.4 SHG leaders

Each SHG has usually two (sometimes three) leaders - a president and secretary, sometimes a treasurer or vice-president too - selected from among the members. In the sample, there are 470 SHG leaders, 16% of total members. Leaders are from all wealth ranks, caste groups and occupations. Whilst the leaders' caste usually reflects the caste composition of the SHG, in comparison with the overall membership profile, SHG leaders are more likely to be non-poor and have had some schooling (Table 3.7). Nevertheless, the majority of group leaders too (60% compared to 74% overall) have had no schooling - and are not able to read or write.

Table 3.7 Leaders within socio-economic categories

	Very Poor	Poor	Borderline	Non Poor	
within wealth rank	11%	15%	15%	23%	
	SC	ST	BC	OC	
within caste	15%	16%	15%	18%	
	None	Neo-lit	< Primary	Primary	Sec
within level of schooling	13%	18%	26%	29%	33%

### 3.5 Group homogeneity?

SHGs are usually formed on the basis of *homogeneity amongst members* - a phrase which roughly means having similar social and economic characteristics, implying both reciprocity in relationships and similarity of cash flow (ability to save, need for credit).

"The basis of the self help group exists prior to any intervention. The members are linked by a common bond like caste, sub-caste, blood, community, place of origin or activity. These natural groups are commonly called "affinity groups". Even when group members are engaged in a similar traditional activity, like basket weaving, the basis of the group's affinity is a common caste or origin."

[Myrada ( 2000) "SHG the concept"]

As **Figure 3.6** shows, over two thirds of sample SHGs have all members from the same broad caste category or of scheduled tribes (though the broad categories do mask differences between sub-castes in some groups). Affinity of wealth rank is lower. Less than a quarter (23%) of the sample have all members of the same broad category (grouping very poor with poor, poor with borderline, borderline with non-poor). This proportion is higher in the northern sample where over a third of the sample groups is composed of members with a similar wealth rank; lower in the southern sample, especially in AP (just 7% of SHGs).

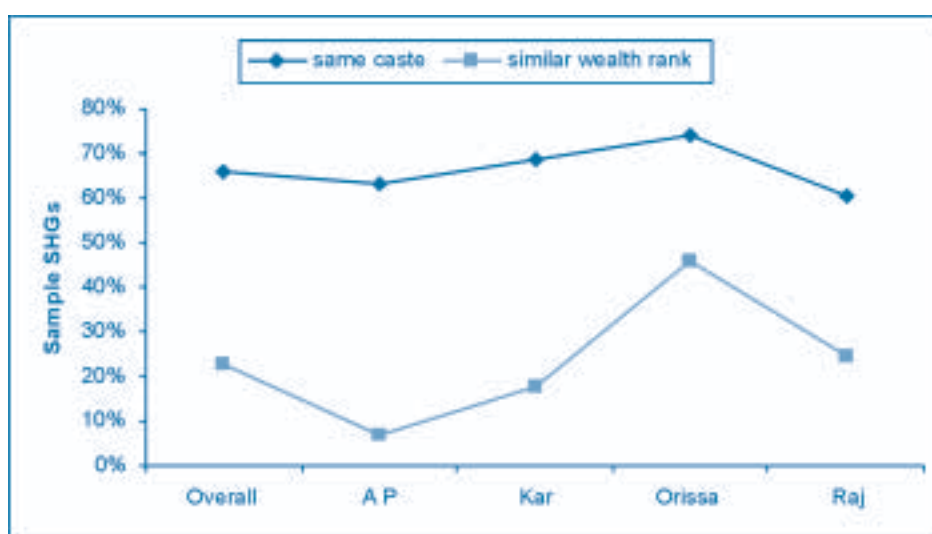


Figure 3.6

Exploring homogeneity of SHGs

'Similar wealth rank' includes 'very poor/poor' 'poor/borderline' borderline/non-poor

Affinity in terms of family relationships between members (mother-in-law, daughter-in-law, sister in law, mother, daughter)<sup>8</sup> was also explored for the sample groups. The data shows that in over half the groups overall, members are not related to each other. This proportion is higher (77%) in the southern states but much lower in the northern states, especially in Rajasthan where nearly all groups have some members related to each other (**Table 3.8**). The difference between the north and south is partly due to the higher number in the north of tribal groups, who tend to be from households reporting an extended family linkage within the same hamlet. Nevertheless there are family linkages within all caste groups (**Annex Table 3.3**) and, as we shall see when discussing group action in case of default (in Chapter 12), family relationships imply a hierarchy that may be carried over into group activities.

Table 3.8 Some family linkages within SHGs

	Total	A P	Kar	Orissa	Raj
N SHGs	214	60	51	50	53
% with all members from different families	53%	67%	88%	52%	4%
% with family relationships:					
less than half the members related	30%	23%	10%	38%	51%
more than half the members related	17%	10%	2%	10%	45%

Family linkages by main caste in Annex Table 3.2



On the basis of the main socio-economic characteristics discussed in this chapter, we have categorised SHGs according to 'main caste', 'main wealth rank' and literacy of members. For each category, '55%' of members is taken as the majority cut off. For example, in a group of 14, if 8 or more are from the same caste, or wealth rank category, then that becomes the 'main caste' or 'wealth rank' of the group. It is a rough categorisation, but, based on the member distribution, provides a workable sample number for analysis. The sample profile by wealth rank and literacy is given in **Table 3.9**. These categories underlie the analysis in subsequent chapters.

### Conclusions

- SHG members reflect a diverse membership covering different social and economic categories. According to an objective household wealth ranking, the poor are included and are around half the membership. The proportion of the poor varies with time of membership. In our sample, the poor are 59% of recent members, 51% of long-term members.
- A comparison of wealth rank data for members at different periods of membership does not indicate a shift up out of poverty by SHG members over the years of membership. While the proportion of very poor is lower for longer term clients, after seven years of membership half the SHG members are (still) poor, including 13% very poor.

SHG membership is not homogeneous by wealth but generally is by caste or tribe.

SHG leaders reflect the caste composition of their groups, and are more likely to be better off and have some schooling compared to overall members. Nevertheless, the majority of leaders too are illiterate - 60% compared to 74% of members overall.

Fifty-one percent of the SHGs are 'functionally literate' defined as 'over half the members have completed at least primary schooling'. Nearly half are not, including 30% of groups in which none of the members have had any schooling at all. This has implications for record keeping and accountability.

**Table 3.9** Categorisation of sample SHGs - wealth rank and literacy

	Total	South	North	A P	Karnataka	Orissa	Rajasthan	NGO	Govt	Bank
N	214	111	103	60	51	50	53	137	49	28
<b>Main Wealth Rank</b>										
VP+P	48%	58%	38%	48%	69%	54%	23%	41%	61%	61%
BL+NP	40%	30%	51%	38%	20%	38%	64%	47%	31%	25%
Mixed	12%	13%	11%	13%	12%	8%	13%	12%	8%	14%
<b>Literacy</b>										
<i>'Literate': &gt;55% completed primary or above</i>	3%	6%		10%	2%			2%	6%	4%
<i>'Functionally literate': &lt;55% completed primary or above</i>	48%	53%	43%	62%	43%	50%	36%	45%	59%	46%
Illiterate: 100% of members no schooling or less than primary	49%	41%	57%	28%	55%	50%	64%	53%	35%	50%
No member has any schooling	30%	18%	44%	5%	33%	32%	55%	37%	14%	25%

[SHG member listing]

## 4 Who does not join?

The membership profile for the sample SHGs in the previous chapter shows fairly broad outreach, including women from poor and marginal households, as well as the better off. In this chapter, we look at the question of who does not join SHGs. In the context of SHGs being positioned as agencies for poverty reduction, the significant question is whether there are barriers to entry of the target group of poor families?

Several studies have shown that the poorest are most likely to practise "self-exclusion" from groups because of irregular cash earnings (cannot save regularly) and the limited opportunities they see for credit-financed self-employment. This process is abetted by exclusion of the very poor by group members on grounds that they are poor credit risks.<sup>1</sup> It may also be a part of SHPA policy. Though, this approach is clearly pragmatic and may be seen as preferable to later humiliation when a member fails to fit with group norms.

Feedback on this question comes from interviews with SHPA field workers, from key informants in the village and from meetings with 100 non-members selected at random from the poorer areas of a village. First we estimate SHG coverage of households in the sample villages.

### 4.1 SHG outreach within sample villages

Excluding 10 small hamlets, the study covers 98 villages in nine districts of four states, having an estimated 44,000 households. In these villages there were 960 active SHGs. Details of membership for all these SHGs could not be obtained. Using our sample data for average group membership in the different states, the active SHGs would have around 12,800 women members. On the assumption of only one woman SHG member per household (not always the case), they would represent coverage of a like number of village households, or just under 30% of village households (**Table 4.1**). Coverage is highest in AP, where the SHG movement has spread extensively, at over 40% of village households; followed by Orissa (35% of households) where the sample villages were all relatively small (<250 households). In the Karnataka and Rajasthan villages, slightly less than one-fourth of village households are represented in SHGs.<sup>2</sup>

**Table 4.1 SHG outreach to village households (HH)**

	Overall	AP	Kar	Orissa	Raj
n Sample villages (excluding hamlets)	98	28	16	25	29
Number of HHs in sample villages	44,007	11,019	17,657	5,852	9,479
No. of active SHGs in sample villages	960	387	285	153	135
Average members/SHG <sup>a</sup>	13.4	12.2	14.1	13.5	14.9
Approx. total SHG members in sample villages	12,818	4,721	4,019	2,066	2,012
SHG membership/No. of HHs in sample villages	29%	43%	23%	35%	21%

[Village listing, discussion with key informants]

Hamlets of <35 households: 8 in Orissa, 2 in Rajasthan

<sup>a</sup> Based on sample (214 SHGs), minus an average 1% who were members in more than one SHG

A similar method can be applied to give a rough estimate of SHG outreach within caste groups. While member-wise break-up could not be collected, information was obtained from SHPA staff and village informants on the main caste of members of all active SHGs in the northern sample villages.<sup>3</sup> In the absence of complete records, caste numbers are taken as the total strength of the SHGs composed wholly or predominantly of a particular caste. (As a result no mixed caste groups are recorded in the caste-wise classification **Figure 4.1**)

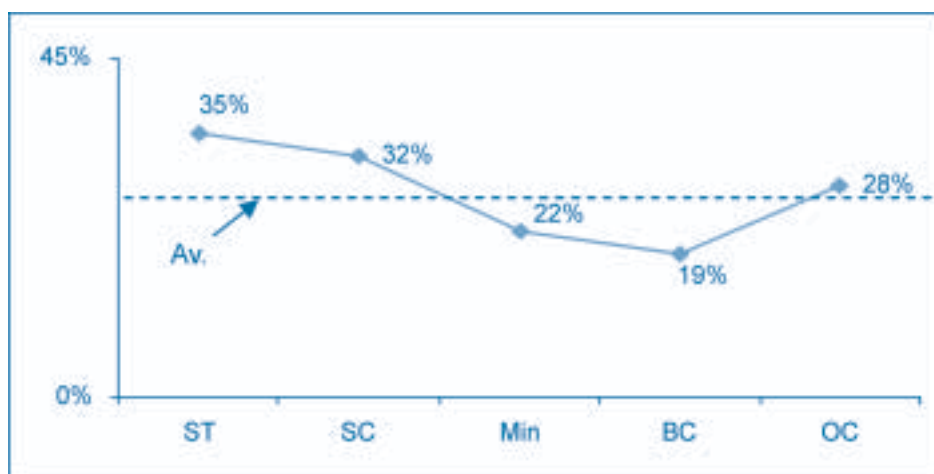


Figure 4.1

SHG coverage within caste (northern sample villages - excluding hamlets)

Data by State in Annex 4.2

[Village listing, discussion with key informants]

Based on average SHG membership from the sample, and assumes all members of a group are of the 'main caste/social group' profile.

Compared to the average coverage (27%) across castes, it is above the average for ST households; slightly above for SC, and average for OC households; below average for BC and Minorities.

Overall, the outreach of SHGs reflects a coverage of 29% across the entire sample, and slightly above average coverage (around one-third or more) of ST and SC families - considered to be structurally poor - in the northern sample. This finding does not apply to the southern sample, particularly AP where the proportion of BC and OC members is significantly higher.<sup>4</sup>

## 4.2 Reasons for not joining

The families that do not join SHGs are a varied lot - the poor who choose not to join ('self-exclusion'), or are left out for operational reasons; and at the other end of the spectrum, the better off, and OCs who are not intended to be part of programme design.

### 4.2.1 Self-exclusion

In order to obtain a perspective on the phenomenon of self-exclusion of poorer women from SHGs in the study areas, non-members were randomly selected for individual interview. 100 non-members were interviewed, a majority of whom were from SC and ST families, predominantly from agricultural worker families. A few of them belonged to the vulnerable category of widows, or old women separated from their children, and women separated from their husbands.

All the 100 non-members interviewed were aware of the existence of SHGs in their villages. Table 4.2 gives their responses to the question: whether they were interested in joining SHGs?

Table 4.2 Whether non-members are interested in joining an SHG?

	Total	South	North	AP	Karnataka	Orissa	Rajasthan
Interested	75	48	27	22	26	10	17
Not interested	25	12	13	8	4	3	10

About three-fourths of them across the two regions did say they were interested. Those who said "no" did not expressly state a lack of interest to join SHGs - instead pointed to the barriers to joining SHGs. Women from the poor and very poor category

of non-agricultural casual workers, going outside the village for daily work, appeared to be the ones who could not see themselves as members on account of their irregular income and poor saving potential, lack of acumen for enterprise and the limited time available from employment outside the village and from domestic responsibilities. The only state in which a substantial number of non-members were not interested in joining SHGs was Rajasthan. The reasons for this are discussed below.

There emerged two major reasons for not joining SHGs, in both southern and northern regions; (i) husband and family members against the woman's joining the SHG (though this would generally reflect the other reasons); and (ii) the apprehension of inability to meet the savings requirements - either the quantum of weekly/monthly saving or the necessary regularity of deposits on account of variable income (**Box 4.1**).

#### Box 4.1 Main reasons given by non-members for not joining SHGs

- Prevented by husband/family (maybe reflecting the other reasons given below)
- Unable to save regularly
- Difficult to attend meetings regularly
- High financial burden of loans (mainly South)
- Large monthly savings requirement (especially Karnataka)
- Don't understand/trust SHG process/members (especially Rajasthan)

In the southern states, non-members were also concerned about the repayment terms for SHG loans. In stating 'additional financial burden' as a reason, non-members were probably questioning the repayment norms in SHGs. Some SHGs do retain fairly short repayment periods, regardless of the size of loan taken by a member.<sup>5</sup>

**Box 4.2** gives the non-members' perception of benefits from SHG membership. These are largely the expected ones relating to the benefits of credit for emergencies, bank loans and savings for contingencies. In AP an additional element is the access provided by SHG membership to government programmes - initially through DWCRA, now under Velugu (or IKP as it is now called). The series of cash grants, subsidies, facilities and services made available to SHG members has resulted in SHG membership being turned into a ticket to benefits of government schemes.

These reasons are sometimes supplemented by a more cynical view of absence of benefits. In some AP villages, non-members comment on the fact that a number of SHGs have broken up or stopped functioning - without benefit to anyone. In Rajasthan, around half the non-members interviewed were not fully aware of the details of the SHG programme. Whilst in one of the study districts in particular, a trail of fly-by-night operators have parted people from their savings after offering attractive returns on deposits and in some villages there have been ROSCAs which have failed.

#### Box 4.2 Non members' perception of benefits of SHGs

- Credit availability for emergencies
- Bank loans on low interest rate
- Savings for contingencies
- Access to government programmes (AP)
- No benefits/no idea about benefits

Overall, the phenomenon of self-exclusion appears to be strong in the study villages. From the data above, along with focus group discussions, case studies and other sources, the following emerge as the various factors responsible for self-exclusion of the poorer sections of village society from SHGs. These are:

- Unable to contribute savings amount and not requiring loan facility
- Apprehension of loss of savings
- Caste factor - marginalised castes reluctant to join
- Illiteracy and lack of confidence of vulnerable families to deal with group processes - SHPAs not effective in ensuring participation
- Landless non-agricultural workers whose livelihoods are earned outside the village see little point in joining SHGs as they are neither enterprise-oriented nor are they dependent on the village economy
- Want to join existing group but not able to match the cumulated savings of current members (Rs1,000-1,500 after a few years, depending on the rate of savings) - a usual condition for late joiners in SHGs.
- Have disagreements with one or more SHG members so do not join.
- Don't see any benefits, especially if SHGs in the village are breaking up.

Such situations are illustrated in **Box 4.3**.

#### Box 4.3 Examples of self-exclusion

##### *'We are too poor'*

Damyanti's husband abandoned her about 5 years ago. Since then she has been living with her mother and three young children. She and her mother seek work as casual wage labourers. There is an ice factory where they can earn Rs40 a day, when work is available, for seven to eight months of the year. Even so, she says, work is irregular and expenses are high and monthly savings deposits with the SHG are difficult. [SC, Orissa]

##### *'When work is irregular, cannot contribute regular savings throughout the year'*

About 15 scheduled caste women work in a khadi spinning unit, on small machines (amber charkhas) established in the village by a business man living in a nearby town. He pays monthly at Rs15-25/day depending on the output. This provides regular earnings from September-March, alongside wages from agricultural labour. But between April and August, when income is less regular, the women take 'hand loan' advances from the farmers for whom they work. No one has asked them to join an SHG. They are not sure they could - because of the savings requirement throughout the year, and the time involved in meetings. [AP]

##### *'What are the benefits?'*

A number of non-members got involved in a discussion in the SC colony of the village. They said they did not see much benefit from being part of an SHG when groups in the village were becoming defunct. They commented on one such group which had defaulted on a bank loan. This led to loud disagreement with the leader of the defunct group who turned up during the discussion. The non-members started accusing her of not keeping the records. Her response is not printable... [AP]

#### Box 4.3 Examples of self-exclusion contd...

*'No-one will listen to us'*

In a discussion with four women of the mehtar caste (sweeper - SC), they said that SHG leaders (from backward caste and higher SC sub-caste) in the village had approached them to join - but they were not interested: "because of our caste nobody in the group would listen to us". [Rajasthan]

#### 4.2.2 SHPA policy

What kinds of women join or do not join can also be a result of the targeting policy of the SHPA, as discussed in the previous chapter, combined with some fairly standard criteria of eligibility: residence in the village, age (usually 18-55), preference to married women (since they will stay in the village, though this criterion is relaxed in the north so as to include younger educated members), as well as the ability to save regularly. SHPA field workers were largely in agreement that the very poor are usually unable to save and therefore are not targeted for SHG membership.

Thus,

- Several non-members say that no staff or SHG members ever approached them. SHPAs identify key persons (village leaders/elders, Sarpanch, Mukhiya) for assembling women for groups. Households that are not 'in' with such persons may get neglected.
- Other castes such as Jats and Rajputs (even though poor) may be excluded by the SHPA (Rajasthan)
- Policy of systematic exclusion of the poorest by NGO staff (for example in Orissa in view of bad experience of loan default in the past by this sub-group)
- Those who migrate outside the village for work - since they cannot attend meetings regularly, to deposit savings and make any repayments.

#### 4.2.3 Exclusion by SHG members

At the time of forming a group, or in the early stages, of group formation SHG members are likely to reject women who cannot save regularly or who go outside the village for work, 'who are quarrelsome' or clearly uncreditworthy (**Box 4.4**).

#### Box 4.4 Including only the creditworthy

In Orissa (Chikiti block, Ganjam district) a very poor woman was excluded by SHG members as they perceived her to be non-creditworthy, since her husband drinks and does no work and she depends on collecting and selling fuelwood to support her family. SHG members and SHPA field worker emphasised their savings and credit discipline and success in accumulation of savings.

Similarly, in Kuppiganipalli village (AP) SHG members were sympathetic towards one of the poorest women in the village, an SC woman, landless agricultural labourer with five female children, and helped pay for her to have a family planning operation. But no-one was willing to have her join their group.

For an existing group, the barrier to entry rises since it is the norm for any new members to have to match the individual savings amount accumulated by the members - for reasons of maintaining an equal stake in the group and managing the savings account.

It appears therefore as if SHGs are not deliberately excluding anyone from membership (other than migrants), but that the conditions for membership are themselves a cause

of exclusion. Since these conditions relate to the basic financial intermediation role of the SHG, of regular savings and rotating of SHG funds through loans to members, apprehensions among economically weak and vulnerable groups are well-founded.

No examples were found of SHPAs addressing some key reasons of self-exclusion, through for example offering flexible savings options, to facilitate access by poorer women with less certain incomes.

#### 4.3 Do SHPAs form one or a few SHGs from the 'easiest' potential members in a village and then move on, thus excluding most villagers?

The answer to this may be a qualified yes, except in NGO programmes which aim for community coverage within other village programmes. In AP this was the initial pattern but with continuing expansion, there is now a clear strategy for comprehensive coverage. The tendency to work with 'easiest' potential members is clearest in the case of government programmes which have targets for forming numbers of SHGs but no guidance or incentive to the field worker to do anything other than achieve the numbers. Thus, under the ICDS programme in Karnataka, Rajasthan and Orissa, each anganwadi worker - the front-line ICDS staff - has a target of 3-5 SHGs in each village (medium to large villages). Beyond this, she has no incentive to form more SHGs. In Udaipur district, as an example, the ICDS workers after forming four SHGs in a village did not go on to cover the ST hamlet of the same village.

NGOs are also well-known for having model SHGs and model villages strategically located close to their campuses where more investments have been made and intensive work done and to which visitors are directed. These are also usually the oldest SHGs. This was the case with some of the study NGOs.

Bearing in mind that 'easiest' is not necessarily so easy or smooth, there is a tendency for staff of all SHPA types to go with what is practical. The formation of SHGs in a new village, especially in the north where their emergence has been more recent, has not been an easy task according to many of the field workers we interviewed (**Box 4.5**). The challenge, they say, is to win women's confidence in the very concept of 'self help', and to build trust, and acceptance of the possibility. The process is one that takes place over several months. Inevitably, it is those who are interested and who are prepared to take the risk who form the first groups. Once groups start to function, then the idea can spread and other women too become interested. Where groups are already formed, further formation is 'easy'.

#### Box 4.5 SHPA field workers - on forming groups in new villages

*"In the villages where NGO groups are already working, no special effort is required as by seeing neighbourhood women meeting and saving, other women come forward to make groups. In villages where no other group is working, it takes a lot of meetings with both men and women in the village and repeatedly telling them the benefits of SHGs like low cost and emergency credit. Sometimes exposure visit to a nearby SHG is required to make them understand the actual benefits from an SHG. The most difficult part of the whole process is to win the confidence of women. They will simply not believe the concept of SHGs and it is only after 5-6 long meetings that they agree to form groups and that too on a trial basis. It is only after the group has been saving for at least 6 months that they come round to the view that the SHG is a good concept and they can actually help each other".*

*"It takes around 5-6 months of continuous meeting to convince women to form groups. To begin with, nobody came for the meeting I called, nobody trusted me, the men doubted my intentions and questioned whether I would take responsibility if something happens. It took me 5-6 months to form the first group. Later women themselves came forward to form groups". [Rajasthan]*

The lists of SHGs formed by SHPAs in both states shows a wide geographical dispersion of SHGs promoted - particularly in the initial phase. For example, one SHPA in Orissa had less than six groups over four years old under the SHG programme in each of seven development blocks. Often only one or two SHGs had been formed in fairly large villages. Low coverage particularly in Rajasthan, reflects limited outreach to the more isolated SC and ST settlements (such as Bhil bastis) of such villages. Yet the practical issues become obvious in a block of Udaipur district where the ST villages are so scattered that meetings are held only once in 2-3 months.

Clearly such groups require more time and effort - both to form and to guide. As one field worker mentioned, a focus on the poorest would require bringing together women who are ready to save Rs5-10/month, when other groups are starting with Rs30. And such groups would require more intensive and hands on guidance and capacity building if they are to continue effectively.

#### 4.4 Do non-joiners form their own SHGs later, or do they remain excluded?

Since the process of forming SHGs in a village is a continuous one, SHPAs may help bring families initially excluded into new SHGs at a later date. The pattern takes two forms, and we have examples of both in the study (**Box 4.6**). One (Box 4.6a), which seems most common (reflecting the pattern noted in the previous section), is such that in the first round, the borderline/poor and forward-looking families are organised into groups. Then through a demonstration effect, poorer families get persuaded to join. The second pattern, depending on SHPA focus, is to involve the non-poor once the interested poor are covered (Box 4.6b).

##### Box 4.6 Who joins SHGs first?

###### (a) Demonstration by the better off to poorer families

The government SHPA (ICDS) in a large village of Ganjam district (Orissa), first promoted SHGs amongst the fisher folk SC caste of *theraos*. Two years later, SHGs were promoted with members of another socially lower sub-group of SCs (the *dasas*).

###### (b) Initial focus on the poor, with later involvement of the better-off

When SHGs were first formed in Delwara village (Rajasthan) by an NGO, Sita was not included as her husband is a salaried earner. Several years later, once most interested poor households were covered, she joined a new group.

The widespread feature (mentioned earlier) of requiring a new member joining an existing group to make a deposit with the SHG equivalent to the accumulated savings of the existing members, favours better-off women joining SHGs at a later stage, for instance to replace a member who has left or dropped out. It is the better-off who are more able to make such lump sum deposits. Though we found instances of SHGs in Rajasthan giving loans to new members to enable them to make this deposit and join the group, even this route to SHG membership would generally be open only to creditworthy women with adequate means or income sources.

Anyway the better off - women as well as men - have alternative options, and may form their own groups - the traditional ASCA (Accumulated Savings and Credit Association) or even 'dummy SHGs', a case of arbitrage, using the SHG as a device to access cheap bank funds for money-lending. **Box 4.7** gives examples of both types from Rajasthan, both involving field workers of SHPAs.



**Box 4.7 Alternatives for the better off****(a) ASCAs - a traditional (and respectable) alternative**

We found eleven ASCAs (or Samitis) organized by three promoters in a small cluster of villages. In Alwar district (Rajasthan). One of the promoters was an anganwadi worker (also involved in SHG promotion).

These are mostly small groups of 8-10 women (15-20 in some other groups) who save up to Rs100 per month. Every month there is a bidding process for borrowing the total amount collected on that day. If 2-3 women need the money the amount is equally distributed among them. Emergency needs are given a priority. Each group lasts for two years. Every loan is repaid in 6 equal monthly instalments.

Members maybe in more than one ASCA but not with more than one promoter. The promoter earns a commission of Rs40 on each loan.

**(b) 'Dummy SHGs' - accessing cheap bank funds for arbitrage**

Three members of the Meghwal (SC) caste interviewed in a village of Udaipur district were husbands of members of an SHG promoted by a leading NGO. They are (i) teacher and warden of the ST girls hostel set up under Tribal Areas Development Agency; (ii) a class IV government employee; and (iii) a community field worker of the NGO.

They are themselves members of the only men's SHG of 10 members. They hope to have their SHG graded by the bank soon and obtain an SGSY loan that they plan to use for money lending to non-members. Since they have extensive contact with the community by virtue of their jobs, they expect to have a large clientele for their money lending operations. Employees of the NGO are reported to have started a similar money lending SHG in another block.

The poor usually do not have such options. Though in some families, including non-agricultural labourers reluctant to join SHGs, the men may participate in large 100-member ROSCAs.

**4.4 How are the non-joiners affected by non-membership?**

We asked non-members what they thought they might be missing out on. The majority of poorer women would have liked to have an option to save, and to be able to draw on those savings, but they recognised at the same time that a mechanism which requires strict regularity is a condition they are unable to fulfil. And access to cheap credit would naturally be preferable to the alternative, if they needed a loan, of going to a moneylender and paying a higher rate of interest.

Another aspect that some women commented on, especially in the south, was the opportunity to be part of a wider platform for sharing concerns, and, of course in AP, being able to access government programmes. However, even in the south, as we have seen, some non-members prefer not to be part of an SHG - to be spared the burden of savings and repayment of loans, and to be spared the embarrassment of not being able to make payments on time, and being free of group conflicts.

**Conclusions**

- SHG coverage of households within communities is substantial, averaging 29%, and slightly above this average for the structurally poor (SC/ST) in the north.
- There are barriers inherent in the conditions of membership to a group formed to

mediate financial transactions - through regular meetings, savings and loan repayments. Such conditions effectively exclude women who migrate for seasonal wage employment, and households with variable or uncertain incomes. Both are economic characteristics of the poor and very poor. They lead to 'self-exclusion' or exclusion by group members or by SHPA staff.

- It is quite common for SHPA field staff to work first with the 'easiest' potential members. Targets (number of SHGs/village), as in Government programmes, may contribute to this.

But, as seen in AP, the growth of SHGs leads to the inclusion of different socio-economic groups, including poor and non-poor.

Including the poor and poorest, nevertheless, requires more effort, and more intensive follow-up by the SHPA, if SHGs are to be able to cater to their needs, and, to accommodate more varying cash flows.

We did not come across any example of a SHPA (or SHG) considering introducing some flexibility - of for example savings deposit amounts or frequency - to accommodate those with varying cash flows.

## 5 Drop outs

SHGs are voluntary associations, primarily. Women choose to group together; not all stay together. This chapter explores the questions of drop-out: how many, who and why? Do they choose to go or are they pushed? And what happens after they drop out?

In each of the sample SHGs, we asked if any women had dropped out since the formation of the group.<sup>2</sup> During the group discussion, we obtained details about each dropout, and followed up with some of them, if available in the village, for individual interview - to obtain their side of the story.

It is important to make a distinction between individual dropouts and splits of sections of SHG membership. In the case of individual dropouts, the termination is usually permanent and very few return to the SHG fold - even experienced group leaders leaving the SHG after internal differences.<sup>2</sup> In the case of vertical splits in the SHG or breakaway formations, members usually continue as part of new SHGs or combine with other existing SHGs or with other new members, sometimes under the sponsorship of different SHPAs. These have not been included in the discussion here.<sup>3</sup>

### 5.1 How many members drop out?

Table 5.1 gives membership details and drop out rates from the sample SHGs. The total dropouts (322) since the inception of the SHGs are expressed as a percentage of the total number of members ever joining the SHGs. The overall drop out rate is a little under 10% with the dropout rate in Rajasthan being slightly higher at over 12%, and lower in AP at 7%. A total of 174 new members also joined the study SHGs in the years after their formation. If we take this into account, the decline in the *net membership* or net size of the SHGs through drop out of members stands reduced by more than half.

**Table 5.1 Dropouts from sample SHGs**

	Overall	A P	Karnataka	Orissa	Rajasthan	
1. No. of SHGs	214	60	51	50	53	
2. SHG members	2,968	736	718	707	807	
3. New members	174	38	13	67	56	
4. Dropouts	322	55	84	74	111	
5. Dropout Rate	[4/(2+4)]	9.8%	7.0%	10.5%	9.5%	12.2%

Since nearly all sample SHGs are at least 4 years old, this represents a moderately low rate of attrition in SHG membership. Analysing at the group level, in nearly half the sample of SHGs (103 out of 214) there had been no dropouts. The incidence of dropout ranges from 43-47% of SHGs in the southern sample to 56% and more in the northern sample (Figure 5.1) suggesting greater group stability as well as incentives to remain in a group in the south.

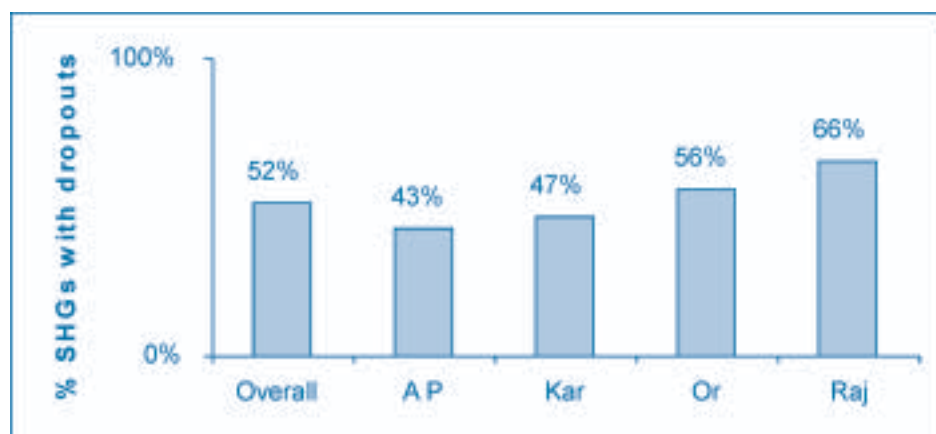


Figure 5.1

SHGs with dropouts

Looking more closely at numbers of dropout (Figure 5.2), the data shows that a substantial proportion of groups had only one or two dropouts (thus as many as 82% of SHGs had either no dropouts or only one or two), and less than 20% of SHGs had 3 dropouts or more.

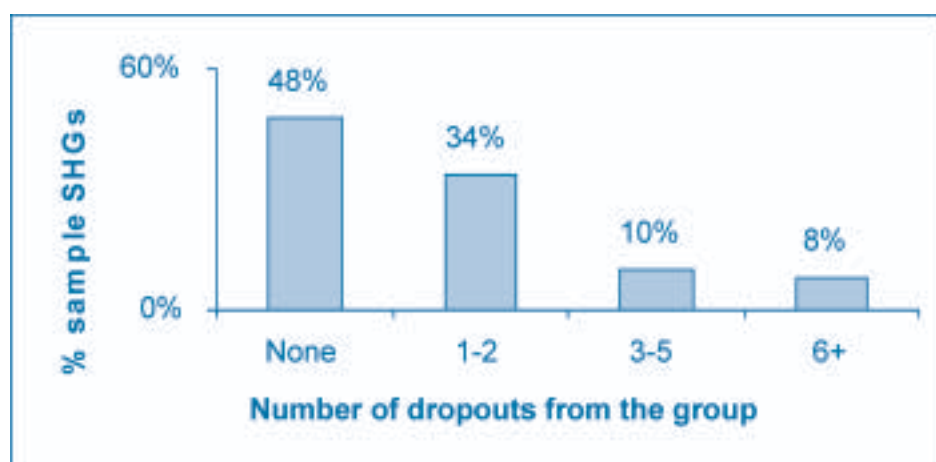


Figure 5.2

Number of dropouts/SHG

The extent of dropout by type of SHPA (Table 5.2) shows the bank sample of the southern states with the lowest incidence overall, (partly because of the focus on credit) followed by the government groups - of AP (explained at least in part by the bonding effect of being able to access the benefits of programmes delivered through SHGs). NGO groups have higher incidence of dropouts across all states - with the highest rate in the northern states, and particularly amongst tribal groups (of which 63% have had dropouts).

Table 5.2 Incidence of dropout from sample SHGs - by SHPA

	Overall			South			North	
	NGO	Govt	Bank	NGO	Govt	Bank	NGO	Govt
N Total SHGs	137	49	28	50	33	28	87	16
Total SHGs with dropouts	78	24	9	26	15	9	52	9
%	57%	49%	32%	52%	45%	32%	60%	56%

Nearly one-third of dropouts left the groups within one or two years of membership, reflecting perhaps an initial shaking out, as the group activities develop and expectations and norms become clearer. However, the majority (70%) left the group after 3 years of membership, including 20% after 6 years.

## 5.2 Who drops out?

One of the important questions about dropouts from SHGs is whether it is the poor who are more likely to drop out. **Table 5.3** compares the rate of drop-out within wealth rank category. The dropout rate is similar across wealth ranks, but decreases as we go up the wealth rank, from 11.1% for the very poor, to 7.3% for the non-poor.

Table 5.3 Analysis of dropout rate by wealth rank				
	Wealth Rank			
	Very poor	Poor	Borderline	Non-poor
Total members	455	1,059	935	519
Drop-outs - with in wealth rank <sup>a</sup>	57	95	78	41
% dropouts within wealth rank category	11.1%	8.2%	7.7%	7.3%

<sup>a</sup> Wealth rank data available for 271 out of the total 322 dropouts. The drop-out rate on total members results in an understated drop-out rate averaging 9% (lower than the overall rate of 10% as shown in Table 5.1)

## 5.3 Reasons for dropping out

The reasons for dropout constitute a varied list that illustrates the wide range of issues that SHGs and their members have to deal with.<sup>4</sup> These can broadly be grouped as follows, in the order of their reported importance:

- Migration, death and illness
- Financial difficulties
- Conflict with group
- Family pressure
- Denial of anticipated loans or benefits

**Table 5.4** analyses the reasons for dropout stated in discussion with the existing group (though these did not always match the reasons given by the dropout herself, as discussed in **Box 5.1**).

### Box 5.1 Different versions of reason for dropout

Attributing the main reason for dropout is not necessarily straightforward. Reasons may overlap, and they sometimes depend on whom you are talking to.

Using the case studies in the northern sample to illustrate: we had 28 case studies on dropouts of which 19 are dropout interviews (the rest came from talking to group members since we could not meet the dropouts). In 12 cases the reasons for dropout given by both dropout and the group matched. In two cases, the group members were not willing to talk about the reasons. In five, the versions were different: three dropouts said they were denied a loan, whilst the groups said they removed them from the group since they were irregular in deposits and repayments; the fourth dropout said she was removed from the group without any consultation whereas the group said that her husband had borrowed in her absence (while she was at her parents' house) and defaulted. The fifth dropout said she left as she perceived no benefits but the group members said that her husband would drink and she had problems in savings and loan repayments.

Table 5.4 Reasons for dropping out

Reason	Overall	A P	Karn	Orissa	Raj
N	322	55	82	74	111
<b>Migration/death/illness</b>	<b>38%</b>	<b>53%</b>	<b>56%</b>	<b>34%</b>	<b>19%</b>
Left the village (migration)	30%	44%	40%	28%	15%
Death/Illness	8%	9%	16%	5%	4%
<b>Financial</b>	<b>27%</b>	<b>25%</b>	<b>12%</b>	<b>35%</b>	<b>32%</b>
Unable to save	19%	15%	7%	24%	25%
Unable to make regular loan repayments	8%	11%	5%	11%	7%
<b>Group norms- disagreement/conflict</b>	<b>20%</b>	<b>13%</b>	<b>23%</b>	<b>12%</b>	<b>28%</b>
Disagreement with group norms	7%	5%		7%	12%
Group conflicts	10%	7%	9%	5%	16%
Dual membership	4%		15%		
<b>Time constraints/family pressure</b>	<b>9%</b>	<b>4%</b>	<b>9%</b>	<b>5%</b>	<b>15%</b>
No time for meetings	7%	2%	6%	1%	13%
Family pressure	3%	2%	2%	4%	3%
<b>Did not receive loan/subsidy or not useful</b>	<b>6%</b>	<b>5%</b>		<b>14%</b>	<b>5%</b>

[FGDs - SHGs]

Overall, the main reason reported is departure from the village accounting for 30% of dropouts. This covers diverse economic and life-cycle events: mainly short- and long-term economic migration (**Box 5.2**), with a few cases of departure of unmarried members upon marriage and the return of widowed members back to their parental village. There is considerable region and state-wise variation here with the southern states registering over 40% each, Orissa reporting 28% and Rajasthan 15% reflecting the relative importance of the migration factor in livelihood and survival strategies in the different areas. An additional 8% dropped out from SHGs due to death (of member) or own illness or of someone in the family.

#### Box 5.2 Some typical reasons of drop-out especially for the poor

##### Group drops member who misses meetings because of migratory employment

Jambhubati was member of an SHG (a scheduled caste group) for four years. But, a daily labourer in a brick kiln in another village, she would stay there 10 to 15 days at a time, often missing the monthly group meetings. The group often had to cover for her and finally decided to drop her from the group when she missed too many meetings. [Orissa]

##### Unable to save or repay - due to illness

Sita was one of the poorest in a scheduled caste group. She and her husband earn their living as casual labourers. A member for over a year, she had taken a loan of Rs500 from the group. But when both she and her husband fell sick and were unable to work for a few months, she was unable to save or make repayments for 4 months. The group used her savings to offset the loan and she dropped out of the group. [Rajasthan]

Jayalakshmi joined an SHG in 1999. A widow, (BC), she was the main earner for her family, including her daughter and un-employed son-in-law. However, after a year, when she fell ill, she decided to withdraw her savings - which were returned from the group without any interest. Two years later, when her health improved and her son-in-law got regular employment in a transport company - she was encouraged by a Government SHPA field worker to start another SHG herself. [AP]

#### Box 5.2 contd...

##### **A very poor member loses out to inequitable, and non-transparent, leadership**

Cheta is a Lambada tribal in a hamlet near Warangal in AP. She joined an SHG in the year 2000. She was the poorest member, and she never took a loan, but she was regular in her savings. In 2004 she migrated to Warangal town with her husband and their three small children; her husband rented a rickshaw, and she worked as a labourer on construction sites. She continued to send regular savings to her SHG.

A few months later her husband was killed in a road accident. She returned to her village, and asked her SHG if she could take a loan. To her surprise, she was told that she already had a loan, and was over Rs2,000 in default. The two group leaders had passed a loan in her name direct to her mother-in-law, without informing her.

Cheta was desperate. It was a struggle to feed her family from the Rs25 a day she earned from time to time as a farm labourer, and she also had to buy medicines for her boy who had a persistent lung infection. Then she learned that her SHG had been appointed to run the midday meals scheme for the village school. Cheta asked if she could be employed by the group to do this, and her fellow-members agreed. But this did not work out. The President said, 'if we give Cheta this job, then every member who is in trouble will expect to be bailed out'.

The other members reluctantly agreed, as they usually did, since the leaders had their own land and did some private money-lending; it was not a good idea to offend them. The group was clearing its bank loan in order to qualify for a new loan, and all the members except Cheta had repaid their loans in full. She could not possibly repay the loan which she did not know about, and the group adjusted her Rs2,000 savings balance against the outstanding amount. This was not enough to clear the loan, and Cheta was in any case quite unable to keep up with her savings. She had to leave the group.

[AP]

Secondly *financial reasons*, or the inability to save and to repay loans, related to more than one-fourth of dropouts overall. Notwithstanding the comparatively low weekly/monthly savings rates in most SHGs, inability to meet the savings requirement was reported for nearly one-fifth of dropouts, and about 25% in the northern states. Around 8% of dropouts exited on account of being unable to repay their loans (though this is usually accompanied by the inability to save).

Disagreements of various types between group members accounted for 20% of dropouts. Such cases usually arise when some members do not save regularly, do not trust SHG leadership or show no interest in the group activities or in attending meetings. Other factors include domination by leaders and misappropriation of funds. We came across one or two examples of leaders thrown out of their group. One from Rajasthan was an *anganwadi* worker who was thrown out by her group for insisting that members pay Rs5/day penalty if they default on loan repayment!

Family and work constraints account for a further 10% of dropouts, with lack of time for meetings predominant in Rajasthan, affecting non-agricultural workers securing employment outside the village.

Finally, 6% of dropouts have been because of members not realizing expectations of loans from the SHG or other benefits through SHG membership (**Box 5.3**). This phenomenon was most in evidence in Orissa particularly in SHGs promoted by government SHPA.

**Box 5.3 Drop outs - because they did not qualify for a loan**

Santra left her group a few years earlier, following an argument with the group leader. An agricultural labourer, SC, she had wanted Rs800 urgently to make payments for house construction. The monthly group meeting was not due for a few weeks, and Santra approached the group leader at her house. The group leader did not agree. So Santra decided to quit the group. She got her savings, but no interest. Her sister, with the same group, also quit. Both felt they had missed out on SHG benefits, but were about to form another SHG. [Rajasthan]

Kaushalya (SC, poor) saved with her group for 3 years. A widow with seven children, the family depended on the earnings of her eldest son. When he caught typhoid - and died - Kaushalya was left with a huge debt (at least Rs1 lakh). She could not save regularly but wanted to borrow from the group. The group decided against giving her a loan, so she decided to leave and take out her savings ... without any interest.

[Andhra Pradesh]

Analysis by wealth rank (**Annex 5.1**) suggests that the majority of very poor and poor have dropped out due to migration from the village and financial problems. Borderline members exit for similar reasons - and due to disagreement with group norms. For the non-poor conflicts and disagreement with group norms are the most common reasons for leaving the group.

**5.4 Who decides when a member is to be expelled, and on what basis?**

Does a member dropout through her own (or her family's) decision? Does she come to some mutual agreement with the group? Or is she in fact expelled by the other members of the SHG? The decision to drop out can be a varied and sometimes overlapping process. Drawing on the 29 dropout interviews in the northern sample (**Box 5.4**), we find that in the majority of cases the decision was taken by the member herself (or by her husband). In over one-fourth of cases there was an understanding between dropout and group members that it was not possible to continue any further as a member. In one-third of the cases, the member was asked by other group members to leave. Of these there was only one case where the group leader took the decision. In all other cases, all members were part of the decision. All these cases are where member was defaulting on loans or irregular with savings/meetings.

**Box 5.4 The decision to drop**

<b>Number of dropouts interviewed (northern sample)</b>	<b>29</b>
Expelled by group because irregular with savings/meetings or defaulting on loan repayments. Usually a collective decision, one case by group leader	10
Mutual agreement between member and the group - financial difficulties; savings adjusted against any loan outstanding	6
Member's decision - not getting a loan, couple of cases of wilful default	13

In the southern sample, the pattern is quite similar, though with more evidence of expulsion by the group if a member questions the authority of the group leaders.

Although financial irregularity - or default - can lead to drop-out, and even some extreme measures by a group, in general irregular payments are often tolerated (as discussed in Chapter 12). We also found some indication that a mature group will prefer, if it can, to adjust to support a member in financial difficulties, rather than ask

her (or have her 'mutually agree') to leave (example in **Box 5.5**). Though the extent to which such adjustments take place is necessarily affected not only by the amount of default, but by the interest of the group in qualifying for an external loan as well as the advice (or lack of it) of the SHPA field worker.

**Box 5.5 SHG supports member recently widowed in default - once she is an established member**

In a scheduled caste group (Rajasthan) a member was defaulting on her loan repayments because her husband had recently died and she was struggling to support her family. The reaction of the group was one of pity and support. They decided to help her as much as they could - at least not insisting on immediate repayment, and hoping that she would be able to continue saving sometime in the future. The group is four years old. Interestingly, in recounting the earlier years of group formation, it emerged that a widow had to drop out in the first year, because she could not manage the monthly saving deposits. This appears to demonstrate a shift over time, a need to follow group norms more strictly in the initial stages, under the guidance of the SHPA field worker, which may relax in later years as a group feels more obliged to and able to support a vulnerable member.

**5.5 How does dropping out affect those who drop out?**

An idea of the effect of dropping out can be obtained from the feedback received during interviews with 46 dropouts (those we were able to meet; 15% of total dropouts). This is summarised in **Box 5.6**. Overall the dropouts can be categorised as (i) those who feel they now miss out on the benefits of being a group member - such as being able to save, or borrow at low rates of interest; and (ii) those who feel that it has had no effect on them. The latter were usually better-off (more in the north) with alternative expectations for access to financial services, particularly savings (including the banks and the non-finance company SAHARA, in the north, and MACS and MFIs in the south).

**Box 5.6 Reactions to dropping out**

	South	North
Number of drop-outs interviewed	17	29
Loss of not being member (mainly poor/borderline)	11	12
Unable to obtain easy loans	7*	8
Unable to save now	10*	4
Lost interest on savings	11*	2
No effect (mainly non-poor)	6	15
Joined another group	3	7
No effect (non poor, husband member of SHG)	3	8

[Interviews with drop-outs] \* = multiple answers

In AP, drop-outs can lose out on access to government programmes. Such programmes are intended for BPL families. Some of the better-off women who joined SHGs so as to obtain BPL benefits are likely to drop out but (perhaps naturally) do not report this as the reason for their dropping out.<sup>5</sup> Conversely, as we have seen, the promise of access to government programmes can reduce the likelihood of dropout among the increasing number of those on the BPL list. In the southern states women were more aware that they were losing out on the interest due on their savings - discussed next.



### 5.6 Do dropouts lose their savings, or the interest on them?

Details about settlement to each drop-out was obtained from group discussions, and cross-checked where possible in the records and in drop-out interviews. The data is analysed after excluding drop-outs who either:

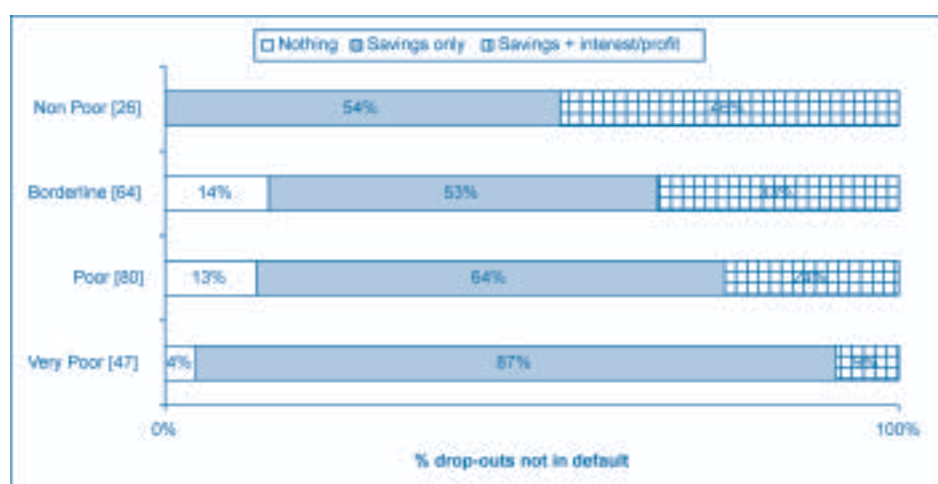
- (a) were in default at the time they left the SHG (and who might have had their savings adjusted against their debt)- 9% of all dropouts, (higher - 14% - in Orissa and by wealth rank amongst the very poor, **Annex Table 5.2**), or
- (b) left the SHG within one year of membership, since early departure too can affect pay-out.

Data for 220 drop-outs who were not in default and who left the SHG after at least one full year as a members shows that the majority (65%) received only their savings, 22% received savings + interest (profit share from the interest earned by the group from on-lending, net of costs); 13% - in the northern states - did not receive anything (**Table 5.5**).

Table 5.5 Settlement to drop-outs - not in default and who left the SHG after one year								
	Overall	A P	Kar	Or	Raj	NGO	Govt	Bank
n - relevant data	220	44	66	55	55	141	53	26
Savings + (interest/profit)	22%	11%	9%	45%	23%	24%	26%	4%
Savings only	65%	89%	91%	25%	53%	62%	57%	96%
Nothing	13%			29%	24%	14%	17%	

[FGDs, and where available: drop-out interviews, group records]

**Figure 5.3** (next page) shows settlement by wealth rank of drop-outs (not in default at time of exit). The data shows a strong correlation between higher wealth rank and more complete settlement. The very poor are least likely to receive savings + interest. Nine percent of very poor drop-outs did so, and this proportion increases up the wealth ranks but even for the non-poor less than half (46%) received savings + interest.



**Figure 5.3**  
Settlement to dropouts by wealth rank

Note: Wealth rank data not obtained for all drop-outs. n = 217

Analysing in terms of number of years as a member, the findings are perhaps even more anomalous since a longer period of membership is not correlated with greater entitlement (**Annex Table 5.3**).

Thus, drop-outs usually do not lose their savings (though over 10% do), apart from cases of adjustment against an outstanding loan. However, the majority do lose the interest which means that they have lost their entitlement to a share of the group profit.

Any guidelines on dealing with settlements for drop-outs are seldom clearly set out, communicated or applied in practice. If pressed, the guideline given by SHPAs is usually that anyone who leaves the group is entitled to her share of the profit in the group fund for completed years of membership - including bank interest on savings deposit (if any) and interest earned from loans to members (minus expenses = 'profit').

The data shows that this is not applied in practice, and illustrated by the cases described in Box 5.3 earlier. This may be partly perhaps to try and discourage dropouts. Thus, three or four OC and BC groups in the southern sample decided at the time of formation that dropouts will not receive either interest or profit. Full settlement also requires complete financial records for the group. With unclear guidelines, and often incomplete records (discussed in later chapters) settlement is likely to depend on a drop-out's ability to insist, and this can place poorer women at a disadvantage.

This represents an unsatisfactory area of SHG functioning that can erode its credibility, does not support longer term membership and in practice is biased against poorer members.

### 5.7 Do SHPAs follow up or ignore drop outs?

The impressionistic evidence from interviews with SHPA field workers and with drop-outs is that there is not much follow-up of drop-outs. Out of 19 dropouts who responded on this question, just 5 said that the SHPA staff had followed up and tried to help them to form a new SHG or join another SHG. Clearly, if a member has left the village, not much follow-up is possible. To the extent that SHPAs reduce their involvement with groups over time, encouraging them to take their own decisions, this also means no follow-up by SHPAs. In general, if a member has become very irregular in her savings or (in particular) has fallen behind on repayments, the approach is to try and persuade her (or shame her) to pay up, but otherwise to let her go.

Though we believe there are examples, more difficult to track, but nevertheless important, of SHPA staff successfully resolving differences between member and group, or encouraging a member not to drop out - to avoid weakening of the group, provided the woman concerned is not quarrelsome, or irregular in payments.

### Conclusions

- The drop out rate appears moderate at under 10% of membership overall. Half the groups had no dropouts. The dropout rate is correlated inversely with wealth rank (highest for the very poor).

Main reasons reported are: migration for employment outside the village and financial constraints.

- Such constraints - affecting the poor in particular - are part of the downsides of a system which inherently depends on regularity if not uniformity, and on group leaders who may not act transparently or in the best interests of their members.
- Guidelines on payouts to dropouts are not clearly established, nor followed in practice. In the absence of clear norms, or regular accreditation of accumulated interest, poorer dropouts are least likely to obtain interest on their savings.

# Social Role

Politics Social harmony Social justice Community role

## 6 SHGs and local politics

This chapter explores linkages between SHGs and women's increasing visibility in local politics, whether as representatives in *panchayati raj* institutions of local governance or as potential vote banks for political parties.

The 73rd Constitutional amendment through the Panchayati Raj Act (passed in 1992) reserved one-third of local governance seats for women. Legal fiat by itself led to a spate of 'proxy' elections in many areas, in that women were elected but were hardly involved since male relatives (in the form of the '*sarpanch pati*' - the sarpanch husband) continued to manage the panchayat's affairs. This was hardly surprising, given women's traditional exclusion from any participation, let alone decision-making, in institutions of governance. Women were thus merely co-opted with little power, respect or political status. Over time, however, there have been examples of women beginning to campaign in elections and, once elected, developing into active leaders, maybe with support from male relatives but no longer acting as mere 'rubber stamps'. NGOs have sometimes played a role in this process, by guiding women's candidature and facilitating interactions between women leaders.

The question for this study was whether SHGs (and SHPAs) are facilitating this process, enhancing women's engagement in local politics as more aware voters, as candidates and as effective representatives. The synergies between SHGs and politics lie in the processes and positioning of the group, and maybe the clustering or federations of groups in village life.<sup>1</sup> Through these, village women are not only more 'visible' but they gain experience of processes (regular meetings, taking decisions, allocating money, appointing a leader) that can prepare them for more public interactions.

In this chapter we explore for our sample, who contests, who wins and who performs - and (to some extent) the reasons why. What are the factors in enabling this to happen? The findings are based on the member listing for each sample SHG, interviews with some of the women members who were elected, as well as feedback from others in the village - her group members, key informants.<sup>2</sup>

### 6.1 How many women SHG members ran for political office, how many were elected?

In the village context, 'political office' is taken to refer to representation in the local panchayat - the council at the level of the village (or cluster of 3-5 villages) which is a focus for village decision-making, allocation of funds and implementation of government programmes. The panchayat consists of around 12 members elected to represent different (geographical) wards. The head of the *panchayat* is the sarpanch, supported by a deputy

(*up-sarpanch*). Elections take place every 5 years. One-third of the seats are reserved by rotation for women, including the position of sarpanch. Seats are also reserved for scheduled caste and scheduled tribe candidates, in proportion to their local population. Panchayat elections have been held regularly in all four study states, most recently in Rajasthan (just after field work) and in Karnataka (just before field work) **Box 6.1**

Box 6.1 Dates of recent <i>panchayat</i> elections in study states		
AP	2001,	1996
Karnataka	2005 <sup>a</sup> ,	2000
Orissa	2002,	1997
Rajasthan	2005 <sup>a</sup> ,	2000

<sup>a</sup> The elections in Karnataka were held just before the field work for this study, and in Rajasthan soon after

In one out of every four SHGs in the study sample, there is a woman member who ran for political office, and in one out of every five SHGs, there is a woman member who has been elected. As **Table 6.1** shows, incidence is higher in the southern sample, especially AP (30% of SHGs with candidates, 23% with members elected). By SHPA, candidature is lower in the government-promoted SHGs (at 16%), election is somewhat higher amongst NGO promoted SHGs (at 20%).

Table 6.1 SHGs and <i>panchayat</i> candidates								
	Overall	AP	Karn	Orissa	Raj	NGO	Govt	Bank
N SHGs	214	60	51	50	53	137	49	28
% SHGs with candidates	25%	30%	27%	20%	23%	28%	16%	29%
% SHGs with members elected	19%	23%	18%	14%	19%	20%	14%	16%

[SHG member listing]

In terms of number of SHG members, we have in our sample 61 women who ran for election (2.5% of total members), of whom 44 were elected: 26 from the south, 18 from the north. The majority (34) were elected as ward representatives. Nine were elected as *sarpanch*, (3 in the south and one *up-sarpanch* or deputy, 5 in the north), one as a member at block level (**Table 6.2**).

Table 6.2 <i>Panchayat</i> positions of elected representatives			
PRI level	Overall	South	North
N	44	26	18
Ward member	34	22	12
<i>Sarpanch</i>	9	4	5
Block level member	1		1

[FGDs, case studies]

In the village panchayats covered in the study, women are just over one third of total *panchayat* members (though under 30% in Rajasthan). Women's representation in *panchayat raj*, thus largely depends on (and is also perhaps limited by) the legal reservation.

## 6.2 Who was elected?

Almost half (21) of the women elected had been SHG office bearers, and half were ordinary group members. Thus, although group leaders are a likely choice for election, they are not the only choice, and ordinary members too get elected.

Seven, or 16%, (mostly group leaders) - had been community workers active in their local areas. Typically, they are village field workers/teachers in government programmes, a few were employed as local NGO field staff, and a couple were active within their local

communities. Such women, in comparison to others, already have a considerable degree of mobility within and outside villages, with opportunities for interaction and their own capacity building, and are recognised within local communities. All these women turned out to be active panchayat representatives.

Selection and election is increasingly a politicised process, attracting nominations from the village elite. Rich farmers and members of national political parties are very active. Money flows and candidates are expected to provide food and drink to voters. Selection as a candidate for the panchayat, therefore, is typically a question of money, contacts and political networks outside an SHG. In the southern states, nearly all the women SHG members who stood for election came from families active in local mainstream politics. In the northern states, we had a few such cases. Local NGOs do sometimes play a role in encouraging SHG members to select a representative from amongst themselves, and to campaign for her. We found this mainly in the northern sample where 4 of the NGO SHPAs played such a role.

*Money, contacts and political networks outside an SHG.*

**Box 6.2** illustrates the case of a dynamic SHG leader from the south, scheduled caste, also a community leader, supported by her group and with the backing of a mainstream political party for the post of sarpanch. Though she lost the election, the experience of canvassing is something she will build on in the future. **Box 6.3** illustrates, by comparison, a very different situation in the north in which an NGO encourages an SHG in selecting a member for election. The difference between the two may reflect more diverse political activity in the south, and greater cultural restrictions on women's public activity in the north.

#### Box 6.2 Braving elections - a political plus, even if she lost (South)

Forty-five year old Lalithabai, scheduled caste, leader of Mahalaxmi SHG, had considerable local support to stand for *sarpanch* in the panchayat elections in 2005 - not only from her SHG members (on whose behalf she had interacted with the local bank for a loan) but in her colony for which she had mobilised people and been part of the negotiations with local authorities to organise drinking water and a cement road. Her husband and others supported her, while she also had the backing of the Janata Dal (mainstream political party).

She worked hard, borrowing Rs5,000 from the SHG to help with the campaign expenses. But there were seven other candidates in a village of 1,105 households. She lost, by just nine votes. Although disappointed, Lalithabai is upbeat. Even standing for election, she says, was a battle won. Canvassing has helped build her confidence and negotiation skills. She feels more visible, and finds that officials take her more seriously when she represents the needs of her area.

[SHG FGD, interview, Karnataka]

#### Box 6.3 Nominated by her SHG - and won, but... (North)

The NGO through the SHG meetings suggested to the women members that they should make use of the local reservation for an SC woman to the panchayat. Banita was selected by the group: she was not a group leader, but she was educated (completed secondary school) and her husband, a trader in the village (non-poor) supported her election. She won the election because of the SC quota, and the NGO was extremely pleased that a member from one of their groups had become sarpanch. This seemed to be a successful intervention.

But, in the end, the SHG members and the NGO staff were both disappointed, since Banita's husband took over the affairs of the panchayat; her role is only to sign the papers he presents to her.

[SHG FGD, SHPA interview, Orissa]

Over 60% of the women PR members elected are SC/ST, the caste profile roughly reflecting that of the overall sample. However, on wealth rank and schooling, the elected women PR representatives are more likely to be non-poor (41%), and have had some schooling (40%) in comparison with the overall sample of SHG members; though around one quarter of the PR representatives are poor and nearly half are illiterate (Table 6.3).

**Table 6.3 Socio economic profile of PR representatives**

Caste	Total	SC	ST	MN	BC	OC
PR representatives	100%	30%	32%	7%	20%	11%
Overall sample	100%	30%	25%	5%	26%	14%
<b>Wealth rank</b>		<b>VP</b>	<b>P</b>	<b>BL</b>	<b>NP</b>	
PR representatives	100%	7%	20%	32%	41%	
Overall sample	100%	15%	36%	32%	17%	
<b>Schooling</b>		<b>None</b>	<b>Neolit</b>	<b>&lt; Primary</b>	<b>Primary</b>	<b>Secondary</b>
PR representatives	100%	48%	11%	11%	18%	11%
Overall sample	100%	74%	11%	6%	6%	3%

[SHG member listing]

This might suggest that gender reservation in *panchayati raj* is at least partly reinforcing existing economic divisions. But it is, after all, more likely that better-off women have more opportunities and connections. That is the nature of politics. So let us turn to whether the elected women representatives are themselves actively engaged in a political role.

#### 6.4 How many elected women appear to be proxies?

Even though elected to the panchayat, a woman may be treated only as a proxy, meaning that her husband (one of the new breeds of men called '*sarpanch patis*' - '*the sarpanch husbands*'), manages the affairs of the *panchayat* in her name. In a typical proxy case, except for signing official documents, the *sarpanch pati* does everything. He makes decisions, issues various documents, manages meetings, and in an interview he answers all questions on behalf of his wife. In such cases, the elected woman member generally remains both uninvolved and unaware of what is going on in the panchayat - and must anyway keep quiet in front of her husband and other men in the village.

Overall, in our sample of forty-four elected women PR representatives, seven (16%) appeared to be proxies: 3 in the south, 4 in the north. Banita (in Box 6.3) is an example. Box 6.4 illustrates two other cases where a husband encouraged his wife's election to a seat reserved for a woman, as a means to his own participation.

#### Box 6.4 Examples of proxy women representatives

Soundarya [BC, AP] was elected sarpanch in 2000. Her husband is a party political worker with the TDP. He influenced their caste to support her. Her SHG also campaigned for her. But since the election, it is her husband who sits in her chair, and takes the decisions, whilst she skips the meetings.

30-year-old Ashalata Swain (OC, 7th class, Non Poor, Orissa) is a panchayat ward member from her village. Her husband encouraged her to stand for the one seat reserved for women. He is a leader of the village committee, and this was the main factor in her selection and election. Panchayat meetings are held in the neighbouring village - to which usually her husband goes. Even if she goes, he would have to accompany her outside the village.

The involvement of a woman *sarpanch's* husband is useful (and sometimes seen to be necessary) for practical reasons, to accompany her outside the village to meetings with officials and to assist with correspondence and communications. The degree of independence that she exercises and degree of engagement can vary, as discussed further in the next section.

#### 6.4 What kinds of results have these leaders produced since being in office?

The kinds of results that women representatives can achieve relate to the opportunities provided within a *panchayat*. Such opportunities are essentially: ensuring that funds allocated under specific government programmes get spent for those programmes (usually infrastructure - road building/repair, laying of water pipes, school construction, ensuring appointments in vacant positions in schools and health centres; or deciding who accesses social security programmes (issue of ration cards, pensions, pensions for widows) or programmes targeting the poor (for example for housing, electricity connection). These are among the main tasks for village panchayats which depend for much of their resources on State funds for such programmes.

The role of panchayat members then is largely that of supervision of such funds - allocating contracts, deciding what infrastructure should be developed, where and who by, selecting 'beneficiaries'. How actively do women PR representatives engage with this role? From interviews with women panchayat representatives, and discussions in the local community, we found a range of engagement by these women, which we broadly categorise as follows:

- **Low engagement** - includes proxy and the 'almost proxy', meaning that her husband does not take over her position but she is effectively disengaged, since her presence is mostly ignored (as lacking in experience, understanding) by others on the panchayat (men, other caste); even though she may attend panchayat meetings, she has not been able to build a role for itself
- **Moderate engagement:** She participates quite regularly in panchayat affairs, attends meetings, is aware of panchayat activities, and feels she has played some role in development activities within the village
- **Active engagement:** fully carries out her role in the panchayat, engaged with panchayat affairs, points to tangible activities (likely to have been community leaders from before).

Out of the 44 elected women representatives from SHGs, 30% appeared active, another one-fourth were moderately engaged (**Table 6.4**). The number of active representatives was, perhaps surprisingly, higher in the smaller northern sample than in the south. This may be explained by the higher number of active women community field workers elected, and more of them being elected as sarpanch.

**Table 6.4 Level of engagement of elected women representatives**

	Total	Active	Moderate	Low <sup>a</sup>
n - elected women representatives	44	13	12	19
Distribution by level of engagement	(100%)	30%	27%	43%
By region:				
South	26	5	6	15
North	18	8	6	4

[Case studies, FGDs] <sup>a</sup>The 'low engagement' category in this and subsequent tables, includes proxies.

In a sense the different levels of engagement are a progression, demonstrating how, when a woman enters the male public space of local governance, she gradually has to learn what is involved, what is required of her, what she can actually do. As part of this process, she needs male support, not to 'sit' in her place (as in the proxy cases) but to assist her to take up the new role. Women representatives we have described as 'moderately engaged' are likely to need their husbands, at any rate to start with, to accompany

them to meetings, later, maybe, to carry out any negotiations with district authorities. Even 'active' women representatives can involve a husband - for example, to assist if they themselves cannot read.

There may be some overlap between categories, as a gradual progression - or a giving up - in women's engagement can take place. **Box 6.5** gives some illustrations - and comments by women representatives.

#### Box 6.5 Women elected representatives - examples of different levels of engagement

##### Low engagement

[AP] Ratnamma [SC]: was elected unanimously by her community, since her husband is a strong political supporter. As recognition of his services, she was given the seat. She does not attend the meetings and papers are sent to her to sign. She says: it is difficult to be on the panchayat. No-one listens to a woman, especially not to a scheduled caste woman. How can I achieve anything? Though I have asked about the street lights'

##### Moderate engagement

[Karnataka] Sundaramma [SC]: was elected as vice president with support from her husband and from other SHG members. She attends meetings and has looked into providing drainage in the village, and street lights. But, she says, she could not do much: a woman's voice is not heard. She is not happy with her position and will not be contesting again.

[Orissa] Belamati Patra SHG leader for eight years was nominated by her group, and elected to the reserved position of Sarpanch. A tribal, neo-literate, she has been active in her SHG and has picked up her role in the panchayat. She attends meetings and has overseen infrastructure projects in her own and adjoining villages of the panchayat (a community hall, godown, pond renovation). She is also planning to improve the functioning of the PDS system in her village. In all this, her husband has also played an active role. He turns out to be the contractor who has planned and implemented the projects.

Politically engaged? Yes. But her husband is described as the sarpanch pati (interview with village teacher). And, her husband as the contractor who handles the panchayat projects stands to gain financially.

[Rajasthan] Paravati Bai [ST, completed primary schooling], leader of her SHG for six years, ward member in the previous panchayat, was elected sarpanch in the recently held elections. It was a general caste seat reserved for a woman, and she won against 4 other candidates (members of other SHGs in the village). She won due to the active campaigning of her husband, a Congress worker. If it had not been a reserved seat for women, he would most likely have fought the elections on his own behalf. As it is, he is the sarpanch pati and he holds the panchayat meetings.

Nevertheless, she attends the meetings too. As ward member she supported watershed projects. She is articulate and aware about local issues - and the possibilities of implementing infrastructure programmes (roads, watershed structures, houses for the poor). She says there are issues about water and electricity in the area - though is not sure how to tackle them. Her current role seems quite restricted however, she says, with her husband's help, she wants to be active in politics in future.



## Box 6.5 Contd...

**Active engagement**

Three examples of active women representatives are of community workers -ICDS teachers in the south (AP), a sathin in the north (Rajasthan). The ICDS teachers, both BC, completed secondary schooling, as elected ward members in their villages, have actively implemented panchayat programmes in their ward - laying of drinking water pipes, drainage canals, sanctioning of widow pensions and antyodaya cards for the poorest. The story below is of the sathin from the north.

Lalli Bai was an active community worker in her hamlet and surrounding villages. As a sathin with the government's DRDA programme, she started about 15 years ago to form women's SHGs (both for the government and for a local NGO). She herself, a tribal, is leader of the tribal group in her hamlet. Her family is well off: her husband is employed at the Hindustan Zinc Ltd. smelter near the village and she has set up a grocery store (with a bank loan for Rs15,000 which she has repaid).

She is well known for her role in community affairs. About 10 years ago she involved her SHGs in a village demonstration against pollution from a chemicals plant. She has also used her paramedical training (as a sathin) to advise women in the village, and help them going to hospital for birth deliveries.

In 1995, Lalli Bai stood for election as Sarpanch - supported by the tribal women, her SHGs and the local Congress party. She contested against four other candidates, and won by a margin of 350 votes. As Sarpanch, she carried out her role to the full: ensuring funds were used for infrastructure developments in different hamlets (including the 'Rajiv Gandhi' School, the panchayat bhavan, a mini-hospital, a veterinary care centre, village roads, a chabutra for village meetings); and motivating 21 poor families to take funds for housing under the Indira Awas Yojana and 16 families to go in for the Kutir Jyoti programme that provided electric light connections to BPL families. She arranged for 150 widows and old-persons to obtain pensions and helped in the settlement of claims under the personal accident insurance scheme for BPL families.

An impressive list, and not without political struggle: ward members in the panchayat were from backward and upper castes, identified with the BJP, and they charged her with embezzling funds. When she decided on a site for the location of the mini-hospital, a land dispute was created. When the school was being built in one of the hamlets, BJP leaders tried to have it shifted to their own hamlet. However, with the support of the women and forward-looking men within the community she was able to withstand these attacks and complete a successful tenure as sarpanch.

Lalli Bai has never had any schooling. But this does not seem to have detracted from her leadership ability. Her husband helped her dealing with documents when she was sarpanch. She says that political parties are trying to get her to stand again in the forthcoming elections, but she is not interested. She does not want to get caught up in party politics since she is more interested in working for the common good. She has relinquished her position as leader of the SHG while continuing as an ordinary member. She feels that it is important that other women take on a leadership role.

During the interview Lalli Bai displayed some of the fire that made her the dynamic leader of the community. Her problem now is that, with the recent merger of the sathin and the anganwadi programmes in the state, she now has to mark her attendance every day at the village playschool. Lalli Bai expresses in no uncertain terms her pique at this bureaucratic decision that from being a leader and true sathin of her community, she now feels the indignity of having to sign the attendance register every day in the village school.

Overall, over half of the women representatives have taken their role as elected gram panchayat member/sarpanch seriously, and contributed to the extent that their own level of growth permitted. Why are some more active than others? The sample is too small to draw firm conclusions on the basis of for example type of SHG membership, wealth rank, caste or level of schooling. In our study we find different levels of engagement across all such characteristics, although slightly lower engagement amongst the poor and very poor, and amongst tribal women; and higher engagement amongst non-poor and borderline, and SC women (**Annex Table 6.1**).

Economic stability (wealth rank) makes a difference - in terms of time available and connections in political circles. Apart from this, other factors are: the confidence and experience that come with being a community worker (own capacity building, mobility, experience of travelling and interacting) or (and this especially in the south) having previous family involvement with the panchayat in the past with a father, husband, brother being an ex panchayat member or ex sarpanch (and staying 'ex').

In the next section we discuss the role of the SHGs and SHG membership.

### **6.5 What was the role of the SHGs in the election and the above results?**

The role of SHGs in the panchayat election appears stronger in the southern sample than in the north. In the south we have several examples (nearly all the candidates in AP, around half in Karnataka) of SHG involvement in supporting their members' nomination, and campaigning actively on their behalf. Some women too have borrowed from their SHG, to help cover their campaign expenses. In the northern sample, there were anyway fewer candidates in the sample, and for over half of these, the SHGs were not involved at all.

Several of the cases illustrated indicate the role of the SHGs - they can be a potential vote bank (Lalli bai, Uma Sethi), can campaign (Sundaramaa, Banita Desai, Belamati Patra), nominate (Banita Desai, Belamati Patra, Hemlata Dharua). From the north too, one of the clearest examples of the role SHGs can play in nominating and campaigning comes from a village in Orissa, where the NGO SHPA has promoted SHGs as part of its village development activities and the four women's SHGs have worked together in forest protection and anti-liquor campaigns.

Probably more important, however, than SHG support is the fact that the members (or their families) often have political leanings and activities even before they were members of SHGs. Political family linkages support a woman's candidature. They also influence decisions by members within SHGs and it is generally accepted that family decisions and influence are over-riding. This is perhaps more evident in the north where a teacher in Rajasthan commented: *"whatever may be discussed or decided in a self-help group, members vote according to the wishes of their families"*. By contrast, in the south we have an example of a mother-in-law and daughter-in-law standing against each other from the same group, one supported by the Congress, the other by the TDP.<sup>3</sup>

Few of the SHPAs in the study sample were active in supporting women's involvement in panchayat elections, or having women's political empowerment as part of their agenda. None in the south, three in the north. The latter were involved in mobilising SHG members to some extent, on occasion guiding them on who to nominate. None, however, provided any follow-up guidance once an SHG woman was elected. Nor did we find that SHGs necessarily influence the effectiveness of a member, if she is elected, or the type of activities she takes up.

When we asked women representatives whether there were particular issues they would like to address through the panchayat, the majority gave their answers in terms of contributing to overall village development. Some studies have suggested that women

are 'more likely to think of tap water and toilets, while men think of roads and buses'.<sup>4</sup> This was not the case for our sample though a few were taking up issues that might be seen to be of particular interest to women: street lighting, drainage - mainly in the southern sample. One (an SC, previously an NGO field worker, in Karnataka) was taking up the construction of toilets.

One issue of fundamental concern to women is the local availability of alcohol (as we will see in Chapters 8 and 9, and which has prompted widespread action by women in different contexts).<sup>5</sup> The availability of alcohol is partly due to local contracts negotiated with the panchayat and it is interesting that none of the elected women representatives had considered raising the issue of stopping such contracts at the panchayat level. But perhaps not surprising. Alcohol contracts after all are an important source of internal revenue to the village panchayat.<sup>6</sup>

Whatever active representatives were able to achieve, those were issues largely dictated by existing programmes and revenue streams. And these were appreciated by their SHG members. In cases of representatives who remained weakly engaged, members of SHG expressed their disappointment when the representative they had campaigned for failed to achieve very much, or nothing at all. Indeed, an elected representative can turn out quite differently from what was expected when her SHG nominated her (as illustrated in **Box 6.6**).

#### Box 6.6 Women representatives - active, but can become self-serving

##### SHG membership - starting point for a political career

Thirty-two year old Ramanamma, was unanimously elected as a ward member to the gram panchayat, in East Godavari district, AP. A member of the Kapu Community (OC) of the village, she was known to be a very active member of her SHG. In fact, as a woman who has had to fend for herself, since she was widowed at a young age, she has the reputation of being very assertive, sometimes aggressive and uncompromising. With this temperament, the other members in the SHG decided not to have her as group leader, but said she could represent the group in village meetings.

She caught the attention of local politicians and they nominated her to the reserved panchayat position, to which she was elected unopposed, in 1997. But she didn't do much as ward member, merely followed her party line. Did she do anything for women? No, she said, 'other women did not come forward' - which seems to mean that she had no particular idea of what would be useful for women. In fact now her sights are set on getting into mainstream politics - election to the mandal level is her next target.

##### SHG support, NGO training, successful election - but then undermines her SHG

In a village in Orissa, the NGO advised the SHG to nominate one of their members - a widow, Sashi Behera - for panchayat election. Her selection was based on discussions with other SHG members - she had attended school up to primary (while most group members had no schooling) and was known to be an honest and straightforward person. She repaid her loans on time and attended meetings regularly.

So Sashi was encouraged to stand for election and she was elected as a ward member in the 2002 panchayat elections. The SHG members campaigned for her in their ward and all of them voted for her.

However, after getting elected... Sashi Behera seemed to become a different person. She stopped repaying her loans. Following her example other members in her group also began defaulting. Soon, other groups in Keutapalli and nearby villages also started defaulting on their loan repayments. The NGO staff stepped in for damage control but only managed to salvage groups from nearby villages.

Effectively, women PR representatives become part of the existing political system. One aspect of the existing system is the lack of transparency in handling panchayat funds. Do women introduce a more open approach? We did not obtain any response on this, which perhaps can be taken to imply that things continue as before. For instance, we have one woman representative (Belamatri Patra in Box 6.5) as sarpanch whose husband is the contractor who carries out construction for the panchayat - a case which reflects other situations where it is not unusual for the (male) sarpanch to handle the panchayat contracts. Similarly, an NGO also told us that their hopes that women would be different have been belied (Box 6.7).

#### Box 6.7 Leakage of *panchayat* funds is part of the system

An NGO in Orissa had high hopes that a woman elected sarpanch would do something to clean up the leakages of panchayat funds. She seemed to be an ideal candidate - honest, interested in wider development issues. But after election, she became part of the system. The engineer told her "*Whatever cheque you sign, you will get something*" and would leave the money for her at her house.

### 6.6 SHGs and political parties

As we have seen, political parties are active in panchayat elections. Party affiliation - through men in the family usually - appears to have been part of the background of many of the women SHG members, and was a factor both in their standing for election and in being elected. Selection as a candidate for *panchayati raj* has nearly always depended on getting a party ticket, since elections are almost invariably contests between openly declared candidates of major national and regional parties. The same applies to SHG members - and it is not only the SHG members who are elected.

**Box 6.8** (next page) gives the story of Uma Sethi, the one woman in our sample, from Orissa, elected to the Block level *Samiti*. Her story is given at length since - although she was elected as a panchayat representative before there were SHGs in the village - it illustrates the significance of political affiliation and other aspects too discussed in this chapter, including a lack of responsibility to her SHG, and the apparently weak profile of SHGs in her village, despite her involvement in block level governance.

#### Box 6.8 Communist party member, SHG member - active representative at block level

" We are all educated and can understand Hindi. You may speak freely with us." It was not the SHG president but the youngest member of the SHG addressing visitors from the study team. Later, in response to a question on whether group members were happy to visit the bank to make deposits and repay loans, "Of course, anything to get out of the jail that is a woman's house!" It was impossible not to be bowled over by the confidence, vivacity and guileless integrity of the 37-year old mother of two of the Dhobi caste.

Married 12 years ago to a company worker belonging to the village, Uma Sethi's family has an interesting background. Her late father-in-law was in the army like many others from this village. He was also a member of the Communist Party of India as are she and her husband today. In 1991 - before there was any SHG - she was elected as the only woman member of the gram panchayat with the support of the CPI and, among others, the members of her Maa Santoshi SHG, polling 3,700 votes as against 900 by her BJP opponent. She was subsequently elected as *samiti sabhya* in the block *samiti* - one of 17 members, including 10 women.

Uma Sethi's position and responsibilities require her to attend meetings of the panchayat samiti (block level) once in three months. She is also required to visit

## Box 6.8 Cont ...

the other nearby villages with her husband, who is a source of support, since she cannot travel alone. A peon assists her with the official work.

She helped to obtain sanction of Rs75,000 for road and pond development for Uppalapatti (her own village). For Bodapatti, another village from her *gram panchayat*, she obtained Rs. 1 lakh for the roads and Rs 85,000 for ponds. She is currently, engaged in negotiating grant assistance of Rs 1.25 lakhs from the block for ten poor families in the form of rickshaws and pump sets.

Uma Sethi also attends the monthly *gram panchayat* meetings. She listens to people's complaints and places these before the *gram panchayat*. However, she is not able to attend all the meetings of the *gram panchayat* because of family responsibilities. She observes that women get full respect in the panchayat and their opinions are taken seriously. She has helped in obtaining piped water supply to the village. She visited the BDO's office several times with senior leaders of her party (including the sarpanch) and two years ago a pipeline was laid.

She has a lot of interest in politics and has the ambition to make a political career for herself. She goes to Bhubaneswar and other parts of Orissa to attend party meetings and is a keen follower of senior leaders of her party.

By her own admission, Uma Sethi, is a fighter for justice and claims always to speak the truth. She says that women in the village are not united. Some women are not coming out of their houses to take up their own cause in solidarity with the SHGs and their leaders.

Interestingly, Uma Sethi's contribution to the SHG is rather limited. She has a loan outstanding from the group of which Rs1,500 is overdue. The group has also given a loan to the group president that is long overdue. This is holding up repayment of the SHG's loan from the federation and fresh borrowing by the SHG. It could possibly lead to the break up of the SHG. When asked what action can be taken under the SHG by-laws she is silent and then says she is unaware of the by-laws. When pressed further, she pleads, "Please let the problems of the group remain with the group".

And what does the village council mukhya (head - himself an ex-army man) have to say about Uma Sethi's achievements and the SHGs in the village? Surprisingly little, confirming Uma's own statement above: *'women's SHGs have made no contribution to development in the village. The village has no interest in the SHGs and the SHGs have nothing to do with the Village Executive Committee. They hold meetings but what they do there is of no concern or interest to the rest of the village.'*

Apart from being a possible source of women candidates for *panchayati raj*, SHGs are perhaps more obviously emerging as a factor in local politics as potential vote banks. This was most evident in the South, especially in AP where, apart from the fact that the majority of groups are government-promoted, the substantial numbers of SHGs in practically every village represent an obvious rallying point for all political parties. Local supporters of political parties interact closely with SHG members and leaders. SHG members are brought in large numbers to political meetings and to meetings organised by the government. During any election, different parties distribute money to SHGs, and SHGs have in turn begun to demand funds and benefits.

This phenomenon is beginning to emerge in the north too as the numbers of SHGs increase and are identified as a vehicle through which rural women become more visible, if not audible. In Rajasthan, for example, where the fieldwork coincided with the run-up to local State elections, we were told by an SHG member: *there are six SHGs in this village. Usually we don't have much of a say but with the elections, politicians are paying us some attention. They say 'vote for us, and we will make sure you get a community hall'.*

Apart from electoral promises, and backing different candidates (which can happen within a family, as well as within an SHG), there is no evidence from this study of political interference in group affairs or political affiliation affecting member selection or loan distribution. Though in some areas we heard of politicians helping SHGs to obtain the subsidised SGSY loans.

### 6.7 Stages in political empowerment

A recent study<sup>7</sup> of reservation for women in panchayati raj provides a useful framework for analysing the process of political empowerment for women, according to the following four stages:

- (i) Women's political presence - that is their moving into positions of power
- (ii) Women's exercise of power - that is the extent of women's say in decision-making, the introduction of a new style of politics, and the formulation of new priorities for development work
- (iii) Empowerment of the women representatives - that is, the gaining of knowledge and interest in politics, of status and visibility, of consciousness and confidence, and of gender awareness, and
- (iv) The empowerment of women as a group - that is, women's perceptions on what they have gained as well as the dominant (i.e. male) perspective on women in politics.

If we compare the elected women representatives from SHGs in our sample, most (the 'low' and 'moderately' engaged) barely get beyond the first stage. The one-third though who are active seem to skip the second stage and go straight to the third. Our findings support what Evelin Hust found in her field study in Orissa: that an expectation of women transforming politics ignores the force of the political and social structure in which women must act once they are elected, and the limited resources that women have at their command to work against deeply ingrained practices.

On the fourth stage, some of the social actions - of some of the SHGs in our sample, as discussed in the following chapters - do perhaps represent a beginning of women's empowerment (or 'agency') as a group. In terms of the 'dominant male' perspective, there are some indications of change, especially in the southern sample, but there is clearly still a long way to go (**Box 6.9**).

#### Box 6.9 Perspectives on women and village politics

When key informants (mostly men) were asked about their views on SHGs and politics, in over half of the southern study villages, they said that SHGs have played a role in panchayat elections (more in AP than in Karnataka); and in under half the villages that SHG leaders are invited to village meetings (though not necessarily invited on stage). This proportion was even lower in the northern sample. Although there were some villages where the contribution of active women representatives is recognised, and also where women are becoming more visible. Village leaders were more likely to say that they would invite women only when required by panchayat law - and that in fact SHGs needed their help in for example approaching a bank manager for a loan.

As a group of tribal women, SHG members, said, in Orissa: *Women are on the village development committee, (promoted by an NGO) and the Didi (NGO staff) tells us to go to meetings. But we don't do anything in those meetings. This is our society. We cannot do anything without asking our husbands - even the previous ward member (a more articulate woman) let along the quiet one now. And no woman can speak against a man...*

In the literature on women in panchayati raj, there are examples of NGOs who have interesting and focused programmes to support the emergence of women representatives as strong women leaders in response to the *Panchayati Raj* Amendment.<sup>8</sup> Such support takes the form of mobilising women to stand for election, and, increasingly, guiding and training women on what they can do once elected. Women representatives in the sample mostly had no such back up. For the few that did (encouragement to stand for election - 2 northern NGOs, some reference to training - an NGO in AP, the Zila Parishad in Karnataka) the outcomes appeared to be marginal.

Their stories demonstrate the potential benefit of such guidance, but also the fact that it will necessarily involve a slow, step-by-step, process which takes into account the realities of village level (and mainstream) politics and patriarchal (or male dominated) systems.

More effective have been the opportunities provided by SHPAs to local women recruited as field level workers, enabling them to develop and practice the basic skills of interacting and working with women, gaining the confidence to engage with 'higher authorities', developing awareness of what action can be taken and how. Being a member - or leader - of an SHG, and supported by other members of one's SHG, is a good start on the road to political engagement, but does not of itself guarantee effective representation for women, and for the benefit of women.

## Conclusions

- SHG membership can contribute to women's election to *panchayati raj*, but does not appear to influence what they can achieve if elected.
- Probably more important than SHG support is the fact that the members (or their families) often have political leanings and activities even before they were members of SHGs.
- We found the most active PR women representatives were those (from families) with political connections, and/or with a background of employment in government programmes. Caste, wealth rank and literacy did not emerge as key factors.
- The sample for this study reflects situations mostly without any specific strategic input for women's political empowerment by a SHPA. This is a factual - not an evaluative - statement. However, local elections when they take place represent an opportunity for building women's awareness and involvement, which NGOs may seek to respond to.
- Where there were SHPA interventions, by NGOs, they were related to - and limited to - preparation for election. The case studies suggest that some degree of follow up through post-election guidance and networking could also make a difference in supporting effective action by the elected representatives - though this may be seen as part of a wider task of strengthening *panchayati raj* institutions, including the men representatives.

## 7 SHGs and social harmony

Social harmony implies the peaceful co-existence of people from different backgrounds and social groups. In India, there are divisions along lines of religion and caste. Co-existence, even if peaceful, has tended to be based on segregation if not discrimination. Religious groups live separately, in India as everywhere in the world - Hindus, Muslims, Christians. But India, predominantly Hindu, also has the hierarchical caste system which has traditionally discriminated against those at the bottom of this hierarchy - the 'scheduled' castes - as well as those outside it, for example the scheduled tribes. Such traditions continue in much of rural India, although development initiatives may aim to reduce if not subvert their practice.

In this scheme of things, what role is played by SHGs - taking into account membership within groups and interactions across groups?

### 7.1 To what extent does SHG membership reflect or overcome communal divisions?

#### *Social/caste groups within SHGs*

SHGs membership is open to all women, irrespective of caste and as we have seen in Chapters 2 and 3, SHG membership covers all social groups, including Scheduled Castes and Tribes. Often, though, SHGs are single caste groups. This reflects the concept of affinity and the practical requirement of neighbourhood proximity (members living nearby can more easily get together).

In the study sample, two-thirds of SHGs are single caste, in terms of all members belonging to the same broad caste or social community (ST, SC, Minority, BC, OC). As shown in Table 7.1 there is some variation between States and SHPAs (slightly higher in Orissa, somewhat lower in NGO promoted groups).

**Table 7.1 Caste of members within groups**

	Total	AP	Karn	Orissa	Raj	NGO	Govt	Bank
N SHGs	214	60	51	50	53	137	49	28
Single caste	66%	63%	69%	74%	60%	61%	69%	86%
Mixed caste:	34%	37%	31%	26%	40%	39%	31%	14%
Across caste hierarchies	20%	12%	27%	20%	21%	24%	14%	7%
ST/SC/Minority	7%	2%	4%	6%	15%	9%	2%	
Other: BC/OC	7%	23%			4%	5%	14%	7%

One-third of SHGs have some members from different castes. In such groups, typically the majority of members in a group are from one particular caste, with a few members from a different caste or castes.<sup>1</sup> Within mixed caste groups, we analysed the extent of mixing within 'similar' categories (the more disadvantaged - ST/SC/Minority - and within the other castes - BC/OC) and across the caste hierarchy, in terms of bridging these too. (This is not intended to imply that there are no social divisions within 'similar' categories<sup>2</sup> but that social division is usually stronger across the caste hierarchy). The data in Table 7.1 shows 20% of groups do cross the hierarchies, with higher incidence in NGO promoted SHGs, lower incidence in AP.

Field staff tends to say that promoting single caste or caste-based groups helps to avoid differences or friction among group members. And the pattern of group formation, whether single or mixed caste, may largely reflect the local situation. The same field worker, especially among NGOs, may form a single caste group in one village, a mixed group in another, depending on the caste dynamics and response within the village. In Government agencies, single caste groups are more likely when funds come from organisations such as the SC and ST Corporation, BC Corporation, Minorities Corporation.

Within mixed groups, we were interested to know whether caste hierarchies get reflected in the leadership (Table 7.2). In the majority of mixed groups we find that the leaders' caste reflects the membership profile; that is, if for example most of the group members are either SC or BC, then the (two) leaders are also from these two castes. In 12% of these groups (18% in the southern sample), the leader is of a higher caste, (OC in a mainly BC group, BC in a mainly SC or ST group).



Table 7.2 Caste profile of leaders in mixed caste groups

Mixed groups	N	Leadership reflects group profile	Lower caste group with higher caste leader	Higher caste group with lower caste leader
Total	74	82%	12%	5%
South	40	78%	18%	5%
North	34	88%	6%	6%

In 5% of these groups it is the other way around (SC or BC leader in a mixed group with higher category members). In such SHGs, however, the nature of 'leadership' seems to be different: the decision making tends to lie with active members belonging to higher social category whereas the 'leaders' perform the routine duties (collection of monthly savings, collection of loan installment amount, mobilization of members for meetings, logistic arrangement to conduct meetings, passing of information to the members about SHG activities).

In terms of membership, therefore, at the group level SHGs may largely be seen to reflect existing social divisions. But within mixed groups, such divisions are at least to some extent 'overcome'. There are opportunities for this too when members from different SHGs interact and take action together - across groups.

#### *Joint caste interactions across SHGs*

Some SHPAs and federations have a policy to encourage women from different castes and caste groups to interact with each other. Strategies to do this include:

- *Sammelan* (meets) of members from all SHGs (all castes) from a number of adjoining villages. At such meets, women are expected to share experience and interact. Local officials may be invited to attend. Women who are hosting the *sammelan* work closely with each other irrespective of caste and class
- Monthly meetings of cluster associations/federations - attended by leaders of all SHGs in the cluster area - sometimes an additional member from each group, by rotation
- Training programmes provided to women deliberately chosen from different castes: at the training centre women have to interact closely with each other. Not only do they eat together but also only one earthen pot is provided for drinking water. (As an example of how significant this is, we were told that the upper caste Brahmin women prefer to bring their own water bottles).

NGO SHPAs, which have a development focus on the entire village, make participation across castes a condition of their programme. The examples in **Box 7.1** suggest that, as part of a deliberate strategy, this takes persistence, time and a lot of convincing by the field staff. But it does lead to more interaction between castes, and mixed meetings with other castes and SCs, even though SCs live in a separate hamlet. Over time, the experience of women from different castes coming together and being part of village meetings, builds the confidence of the usually marginalized and begins to break down some prejudices, for example, women of different castes drinking from the same water pot.

### Box 7.1 Reducing caste divisions over time - examples within village programmes

Two NGOs in the northern sample (one in Rajasthan, one in Orissa) promote SHGs as part of development programmes which involve the entire village - for sanitation in one case, for community resource development in the other case. These are both programmes which purposefully bring all households from all castes in a village to work together - within 'village committees' and women's *sabhas*.

Thus, the entry point of one NGO is sanitation and a requirement that every household must agree to have a toilet. Part of the strategy is to form a village committee of which every household is a member. In doing so the staff has to face a lot of opposition and do a lot of convincing. This has not been possible in all villages. But where the village has been convinced, changes can be seen. As the secretary (male) of a village committee observed: *"The village groups are mixed caste though SCs live in a separate hamlet. The interaction between castes has increased since the NGO intervention. This is because the NGO has insisted on having meetings together and that everyone has to be together to carry out any kind of development work."*

And a ward member (male): *"There was a strong caste feeling in the village before the formation of the village group however this has reduced now. Now upper caste women drink water if the meeting is being held in a lower caste woman's household."*

In some villages in Rajasthan, women from different communities (Brahmin, SC and ST) have been organised by the NGO into a village sabha, through which, over time (around 10 years) they have learned to sit together and address issues together, regardless of caste. The women seem in this to be ahead of the men who have begun to interact, but not to such an extent.

The examples in Box 7.1 come from village wide groupings, which have been subsequently divided into SHGs. Action across different sections of the community is also reflected in the social actions by SHGs, for example Box 8.4 in Chapter 8 (an example of Hindu women aligning with Muslim women) and the social actions discussed in Chapter 9, over half of which involved members from different SHGs across caste. One of these is illustrated in **Box 7.2**.

### Box 7.2 Community action by SCs and ST SHGs in a village of Orissa

In Harishchandrapur village, Madanpur Rampur Block of Kalahandi district, there are 3 SHGs - one SC group and two ST, all promoted by a local NGO. The SC families are relatively better off than STs. SCs are sharecroppers on the *zamindar's* (landlord's) land - hence they are also known as '*kara*' (agriculturalists). Men from some SC families migrate to Delhi and Mumbai for additional cash income. The SCs also derive access to government schemes: they have BPL cards, pucca houses provided under the Indira Awas Yojana (subsidized housing scheme). In contrast, ST households rely on casual labour in the village and nearby areas and collection of forest produce. Their houses are *kuccha* and conditions much poorer. At the time of our visit (even before the monsoon), in every family there was at least one member down with malaria.

The SC group has involved the ST groups in action, including a struggle against the local *zamindar* (landlord) to construct a road in the village. There is now a *pucca* road - at least leading to the lane of SC houses. They also involved the ST groups in leasing the *panchayat* pond, winning the contract on the condition that all the SHGs worked on it together.

SHPA (NGO) staff gave some initial guidance to the SHGs: the field worker told the women where they had to go to petition the local authority (the *panchayat* office) and that they should petition the sub-collector if the *sarpanch* did not listen to their demands. Similarly, it was the NGO field worker who advised the SC women that they stand a better chance of winning the contract if the entire village SHGs get together. So the SC women decided to include the ST women's groups in the lease contract.

Husbands also helped, accompanying SHG members to the panchayat offices and, later, keeping accounts for the road construction contract.

Nevertheless, centuries' old attitudes take time to change, as we found in the views of some key informants (in the northern states) and from the south (AP) in the experience of an SHG in AP which it seems failed in its effort to run the Public Distribution System (PDS) because other castes in the village refused to go to the SC neighbourhood to buy their rations (**Box 7.3**). Though, as we shall see in Chapter 9, PDS may not be an economically viable enterprise for an SHG; it requires business skills and financial management. This case indicates more care was needed in PDS allocation - with investment in ensuring business viability as well as in breaking caste barriers, if the SC SHG was to have a chance of success.

### Box 7.3 Caste prejudices are difficult to break

#### Views of some key informants, Rajasthan and Orissa

*"SHGs are mostly formed with their own caste people. They support women of their own caste during difficult times."*

*"SCs have their own groups while OBCs and Brahmins form mixed groups. The latter are better off and thus do not mix with the SCs. Groups don't mix with each other at all as there are strong caste divisions."*

*"SHGs of different castes do sit together but this does not mean that there is any real change in relations between castes. "*

*"It is true that with SHGs, there are more opportunities for discussion and having different ideas. But, on caste, differences are still very rigid. Scheduled castes are still not allowed to pull the jagannath rath, that is only for OBCs and scheduled tribes. A tribal would never eat food cooked by a scheduled caste - which is why community feasts are organised only by the STs, and other groups do not participate. "*

#### Scheduled caste SHG fails to run PDS

Kuppiganipalle located in Chittoor district of Andhra Pradesh had a local PDS centre run by the ex-sarpanch Chandrappa. Men in the village complained to the Mandal Revenue Office (MRO) about irregularities in the management of the rations, and the Revenue Inspector conducted a gram sabha meeting. As a result of the meeting, he suspended Chandrappa's dealership and handed it over to Udaya SHG, which had members mainly from the SC community.

The Village Organisation provided a loan of Rs 18,500 to the SHG to help it lift rations from the civil supplies department. But different communities were not ready to collect their rations from a shop run by SCs in the SC neighbourhood. Chandrappa suggested that the leader of another SHG run the PDS centre from her home. But within a month she reported losses and the PDS has been taken over once again by Chandrappa.

## 7.2 If women from disadvantaged castes are not in SHGs or drop out, does this strengthen caste divisions?

The discussion in earlier chapters (4-5) indicates that it is largely economic issues within the household (poverty, lack of ability to save regularly, lack of creditworthiness, migration, illness) that can lead to exclusion or dropout. Caste is not usually a factor, in terms of the broad caste categories. Nor do we find a significant difference in the dropout rate between single caste and mixed caste groups (though we might expect more dropouts due to differences in mixed caste groups)

However what we did find is that within the broad caste categories, there are quite significant divisions between sub-castes.<sup>3</sup> And, in a few instances, such sub-divisions can be an underlying reason for exclusion and break-up: women may align along different sub-castes within an SHG and lower sub-castes may be reluctant to respond to the option to join an SHG (examples in **Box 7.4**).

These examples do not seem to be cases of 'strengthening' caste divisions, but rather demonstrate how deep set social divisions can be. SHGs provide an opportunity to cross such divisions - women of different sub-castes are invited to join together in SHGs, and can work together for a time - though the opportunity may not work out. Perhaps strategic - and persistent - guidance by a SHPA could make a difference, based on an understanding of underlying attitudes - if the field worker has the resources for this, including time.

#### Box 7.4 Sub-caste differences

##### SHG break-up along sub-caste (BC) [AP]

Chaithanya Mahila Podupu Sangam was formed in January 1999 by a local NGO (linked to the DRDA). It was an 18 member group composed of mainly Gouda (11) but also Chakali (6) and Golla (1) - all sub-castes within BC.

Most of the members borrowed from the group and were repaying regularly, until, the 1st leader (a Gouda) and another member (also a Gouda) stopped paying their instalments, and even stopped depositing their savings. The rest of the group tried to bring pressure on the defaulters to make their payments, and said they too would stop making their payments.

However, the Gouda members, even those who were regular payers, said they could not pressurize their caste members because of kinship and other relations. They had to support them even if they did not pay.

Eventually, the Chakali and Golla members lost faith in the Gouda leader and members. After settling their accounts all the non-Gouda members joined in other groups whose members were from their own sub-caste.

##### A lower sub-caste reluctant to join an SHG of SC women [Rajasthan]

Battan and Madan belong to the *mehtar* (sweeper) community in a village in Alwar district, Rajasthan. There are about four such families in the village. They appeared to be quite well-off, and had pucca houses. Madan's initial reaction to questions about the SHGs was one of suspicion: he said they had never been approached by anyone to become members, stressing that they were *mehtar* (implying that their low caste was the reason nobody had approached them).

However, when Lakshmi, member of another group came by, she said that she had asked Battan to join the group many times. Then, Battan admitted that she had been asked. But that she has many children and a lot of work at home. She thought that it would be difficult to take time out for group activities and her husband might even disapprove of it and not allow her to join. Madan on the other hand said he thought that nobody in the group would listen to them.

### 7.3 What have been the roles of SHGs in inter caste, religious or community problems? Do SHGs take sides in communal issues?

There were few examples of communal problems or issues (caste or religion) in the study sample. The examples we have are of SHGs of different castes working collectively to address an issue. For example the case in Box 7.2 earlier (SCs mobilising with STs) and in Box 7.5 of successful action by women across castes that contributed to a reduction in discrimination faced by the lower castes.

**Box 7.5 Bridging community divides - upper castes and SCs/STs in Rajasthan**

Mandri village [in Udaipur district, Rajasthan] is a large village (>500 households) with households from all castes (OCs - Brahmins, Rajputs, BCs - Gujjars, SCs - Meghwals and tribals). These castes live in separate areas. They generally do not mix and have their own *jati panchayats* to deal with internal issues. Since Seva Mandir's involvement over the past 10 years, women have participated in village meetings and in a strong cluster association - bridging the caste divide.

A murder case from a few years earlier illustrates this. We were told that an SC boy, Dalu, was thought to be murdered. The police arrested two Rajput (OC) men, since it seemed that Dalu was having an affair with their sister. But after some months, when it turned out that Dalu was alive, the SHGs went in a rally to the police station. The SHGs were mainly of SC/ST women, but they persuaded Rajput women to come too (even though it was unusual for Rajput women to engage in the community). The rally was successful, and the two arrested men were released and returned to the village.

The facts of this case are not entirely clear, but two aspects are extremely interesting. Firstly, the assumption that an SC boy might be murdered by upper caste men for daring to have an affair with a girl from their caste. But secondly, when the assumption turned out to be false, that there was intercaste action in the community, for the first time. Even more positive than the actual release of the two young Rajputs, was the reported change in attitude to SC/STs in the village after the incident. Ever since then, village women say, people from SC/ST no longer have to remove their footwear if a Rajput passes by. The head of the Rajput family now supports SHG women and listens to the issues they raise. Even the Rajput women have now formed an SHG - which they had not been interested in before.

**7.4 How have men responded to the 100% domination of SHGs by women?**

In most areas, and because it is men who usually handle family money, SHPAs started by promoting men's groups. Some of these continue, but the majority have not had the credit discipline to do so.

As SHGs have become forums for women to meet and manage financial transactions, men are naturally interested. Sometimes (as we found in Rajasthan) husbands of SHG members may form their own ROSCAs - usually starting with larger sums (Rs100-200/month), or even their own SHGs (see, for example, Box 4.7 in Chapter 4). Sometimes the response is that men get involved in SHG activities - coming to meetings, reviewing the accounts - reported in around 10% of the sample SHGs. And, as we will see in Chapter 10, one-third of groups rely on external book-keepers (paid or unpaid) who are usually men. SHG office bearers too may rely on their family members, an educated daughter if possible, often a son or a husband.<sup>4</sup>

In practice, women are usually members of SHGs, having taken the consent of their husbands. (Hence the comment we heard often in the north of the need to persuade the men, before being able to start an SHG). And women may depend on their husband for the cash - to deposit savings, use credit (especially larger sums) and make repayments.<sup>5</sup>

It is not surprising, therefore, that the financial services through SHGs, as well as access to other government or NGO programmes, are perceived to be a benefit not just to the woman member but also to her family. Key informants (men) when asked about this, talked in terms of the easy access to low-cost credit and how useful it is, as well as commenting on the opportunity it gives to women to develop new skills (though they may not phrase it quite like that - **Box 7.6**).

### Box 7.6 Comments by men on SHGs

*"SHGs are very useful. The major advantage is an easy loan at low rate of interest. Initially we (men) were apprehensive and also discouraged women but after seeing the advantages we now approve and even support women in group activities"*

Even: *"women have started to think more - to have some sense and be alert!"*

### Conclusion

The findings in this chapter underline the persistence of traditional communal and caste/sub caste based prejudices, but show that in some areas, and with SHPA initiative and persistence, SHGs are beginning to bridge such divisions, through mixed caste membership in some cases, and in others through joint actions across groups of different castes.

## 8 SHGs and social justice

This chapter focuses on examples of SHG involvement in cases of social justice to explore the type of issues taken up, how successfully and the factors contributing to the process of action. The information comes mainly from FGDs with each SHG, and interviews with women concerned, when possible. We use the term 'social justice' (following the terms of reference) to refer primarily to issues which specifically affect women, those which, in a patriarchal society, reflect women's powerlessness as individuals, and the inequality of their relations within the family.

### 8.1 What local issues do SHGs regularly deal with?

On the basis of the findings for this sample, it cannot be said that SHGs deal *regularly* with issues of social justice. Nevertheless, a start has been made by some SHGs to address issues most of which traditionally lie in the family domain, and are therefore seen not to be the business of outsiders.

Twenty six SHGs (in 15 villages) told us that they had taken action on issues of social justice, that is 12% of the total 214 groups (**Table 8.1**). Several examples come from AP where one in four of the sample groups reported such action. Around half of these groups reported more than one such action (over the 4+ years since they were formed).

**Table 8.1 SHGs reporting action on issues of social justice**

	Total
N - sample SHGs	214
No of groups reporting such actions	26
%	12%
Reporting: one such action	5%
more than one such action	7%

Data by State and SHPA in Annex Table 8.1.

Reported incidence is lower for SC/ST and very poor/poor SHGs (6%) compared to other castes and wealth ranks (15%+. Annex Table 8.1). This may imply that it is groups whose members already enjoy some socio-economic status, that are more likely to try to assist their members on such issues.

The issues taken up often involved an SHG member or someone from a member's family. Of the 20 actions reported,<sup>1</sup> half involved facing up to a husband - cases of drunken violence, and of bigamy. The other issues included a few individual instances of: dealing with a dowry death, assisting in the marriage of an orphan girl, the remarriage of a

separated woman, prevention of child marriage, dealing with sexual harassment (by a father-in-law), and assistance for a husband or son (right to land, compensation for an injury and unfair arrest).

These were all cases where SHG members took an active role as a group - going together to a man's house, going to the police station, initiating a legal case, or bringing disputing parties together for resolution of the dispute. The actions come mainly from villages where (a) there has been some support from an NGO or through a Government programme generating awareness on such issues, also often providing strategic guidance and support to women to take action; and relatedly (b) where there are a number of SHGs, with the action involving 3 or more groups (35-80+ women) in a village taking action together.

SHPAs may undertake awareness programmes - for instance rallies against dowry, against child marriage (quite common in the South and Rajasthan, especially linked to Government programmes). Apart from such campaigns, five SHPAs in our sample have programmes that have specifically supported women to act on issues of social justice. These are usually implemented across the village and not only within SHGs. They often provide the starting point with field staff and community workers to guide women, advise on possible action, help in interacting with the police, and build women's confidence over time to tackle such issues through collective action.

**Box 8.1** summarises the type of support provided. Guidance and support from SHPAs seems essential when so many instances of social injustice are perhaps not recognised as such since people are so used to it, both women and men, and accept it as the norm.

#### Box 8.1 SHPA support to SHGs in dealing with issues of social justice

Related programme features of 5 SHPAs, (3 NGO, 2 govt) 3 north, 2 in the south

Training of community field workers: gender issues, legal issues, rights and advocacy, mobilisation and networking; exposure visits to other programmes

Awareness campaigns

SHGs (leaders, sometimes members): social awareness programmes: including the legal position, the role of the authorities and the police, examples elsewhere in the media (newspapers, films); cluster level meetings at panchayat level (monthly)

Hand-holding/troubleshooting by staff: planning/strategy, assistance and direct involvement when necessary; more hand-holding initially, gradually reducing over three years

Assistance in dealing with the police and government officials; no intervention at community/panchayat level.

In the stories that follow we shall see that SHPA initiatives and group-based action are necessary for women to begin to mobilise in the face of habits and practices which are traditionally accepted and condoned - but that there are some inherent dilemmas in arriving at pragmatic solutions.

## 8.2 With what results?

How effective were actions taken by the SHG? Did they result in a solution that addressed the problem as effectively as possible? The issue of 'effectiveness' or 'success' is not always clear-cut - and depends on the type of problem. Problems that can be dealt with through a specific action (preventing bigamy, obtaining compensation, marriage of an orphan girl or a separated woman) appear successful since they have an immediate result. Private behavioural problems (domestic violence or sexual abuse) are far more difficult to

address successfully. The very fact that they are brought out in public appears to be a significant action, but an effective result - ending such violence - is more difficult to achieve, and is likely to require more sustained action and follow up.

Thus, as shown in **Table 8.2**, in four cases of bigamy, the husband was prevented from taking a second wife or the wife was able to take a divorce and remarry. (One case of bigamy could not be prevented since it turned out that the first wife had been having an affair). Group members were able to get compensation from the employer of a member's husband, injured in a driving accident, or get a member's son out of the local police station after an unfair arrest.

The instances where action appeared less effective were mainly cases of violence that only reduced slightly, or continued as before, and one case of sexual abuse by a father-in-law; in one case of a dowry death, the SHGs in the village could not prevent the murder, but after the murder was committed, they forced the husband to admit his guilt and pay compensation to his deceased wife's family.

**Table 8.2 Effectiveness of actions taken**

Type of actions	Total	Effective	Partially effective	Failure
Total	20	10	6	4
Ending domestic violence	6		4	2
Preventing bigamy	5	4		1
Marriage of a girl orphan, remarriage of a separated woman	2	2		
Compensation for dowry death	1		1	
Prevention of child marriage	1	1		
Ending sexual harassment	1			1
Justice for husband/son (compensation for injury, unfair arrest)	4	3	1	

[SHG-FGDs, interviews with those involved, where possible]

What actions did the SHGs take? And what was the process? To address these questions, we present some of the stories in detail, in the next section.

### 8.3 Examples of SHG actions for social justice

Issues within the household are traditionally viewed as a private affair. And individual women do not have much of a chance by themselves to deal with action against them within the family - from their husbands, their in-laws. The stories told us by the SHGs demonstrate both the constraints and the injustice that women can face in the families that they marry into, the patriarchal traditionalism of existing social institutions (such as the *jati panchayats* of caste elders) - and the combination of actions likely to be needed to address it.

It is not just a (relatively simple) case of knowing the legal position (though that is an important start) and trying to reason with the family. What is involved is a concerted effort, with active encouragement and tangible support from the SHG members (including several groups if possible); engaging with elders in the village, sometimes involving the government/district authorities, or calling the police and pushing them to take action (even over-riding bribery by other parties).

Chance observations in the study villages illustrate the challenges and mind-sets:

[AP] "by birth, women's life is a problem; there will always be perpetual disputes"

[Rajasthan] "anyone who dares to speak against child marriage will be victimised"



The first story in **Box 8.2** illustrates how SHGs may need to take a stand to support a member very soon after group formation, since the process itself challenges traditional practices.

#### Box 8.2 Supporting new freedom for women - soon after SHG formation

Traditionally, married women were never allowed to stay away from home for an entire night and if they even tried doing it they knew they could be beaten up or even thrown out by their husband.

NGO training programmes for SHG members sometimes involve their stay overnight at another village. When this happened in Manikhera village (Orissa), soon after the SHGs were formed 6 years ago, one of the SHG members was locked out the house by her husband when she returned from two nights out at a training programme. But, when the other SHG members rallied round, and said they would report the matter to the police, the man gave in and accepted her back. This early success was a source of strength to the group, building their confidence that they could support each other and act together to deal with issues within the family.

Two stories from AP (**Box 8.3**) show how through action by women in SHGs, the debate on issues of dowry, domestic violence, and women's legal rights come into the public domain.

A focussed and strategic programme of support by the local NGO lies behind this. The NGO provides training on articulation skills, how to identify issues and whom to approach under difficult situations. The women in the village were made aware of issues of social justice by NGO staff reading to them on how they were handled from newspaper clippings and by showing video films. The NGO appears to have been very successful in educating women about their rights, and raised their consciousness on dowry, desertion, domestic violence, property and other issues affecting women to their disadvantage. After the initial handholding for about three years, now the women set out to tackle any issues in the neighbourhood whenever they hear about them, consulting the NGO staff if necessary.

#### Box 8.3 Actions for social justice by SHGs of Pantulapally, AP

##### (i) Collective action and an appeal to the district authorities to prevent bigamy

Kamala (BC, borderline wealth rank) was married to Narayana of Pantulapally village three years ago. Kamala brought with her a sum of Rs50,000 as dowry. Narayana, dissatisfied with the dowry, mistreated her and asked her to return to her parental home.

His parents found him another match - with a dowry deal of Rs2 lakh cash, a vehicle and 120 gm of gold. The arrangements for the wedding commenced. On the advice of the NGO SHPA, Kamala told Narayana that unless he divorced her he could not remarry and warned him that if he went ahead with his second marriage, she would lodge a police complaint. Narayana ignored her and his family continued with his wedding arrangements. On hearing this, and irked by the greed for dowry, all the SHGs of Pantulapally went on a rally to the MRO's office in Nallabelly. They staged a dharna, expressed solidarity with Kamala and demanded that justice be done to her. They submitted a memorandum saying that the matter was grave and action must be taken immediately against Narayana. On this the MRO sent a letter to the district collector. Narayana was arrested and imprisoned for three months. After his release, he and Kamala resumed their married life, and they now have a child.

### Box 8.3 contd

#### (ii) Collective action and negotiation - after the murder of a young married woman

Fourteen year old Sunitha had never been to school. Her father, Venkayya a poor peasant and a widower, married his daughter to Raju in Vedanagar, a nearby village, paying Rs 70,000 in dowry (for which he had to sell his 1.5 acres of land to raise the money).

Sunitha's married life was not happy right from the beginning. Raju and his family pestered her for more dowry. Things got worse when she failed to conceive three years after their marriage. Raju took this as an excuse and, it seemed, killed her by making her drink pesticide. Raju and his parents sent the body of Sunitha to Pantulapally that very day, saying that she had committed suicide as she was depressed because of her inability to have a child. The rest of the village rallied around her family, and took the body of Sunitha back to Vedanagar, to Raju's house. Raju absconded. But nearly 100 women (SHG members and other women too) sat in front of Sunitha's marital home protesting against her murder, and declaring that Sunitha's body would not be cremated till Raju returned. At around 2 in the morning, Raju returned seeking forgiveness and admitting his crime and willing to undergo any punishment that the women decided.

The village leaders then held a meeting with Sunitha's family. They felt that if Raju were handed over to the police he might, if convicted, be jailed for some years, and if not convicted, would go scot free. On careful consideration they asked Raju to pay Rs1.4 lakhs (double the amount taken as dowry) as compensation to the bereaved family. Raju agreed, and Sunitha's funeral rites were then completed. The amount was deposited after a month.

What also emerges from such cases, especially the second, is the dilemma of whether to fight against injustice through court action or whether to negotiate a more immediate pragmatic option. Court action takes longer, can be costly (and who will pay?) but should lead to a clear public condemnation of a criminal offence (so long as the courts themselves are not biased). The second option means there is no legal punishment of the criminal, but there is an apparently acceptable sort of compensation to the victim - or her family. Thus there are examples from SHGs in Mysore district of SHGs dealing with rapes, with the preferred solution being to marry the victim to the perpetrator (when it is a within caste rape). This may seem a pragmatic solution since otherwise, in a traditional society, the woman's reputation is ruined. A future married to her rapist is preferred to one without a husband. Though it is hardly justice and it is not much of a disincentive for others to rape.

The stories in **Box 8.4** are about action against bigamy. They illustrate the combination of personal determination (especially from the woman concerned), mutual support (SHG members) and effective guidance (SHPA field worker) that can make the difference against conservative, male-supporting, social structures. Though they also reveal again some of the dilemmas - the compromises that women may have to make since their social and economic status is seen to depend on having a husband.

#### Box 8.4 SHGs support women's divorce out of a bigamous relationship, and her re-marriage

##### North - with SHPA support against the village council

From a village in Rajasthan, this story goes back about 5 years ago, when, soon after her marriage, at the age of 17, Kanta found her husband having an affair with another woman. Her family raised the matter in the *Jati panchayat* (the committee of elders from her Gujjar caste - BC) who decided that Rajendra should keep both as wives and treat them equally. Kanta was not happy about this, and eventually plucked up the courage to walk out. With the SHG members, she approached the NGO field worker who advised her to file for divorce. This was something unheard of in her community and Kanta was a bit reluctant. But the SHG members backed her, helping to pay for the trips into town to complete the papers. The divorce eventually came through, with the NGO staff as a witness. Though Kanta faced public humiliation from the Jati panchayat and she had to return her jewellery to Rajendra's family - and there was no question of her receiving any maintenance.

Nevertheless, within a year she married again, persuaded to do so by her group and the NGO staff. The man was not ideal since he was an alcoholic. But the NGO staff worker counselled him (made him take an oath not to drink at the *dargah*) so that he was able to get employment as a cook in a restaurant near the main town. Income is stable, and Kanta also looks happy and content as a mother with two children.

##### South - independent action and negotiation with the village elders

Khatuna is 28 years old, a Muslim woman in a village in AP (East Godavari district), a member of an SHG. Five years ago, she married Dadur and they had two children. But for some time now, they have been quarrelling with one another. Eventually, Dadur took Khatuna to the elders of their community and sought permission for divorce - which was granted.

These proceedings took place one evening, as the Saibaba SHG held its meeting. After the meeting when the members were returning home, they learnt about what had happened. They decided to meet the elders of the community and expressed displeasure at their verdict and told the elders that if their verdict were to stay, then Khatuna, too, should be permitted to remarry. The elders were taken by surprise, but they did review their decision, and reversed it telling Dadur to give up the idea of divorce.

What is remarkable in the second case is not just that the members stood by Khatuna, but that they had the skill and sophistication, and, of course, sense of justice, to negotiate with a highly respected local community council, whose word has probably never been challenged even within its own community. The SHG, which included women from the Hindu community, was able to cut across religion and project itself as a representative of women's interests.

The particular Muslim community that Khatuna belongs to is perhaps more open to remarriage by women than most other religious communities in India. In some ways, the suggestion of the women that Khatuna be permitted to remarry might have sounded preposterous to another community council. What is also remarkable is that women themselves as well as the larger community (the traditional opinion leaders) are beginning to think about new options that give women at least some alternative.

Other stories (Box 8.5 next page) illustrate action by SHGs in support of a member's husband and their turning to the local police for help. In such cases, the police were initially unhelpful, supporting those with more clout (and ability to bribe), brusquely fobbing off the women who dared to make a different case. In such a situation, not only was persistence essential, but support from a local NGO made a difference (in the form of guidance in the southern case on approaching a more senior officer, and direct intervention in the northern case since the police had been bribed by the other party).

Villages across India have had internal dispute resolution mechanisms, but these have largely been controlled by men. What SHGs now appear to be doing is challenging these mechanisms (in the northern sample) and engage in arbitration (in the southern sample), primarily in the interests of their own members. At this stage, SHGs find the need to represent members interests, whether or not justice is on the side of the member, or maybe not fully finding out the facts of the case, for example, when a member's daughter-in-law dies and her family claims it is a dowry death, the SHG (in a village in AP) takes out a rally to protest harassment of the in-law family. SHGs might end up disputing (or perhaps negotiating) with each other: again an illustration from AP where we found a group wanting to support a member's daughter - who had run away from being beaten up her by her in-laws in another village, where no doubt the mother-in-law was herself an SHG member.

Over time, through engagement in dispute resolution on behalf of members, SHG leaders might well find their capacity as arbitrators enhanced to a degree that their first objective is the dispensation of justice, regardless of member interests. And, we did come across two cases where the SHG reprimanded its own members for having extra-marital affairs. Just as women have begun to enter the political arena, so, too, they are taking their first steps into the justice arena.

#### Box 8.5 Supporting a husband

##### SHGs help a member to obtain compensation for her husband's injury

[partially successful]

Geeta an SHG member for 8 years, is the main earner in her family, managing a small shop, in Madri village, Rajasthan. Babulal, her husband, used to be a truck assistant on the Udaipur-Pune route, working for the truck owner in the village, a contractor called Mohan. Three years earlier, when the truck was in an accident, Babulal was injured and taken to a local hospital. His leg had to be amputated, and the total bill came to Rs 50,000. It seems that Mohan's son (who drove the truck) had agreed to cover the expenses, but nothing was paid and the family had to mortgage land and sell jewellery to raise the money.

One day, when Geeta confronted the truck owner on the payment, he started beating her up in the middle of the street. Her group members saw what was happening and came out to stop it. After that, they decided to file a case with the district authorities. But no action was taken as, it seemed the police had been bribed by the truck owner.

After that, the women asked the NGO for help. The NGO was able to put pressure on the police and eventually Mohan and his son were taken away to prison. On coming out on bail after a few days, Mohan asked that the matter be settled in the Panchayat and the women withdraw the police case against him. The matter was taken to the Panchayat. At a village meeting, where the women were also present, the Panchayat came out with a very mild judgement: that Geeta should forgive Mohan this time and that a similar incident should not happen again. The women were furious, and said that Mohan should not be allowed to go till he had paid compensation. The SHG members asked for Rs1 lakh. There was a huge argument and in the end the Panchayat ruled that Mohan should pay Rs 20,000 - a small amount compared to the hospital costs incurred, and the loss of earning capacity - but more than the amount initially decided by the panchayat.

## Box 8.5 Cont...

**Resolving a property dispute**

Bhagya is a member of an SC group in Kalkunke village in Karnataka. She and her husband purchased 2 acres of land in her mother's name, as her husband expected his brothers to fight him for the land, if it were in his name. *[Apparently no suggestion that the land could be in Bhagya's name]*. Bhagya and her husband set up a small shop and earned their livelihood from that.

In a road widening process, the shop was demolished and Bhagya and her husband decided to go back to farming. They went to Bhagya's mother and asked for the land that they had bought in her name. Bhagya's brother refused to let the mother return the land related papers to them.

Bhagya approached the police but they did not help her. She approached other SHG members and together they went to the police station, where the police rudely asked them to go away. The SHG members, irked by the treatment at the police station, told the police and Bhagya's brothers that if Bhagya did not get justice, they would go to the local television channel and ensure that the story was broadcast on it, as part of a weekly crime series. They also approached the Dalit Sangha which advised them to approach the Superintendent of Police (SP). The SP called Bhagya's mother and brothers, and based on his investigations, advised them to return the land to her.

Bhagya and her husband now work on their own lands. The events took over a month, but for Bhagya, the sense of security and solidarity that her SHG offered made it all worthwhile.

**8.4 Domestic violence and sexual harassment**

As noted in Table 8.2, it is the cases of violence against women and sexual harassment where we have a number of incidents reported, but action appear has been least effective in the longer term. It takes tremendous guts both to admit to and to face physical violence.

It also takes sensitivity to study it. There a few studies which have tried to cover domestic violence. One was undertaken in the field area of a study NGO in Rajasthan and reveals a very high rate of violence in the home, contrasting with the usual under-reporting of domestic violence (**Box 8.6**).

This study also underlines the fact that when faced with violence in the family, a woman prefers to uphold the so-called 'honour' of her family, and will only look for outside help as a last resort. Perhaps that is why, if violence is so widespread, the incidents reported in this study were relatively few. There was one reported case of rape (southern sample), for which the women expressed solidarity with the victim, but would not talk about the issue further. In the one reported case of sexual harassment by a father-in-law (northern sample - BC household), the SHG (guided by the NGO) filed a police case and the man was put in jail. But he was out of jail after a few days, very angry, shouting abuses at the SHG women and apparently no-one restrained his behaviour.

**Box 8.6 'Domestic violence against women in rural Udaipur'  
Findings from a household study**

This study documents the perception and reported incidence of domestic violence based on interviews with a random sample of 300 married women and 50 married men in two rural blocks, amongst communities which include tribal, SC, backward and other castes

**Women's responses:**

- 73% had faced abusive language and insults
- 60% had been slapped, hit or beaten by their husband
- 15% had been beaten by other in-laws (brother-in-law, mother-in-law, father-in-law)
- 37% had been threatened that they would be thrown out of the house
- Over one third had faced such behaviour in the previous month, indicating that these are not just occasional incidences being reported.

Reasons included suspected unfaithfulness, disobedience, neglecting household chores and economic stress in the household. 57% reported their husband being drunk at the time.

**Men's responses:**

- 60% had slapped their wives
- 52% had threatened to throw their wife out of the house
- 27% drink alcohol regularly, 50% drink alcohol sometimes

[Thornhill, 2004]

The other cases (five in this study) were mainly of other physical violence and beatings. SHG action involved groups of women gathering outside the house of an offender, exerting pressure through public shame and demanding that the man change his behaviour. When we asked women why they did not call the police, there were two kinds of response: one that the police would not take any interest; the second that, even if they did, that would not solve the problem since they would take their husband away, and then where would be their protection and livelihood. In other words, to have a violent husband may be better than not to have one around at all.

Nevertheless, when 60-80 women turn up outside a man's house it does have some effect. The fact that SHGs have taken action in some cases is in itself a positive and courageous action. But, unfortunately violent behaviour is often linked to alcoholism. Even if the man stops drinking and changes his behaviour for a while, the liquor vendor is usually not far away (**Box 8.7**).

**Box 8.7 Domestic violence - intervention can seem futile**

In Phujkodi village, Orissa, which has three SHGs, the study team was told that one of the groups, had stopped a case of domestic violence in the village. When we followed up to talk with the woman concerned, Jayanti (SC a young woman in her early 20s), the picture that emerged was slightly different. The SHG had intervened, and that in itself was seen as a positive action, but they had not succeeded in protecting Jayanti from continuing physical abuse from a drunken husband. This is what she told us, in the company of her neighbour:

*"My husband is a truck driver. He is sometimes away for days. When he gets his salary he comes home drunk and beats me up. Once when this happened, my group and the other groups too came to our house the next day and told him that he should not beat me and that they would report him to the police if he did. After that, he didn't drink for a while but then he started again. Other people have tried to reason with him, too, but it makes no difference. In fact they have stopped doing anything since the more they interfere the worse he gets."*

We can see this is an example of positive action initially ('light') by the SHG, followed by later inaction ('shade') - as the SHG does not follow up. In the next chapter, we shall see that banning liquor sale is a community action that has brought many SHGs together, though usually not with long-term success.

**Conclusions**

- Higher incidence of actions on social justice in AP (25% of sample SHGs) reflects awareness campaigns under government and NGO programmes in the State, and numbers of SHGs mobilizing together. In the other sample states too, these were features that made a difference, but the incidence is lower.

Issues that can be dealt with through a specific action (preventing bigamy, obtaining compensation, marriage of an orphan girl or a separated woman) appear more successful with the action having an immediate result. Private behavioural problems (domestic violence or sexual abuse) are far more difficult to address successfully. The very fact that such issues are brought out in public appears to be a significant action, but an effective result - ending such violence - is more difficult to achieve, and is likely to require more sustained action and follow up.

Initial guidance and support from a SHPA seems essential when many instances of social injustice are perhaps not recognised as such since people are so used to them, both women and men, and accept them as the norm. This seems to be the case even for older groups.

## 9 SHGs and communities

Women in SHGs can work together to address issues that affect not only their own members, but also others in the larger community. In this chapter we explore the role of SHGs in community action, relating to local services (access and quality), contributions to community infrastructure, planning and management of resources, and managing group enterprises or contracts.

### 9.1 What community issues have SHGs addressed?

In 40 villages (of the 108 in the study sample) we found examples of community action by SHGs. Such actions (listed in **Table 9.1**) included improving community services (water supply, education, health care, veterinary care, village road), contributing finance and labour for new infrastructure, trying to stop alcohol sale and consumption, protecting natural resources and acts of charity (to non-members). These were all actions which represented a degree of agency by SHG women in terms of decision-making, and enhancing women's contribution to community in a way that goes beyond traditional gender roles.

Not included here, therefore, are activities such as cleaning the village before village functions - which community leaders increasingly find SHGs useful for. Nor women's general participation in campaigns or rallies - pulse polio, literacy, anti-dowry, for example - for which SHGs are becoming a means of mobilising women, especially in the southern states.

**Table 9.1 Community issues addressed by sample SHGs and actions taken**

Issue	No.	(%)	Examples of action taken
Total community actions	58	100%	
Improve community services	24	43%	
• Water	10		<ul style="list-style-type: none"> <li>• Petitions, demonstrations to <i>Gram Panchayat</i> or District Authorities to install or repair water lines/hand-pumps</li> <li>• Ensuring authorised connections and payments (AP)</li> </ul>
• School	4		<ul style="list-style-type: none"> <li>• Deposit for a new school, petition for school for girls</li> <li>• Apply for government sanction for anganwadi centre</li> </ul>
• Health services	3		<ul style="list-style-type: none"> <li>• Rally and memoranda to district authorities and local MLA About poor services in government hospital</li> <li>• Campaign against PHC doctor for charging for services</li> </ul>
• Veterinary services	1		<ul style="list-style-type: none"> <li>• Arrange for a veterinary doctor to visit the village</li> </ul>
• Road	3		<ul style="list-style-type: none"> <li>• Village demonstration to sanction village road</li> <li>• Demonstration to locate road in SC colony</li> </ul>
• Other	3		<ul style="list-style-type: none"> <li>• Approach panchayat and MLA for housing</li> <li>• Petition panchayat to give pension to destitute widow</li> </ul>
Close alcohol outlets	18	31%	<ul style="list-style-type: none"> <li>• Rally, demo, petition to district authorities</li> </ul>
Contribute to	11	17%	
• Infrastructure	7		<ul style="list-style-type: none"> <li>• Financial deposit and labour contribution for community hall, school building</li> <li>• Financial contribution for drinking water</li> </ul>
• Protect natural resources	4		<ul style="list-style-type: none"> <li>• Rally and negotiation against land encroachment</li> <li>• Guard forest produce</li> </ul>
Charity to non-members	5	9%	<ul style="list-style-type: none"> <li>• Provide pension to a destitute widow</li> <li>• Each member gives handful of rice to poorer families</li> <li>• Financial support to woman after family planning operation</li> </ul>

[SHG - FGDs, case studies]



The actions were mainly one-off, involving a campaign, a petition, and a contribution. A few actions were more continuous (natural resource protection, charity).

In the sample of 214 SHGs, 30% reported such actions, a higher proportion in AP and Rajasthan where a number of groups reported more than one such action (**Table 9.2**). The incidence of community action is higher (37%) in NGO promoted SHGs compared to other SHGAs, reflecting the support of some NGOs in motivating and guiding their groups.

**Table 9.2 Sample incidence of SHGs and community action**

	Overall	AP	Kar	Or	Raj	NGO	Govt	Bank
N - sample villages	108	28	16	31	33			
Villages with community action	40	15	7	7	11			
N - sample SHGs	214	60	51	50	53	137	49	28
Involved in community action	30%	42%	20%	22%	36%	37%	14%	25%
Involved in more than one such type of action	9%	17%		4%	15%	10%	8%	7%

The actions usually involved more than one SHG (50 out of the 58 actions), including other SHGs in the village who were not part of the study sample, and non-members too especially in the south (32 actions).

## 9.2 With what effect?

The effectiveness of the interventions was assessed by SHG members as shown in **Table 9.3**. Most were effective or of mixed outcome.

**Table 9.3 Community actions by SHGs and their outcome**

	Total Actions	Outcome		
		Effective	Mixed	Failed
Total community actions	53 <sup>a</sup>	28	19	6
	100%	53%	36%	11%
By type of community action				
Community services - improving access and quality	24	13	9	2
Anti-alcohol	18	7	8	3
Building community infrastructure	7	5	2	
Natural resource access/management	4	3		1

[SHG FGDs, case studies] <sup>a</sup> Excluding cases of charity

Actions to improve access and quality of community services and infrastructure were mostly effective: water supply was provided, hand pumps were repaired, a school was started, a road was sanctioned, a committee was set up to review hospital services, a local alcohol outlet was closed. Examples of mixed outcomes were: sanction obtained but service not implemented, a veterinary doctor appointed to visit the village, but he turned out to be incompetent, a school building built but the SHG members not paid (by the panchayat) for their contribution.

Most of the anti-alcohol cases were assessed as having 'mixed' outcomes, since, although a local alcohol outlet was closed, and alcohol consumption was reduced, this improvement was sometimes short-lived when the outlet reopened some time later, or men began going to a neighbouring village where alcohol was on sale.

The few actions relating to natural resources within the community (removing encroachments, gaining access to village lands) were largely successful, except in one case.

### 9.3 The process

In this section, we explore the process of SHGs taking action on community issues using case studies as illustrations. The common patterns, from the examples we have, point to the following:

- A critical underlying element is mobilisation across a number of SHGs; nearly all the cases involved a number of SHGs, at least 3-4 in a village, more than this in larger villages (as in AP and Karnataka) where there may be 12+ SHGs. And, occasionally, huge numbers of groups across villages, brought together through a federation structure. The numbers provide a 'critical mass', which gives visibility and security.
- How do SHGs get mobilised? This happens most often through opportunities provided by the SHPA - a village level meeting of all SHGs in the village, a cluster meeting of SHGs from a number of adjacent villages, a federation meeting of representatives from 50+ SHGs.
- Some of the actions we have in the north were undertaken by village women as members of a large *mahila sabha* (women's group of the village) of which SHGs are later 'sub-groups'.
- A high proportion (71%) of the actions necessarily involved women from different castes and social groups mobilising together.
- The action usually comes as a response to an issue raised in such village or cluster meetings, prompted by sharing of experience by SHG members, by suggestions from the SHPA staff or from village leaders.
- The actions involve a new boldness and confidence for women - to approach the authorities to take decisions, implement programmes, carry out their functions (panchayat, district officers, police), to stage rallies and blockades, and varying degrees of skill in negotiation by SHG leaders.
- Guidance from the SHPA seems essential, especially initially - in creating forums for SHGs to come together, identifying issues, helping to formulate strategy, assisting in formal procedures involved in drafting petitions to district authorities.
- So does persistence, not backing down when things don't work out immediately.
- Ensuring men's support - tacit if not overt; and engaging the village leaders, having them on the women's side; going over their heads to a higher authority sometimes works, but not always.

The following examples in this section describe action on issues which are of critical significance for women: water supply, health care services, and dealing with alcoholism.

**Box 9.1** illustrates SHG action to ensure local water supply. The cases demonstrate the role of SHG women mobilising to get the attention of the Gram Panchayat or the District Authorities - with some guidance from the NGO SHPA on what action to take. In AP, SHG leaders are also playing a role in village Water Committees. Some are lending from SHG funds to encourage authorised payments for water to the Gram Panchayat; or providing loans directly to the Gram Panchayat to initiate pipeline work. Such loans, we found, are interest free, which serves the community but reduces income to the SHG.

**Box 9.1 Local water supply****SHG leaders encourage payments for water connections**

About 20 households in Ramakrishnapuram of Renigunta Mandal in Chittoor district of Andhra Pradesh arranged water pipe lines to their houses without permission and payment of water charges to the *Gram Panchayat*. Some of these households were members of the Vasudara SHG, whose leaders were also members of the village Water Committee. The SHG leaders held talks with all the households with un-authorized water connection and agreed to provide interest-free loans to all of them, both members and non-members of the SHG, so that they could pay the deposit to legalize the connections. A pragmatic approach, designed to ensure payment to the Gram Panchayat, even at the cost of reducing income to the SHG.

**SC groups mobilise for water supply to their colony**

In Tadakal village (Gulbarga district, Karnataka) there were four SHGs of SC women. In the summer of 2003, the open wells and hand pumps in their colony were dry. When the *Gram Panchayat* did not respond to the SC community's request to deal with the problem (though the Sarpanch of the village was also SC, and a woman) the SHG women decided to demonstrate and lock the Panchayat office.

The local leaders and Panchayat secretary turned to block officials to deal with the problem. And eventually, the Gram Panchayat agreed to supply water within 15 days through small water tanks and drinking water pipelines and taps to the SC colony. They did so within a month.

**SHGs participate in road block following inaction by sarpanch to repair hand pumps**

Delwara village (Rajasthan) lies just off the highway to the district town. A large village of over 1,000 households with all caste groups. One section of 150 households is the BCs (or they call themselves 'BCs' though they are SC Jatavs migrated from UP). There are six SHGs of BC women in the village. They recounted with a great sense of satisfaction their role in getting hand pumps in their area repaired.

The BCs had repeatedly asked the *sarpanch* to do something about the four or five handpumps needing repair. But he had not done anything. Eventually, on the suggestion of the father-in-law of one of the SHG members, the women agreed to join a highway blockade, going in front so that the police could not use violence. All members from the community assembled one morning and blocked the highway with stones. A traffic jam soon piled up, travellers called the police but the women said the police could not touch them unless they brought in policewomen. They refused to sign anything or put a thumbprint. And when the police tried to photograph them they pulled their saris (*ghoonghats*) over their faces.

After a few hours, the District Collector's assistant turned up to the scene. On learning of the problem, he promised them that the hand pumps would be repaired that very day - and so they were.

**Tribal SHG women petition the District Collector for a new hand pump - installed but technical problems**

Kainchali is an *adivasi* village (hamlet) of just 15 households in Kalahandi district, Orissa. The village had one hand pump located in the corner of the village which was not very deep and ran dry during the summer. The NGO field staff advised the SHG women that if they were willing then with the SHPA's guidance they could petition the district authorities for a new deeper tubewell which would last the whole year. The SHG agreed. The NGO staff drafted the petition which the group then took to the District Collector (DC). The petition was approved and a new tubewell dug by the DC staff.

But the water did not come through properly. The SHG went back to find that with the old DC transferred, the new DC said that action had already been taken in their village and he could not help any more. So the hamlet is back to where it was on water supply, the women let down by poor technical application. (In this case by the district authorities whose job it is to ensure digging of an effective bore well).

**Box 9.2** gives two examples of how SHG women from poorer sections of a village have been able to start a local school in their village, in the southern example by putting down a deposit (from their group fund) in the *panchayat* for a government school, in the northern example by inviting their NGO SHPA to start a school for girls.

#### Box 9.2 Local schools

##### Sanctioning a new primary school

Kummarapally has 116 households, mainly BC (60 households) with some SC (30 households) and OC households (24) and 2 tribal households. Thanks to the efforts of two SHGs (BC) in the village, guided by the DRDA (they were Government promoted groups), the village now has a primary school.

Kummarapally is a hamlet of Mallavaram panchayat. Mallavaram is on the Vijayawada highway and the nearest school for the children of Kummarapally was in Mallavaram. Children had to cross the busy highway (and infamous for its accidents with tens of trucks plying by the minute) to reach the school. The villagers were wary of having their children cross the highway to attend school, and few, therefore, were at school.

The larger farmers and those financially well off sent their children to a convent in a nearby town, and saw little reason to seek a school for the village. But the SHG members decided to contribute Rs2,000 for the construction of a small thatched cottage for running a balwadi. They then deposited Rs 5,000 of their savings amount with the *panchayat* and got a school for the village. In a matter of three months the school building was constructed and Rs 7,000 (Rs 2,000 spent for the thatched room and Rs 5,000 paid as deposit) was returned to the SHGs by the government.

The school is now functioning with two teachers appointed by the government and 50 students belonging to poor families.

##### Requesting a school for girls

Moreda village of just over 100 households, 55 SC, 45 Meo (Muslims), 6 BC, in Alwar district (Rajasthan) had a government school, which was not functioning well. The headmaster was careless and did not keep regular hours. Girls would drop out of school after a few years, especially Meo children. There are 6 SHGs in Moreda, 3 SC and 3 Meo. About a year ago, the SHG members visited another village to attend a sammelan (cluster meeting). There they saw a school for girls run by their promoting NGO. They got interested in opening a similar school in their village and requested the NGO to do the same for their village. As the women said, after joining SHGs they realised how difficult it was for them to understand things, to remember all that was taught to them - and they were keen on having their daughters educated.

Thirty-five girls are now attending the new school, aged 5-12 years and there is a parents' committee to review school activities. With the example of the new NGO school, it seems that the headmaster of the government school has even started to open his school on time.

Some particularly interesting examples of SHG action - with SHPA guidance, and strength through association - relate to action to improve the access and quality of health services. Two of these (in **Box 9.3**) reveal some disturbing features of government health care services, such as including charging for services that are supposed to be free, and pressurising women into expensive caesarean deliveries.

The first case, from Karnataka, demonstrates the power of enabling women to mobilise within a larger federation of SHGs, and their success through engaging with local politicians and the District authorities, and negotiating for a hospital review committee with representative doctors and SHG leaders. The second case is from a village in Rajasthan where SHGs through a *mahila sabha* (a women's collectives in the village) mobilised to get the local doctor transferred. But this was not successful, as he leveraged his connections with the local patwari, perhaps also co-opting the *mahila sabha* leader to withdraw the complaint against him.

**Box 9.3 Improving health services****Effective mobilisation and negotiation through a federation**

In Siddalingapuram village (Karnataka) the Nimishamba SHG was established in 1991, promoted by an NGO. It now has 16 members and is part of a federation - the Mahilaodaya Mahila Okuta.

The SHG members noticed that they were frequently borrowing to purchase medicines, which, in fact, were supposed to be given to them free of cost at the government hospital. Worse, doctors were pressurising women into having caesarean section, whether or not it was called for - partly for financial gain, partly 'to get it over with'. As if all this was not enough, women were being held to ransom by ward boys and nurses who demanded payment of Rs500/300, to show women their newborn boy/girl infant.

The women of Nimishamba SHG decided to put paid to these practices. They took these issues to the their federation meetings, and found that other women, too, felt as indignant as they did. The federation leaders mobilised their 340 groups and the members took out a rally protesting against hospital staff and authorities for their negligence, inadequate services, coercing women into procedures that they did not want, and demanding money for services which were not chargeable. With the help of the NGO, pamphlets and memoranda were prepared, and in December 2004 they submitted the memoranda to the District Collector and MLA. Local political leaders had already been won over for the cause. The Collector called for a meeting with hospital authorities to take steps to resolve the issue.

A committee was constituted with two doctors, the head of the department and SHG leaders, who meet and discuss on the 2nd Saturday of every month on how to improve the quality of services and to address any complaints on malpractices.

**SHGs seek transfer of village doctor (unsuccessful)**

Chandoli village (Rajasthan) is a large village of 1,200 households, mainly Meo (700) and SC (400), the rest OC, BC and ST. There are 10 SHGs, 6 Meo, 4 SC, promoted by an NGO. The SHGs are part of a *Mahila Sabha* (or larger women's group of the village) formed by the NGO.

The village has a Primary Health Centre. A doctor used to come regularly, but there were complaints about his treatment. Poorer women said that the medicines he gave them were no use. And, if anyone came to the centre after 12 noon, then he would charge for the medicines - turning what was supposed to be a free public service into his own private practice (that too, people suspected, with free government medicines).

These problems came up in a meeting of the Mahila Sabha (MS), organised by the NGO SHPA. Part of the NGO's programme is to inform villagers of the services available to them through the government, including free health care. The Mahila Sabha decided to take up the issue and register a complaint with the District authorities. When some doctors from Jaipur visited the village, Kamla (the newly elected leader of the mahila sabha) complained about the PHC doctor. Soon after this, the village doctor received a transfer order.

However, the doctor was a relative of the village *patwari* (land registrar). He used this connection to gather the support of men in the village since everyone wants to maintain good relations with the *patwari*. The doctor asked for an investigation, and when the review team visited, it was a day when there were very few women in the village since they had mostly gone out to collect fodder. They did not know that this was the review date. Only the men were present in the village, and a few women, including Kamla. The men supported the doctor and Kamla was forced to withdraw the charges against him.

When the women returned to the village and found out what had happened they felt angry and betrayed. The MS members felt that their sabha would have no future if that is how a leader gives up. So they dropped Kamla's group from the Mahila Sabha. Since Kamla withdrew the charge, the transfer order of doctor was cancelled and he is still operating in the village.

The most common single type of action taken up by SHGs is the attempt to close down local liquor outlets. Alcoholism - and the accompanying problems of domestic violence from men, the drain on household finances, impaired health - is an aspect which in so many villages we found prompts perhaps the most anger amongst women, but also despair. Dealing with this issue is a major struggle which pits women not only against a behavioural syndrome, but also against institutional and business elements which have a vested interest in continuing to sell alcohol - and make money out of it.

This is illustrated in **Box 9.4**. The examples show how women in SHGs have mobilized across communities to act forcefully to close liquor vendors in their village. Some of these actions (7 out of 18 in this study) have been effective in at least closing the local supply. However in as many cases (8 out of the 18) women say they had only partial success in that they have managed to close down the local liquor outlet, reducing the immediate opportunity for men to buy alcohol; but supply continues - from a nearby village or another outlet in the same village. And some of these outlets do after all have the 'official' sanction of a lease from the local panchayat or the State government, which derive substantial revenues from the availability of alcohol.

As women in one village said: "*If government could control the alcohol problem, we would not have to deal with this.*"

#### Box 9.4 SHG actions against alcohol sale

##### A series of actions to close down the alcohol outlet - *successful*

(i) During an area meeting conducted by the SHPA, for SHGs from 10 villages, SHG leaders of Doddamargoudanahally (Karnataka) reported that arrack consumption in their village was a menace and needed to be stopped completely. SHGs from other villages said that they would come and give necessary support to stop liquor sale and consumption in the village.

On a day decided by the women, 200 members from various SHGs blocked the road as the arrack van approached the village. They then submitted a memorandum to the District Collector to ensure that the arrack van doesn't enter their village ever again. The district authorities cancelled the licence, and since then there have been no disturbances arising out of drunkenness in the village. The women are aware that their men have not stopped drinking - however, the nearest spot where liquor is now available is 4 kms away, and the women find themselves more able to manage the effects of reduced drinking, and drink consumed at such distance.

(ii) Chandoli Mahila Sabha has 8 active groups from Chandoli village in Rajasthan. For some time in the past the Mahila Sabha (MS) was facing problems of late repayments in its member groups which they discovered was mostly due to alcohol and the gambling (*jua*) habits of their men in the households. Due to this MS decided to take up the issue of alcohol and gambling at the village level. The women of all eight SHGs with the support of the NGO SHPA prepared slogans and took out a rally in the village with slogans: to praise women's strength, (*nari shakti jindabad*) to stop drinking and gambling (*Daru satta band karo*) and to threaten any opposition (*Jo hamse takrayega chur chur ho jayega*).

However, this only led to anger and abuse from men in the village. So the SHG leaders went to the police station and met the 'kotwal' (police station incharge), requesting him to come to the village. He did come, but nothing changed. The police were after all aware of drinking and gambling in the village, but were also on friendly terms with most of the men. So the SHG leaders visited the Collector and SDM and submitted a formal letter to them for closing the alcohol shop in the village. This time, when the kotwal and constables visited the village, they closed down the alcohol shop. This has helped to reduce drunken scenes - and gambling.

## Box 9.4 Cont...

**Alcohol continues to be delivered - mixed outcome**

The SHG women say that alcohol has always been a problem in their village - Meokheda, in Rajasthan. A small village of around 80 households, mainly SC (60 households) and OC - with 4 SC SHGs and 2 OC SHGs. Liquor was being supplied locally by an external contractor. Pressure built up and one year ago, women from all the six SHGs in the village decided to drive him out. Around 70 women surrounded the vendor and threatened to beat him if he returned to the village.

The man disappeared. But his alcohol did not. And one month after the women's action, his van has started visiting the village again, supplying through a local man who turns out to be the father-in-law of one of the SHG leaders (SC), and therefore not a person the women feel they can take action against.

As the group leader said, they had taken action on the supply of alcohol, but the problem will not go away as long as men continue to demand alcohol. And the men say: *'humko peena hai (we want to drink) and let's see who can stop us'*.

**Liquor auctions a significant revenue source for a village panchayat**

Totapalli village is one of nineteen villages in Chamakhandi panchayat (Ganjam district, Orissa). There are 5 SHGs in Totapalli, 3 SC, 2 BC.

Alcohol is a problem which the SC women have tried to deal with, by facing up to cases of domestic violence. Recently, when the lease for selling alcohol was to be bid for in the panchayat, the SHG members asked the village committee (men) to advise the panchayat not to offer an alcohol contract any more, so as to reduce the problems of drunken behaviour in the village. The request was over-ruled. The men said they would 'manage' any problems that might arise and would use the lease money for village development - as indeed they had done in the past.

One of the ward members subsequently told us that the panchayat tenders 3 leases: for stone quarrying, use of trees for rope making and liquor sale. The lease for liquor this year is Rs 70,000 - contributing nearly 30% of the total annual budget of the panchayat. So far, the panchayat has received Rs 35,000: Rs 20,000 was used for a village festival, the rest is in the bank.

**9.4 Do SHGs 'capture' community resources and exclude non-members from them?**

SHGs represent an increasingly visible group within the community, often with special support services through government or NGO programmes - apart from having access to credit funds. In AP this is most evident, with access to government programmes for a range of activities and products being linked (if not tied) to SHG membership. The question of exclusion could indeed arise here, but is to some extent addressed by the increasing numbers of SHGs and women joining them.

In the northern sample, we came across a couple of situations that were perceived by non-members (including village leaders) as taking over a community resource. Both cases ended up as 'failures' for the SHGs, demonstrating the sensitivity of the access question at community level, and the need to take this into consideration as part of an SHG support strategy. One (from Orissa) related to whether SHGs (trained by the local NGO in fish cultivation) should use village ponds usually leased out by the panchayat (those not members of an SHG said no). The second, described in **Box 9.5**, raises questions about the legality of access to a community resource (community land for grazing) and the potential for conflict.

### Box 9.5 SHGs and access to *panchayat* land for grazing

Rasgan village (Alwar district, in Rajasthan) is a village of over 500 households, mainly BC (250 households) and Meo (muslim - 150 households) also OC (100 households) and SC (30 households). There are 7 SHGs, (1 SC, 6 BC) which are part of a larger women's group (mahila sabha) promoted by an NGO, representing coverage of around 100 households.

The Block Development Officer of the state government announced that funds would be available for the development of *gochar* (grazing) land in the village. The NGO encouraged the SHGs to apply for funds through the panchayat to till the panchayat land for pasture.

The village sarpanch was a Meo and a woman, but a proxy sarpanch. Her husband the *sarpanch pati* did not want to hand over the panchayat land to the women but he didn't say so directly. When the women approached him for the funds to buy seeds and plough the land he delayed signing the papers, and then denied permission for cultivation of the community land. Despite this, the women decided to go ahead with cultivation of the pasture land using credit from their group funds to purchase seed and other inputs, guided by the NGO.

After three-four months, as the grass was growing, the *Sarpanch pati* took action. Even though the SHG husbands were guarding the new pasture, he sent in some gwalas (migratory herdsmen) with animals to graze on it and destroy it.

The women were enraged and wanted to take action. They needed evidence, for which the NGO staff tried to help but the *Sarpanch pati's* men roughed them up to prevent them from taking pictures of the destroyed pasture. The women went to the local police to register a case against the *Sarpanch pati* and his men. When the police did not act, they went to the office of the District Collector and narrated the entire incident to him. The Collector called up the police and asked them to take immediate action. The accused were arrested the next day, only to be released on bail.

The conflict between the sarpanch pati and the women's groups escalated. Eventually, the *sarpanch pati* organised a meeting in the village, which everyone attended and he also invited the NGO staff. At the meeting, it became apparent that the rest of the village, with nothing to gain from the pasture development, did not support the SHGs. And, with the agreement of their husbands and the NGO staff, the women were asked to withdraw the police case against the gwalas. The main point, they said was that it was necessary to avoid conflict and restore peace in the village. The women had to agree, though one of the leaders commented, that, if their husbands had stood by them, then the decision could have been different.

Presently, the pastureland is lying unused and fallow.

*What did the sarpanch pati gain? Why did he object to the action taken by women? Perhaps this is an issue of strategy - the need to persuade the wider community and involve them when there is a community resource at stake. Perhaps there is also a gender/patriarchy issue - one of control by a man unwilling to cede initiative or authority to women. Or a case of the sarpanch (pati) not supporting the groups as they are from a different community.*

## 9.5 Group enterprises and contracts

SHGs are involved in providing credit to members for production, asset building and consumption needs. Many SHGs hope that their members will use the credit to improve their livelihoods and increase their income. While there are some instances of joint economic activity, often at the behest of the SHPA, the women, by and large, stick to individual enterprise where this makes sense, and opt to work together where that is more rewarding.



Forty-six groups (21%) of the sample had been involved in a new group based enterprise or an enterprise contract, linked to Government programmes. We found a variety of such enterprises or contracts:

- collective organisation of marketing for the produce of individual enterprises established using micro-credit: milk collection centres/dairy cooperatives at village level (with a high proportion of micro-credit used to purchase milch animals)
  - collective group activities using group credit to access larger natural assets for production and cultivate these as a group enterprise: SHGs leasing some land from a large farmer in the village, leasing a pond from the panchayat
  - other collective economic activities based on group credit, combined labour and management: stone-cutting, processing rice, managing a tent house
- and,
- management of government contracts, such as running a ration shop (as part of the government's Public Distribution System, PDS); cooking the mid-day meal for children in the local government school; or managing a fodder depot to supply fodder at subsidised rates; such contracts involve group credit (as fixed or working capital) to purchase ration provisions, to purchase cooking utensils for the mid-day meal as well as the ingredients to cook) but are usually undertaken by one of the individual members of the group (or a non-member designated by the group) who is responsible for the activity.

For the sample groups, these activities are listed in **Annex Table 9.1**. Their incidence is slightly higher in the northern sample where 25% of groups reported involvement compared to 18% of groups in the southern sample (**Table 9.5**).

Table 9.5 SHGs with group enterprises/contracts								
	Total	AP	Kar	Or	Raj	NGO	Govt	Bank
N - Sample SHGs	214	60	51	50	53	137	49	28
With group based enterprises	21%	20%	16%	28%	23%	25%	16%	14%
Group enterprises	14%	8%	12%	20%	17%	21%	2%	
Govt linked contracts	7%	12%	4%	8%	6%	4%	14%	14%

The role of NGOs in group enterprises is apparent with such enterprises reported almost exclusively in SHGs promoted by NGOs which guided the groups by giving them the idea, sometimes providing training, or, in the case of dairying, played an active role in establishing a milk collection centre and mobilising input services. We see the government linked contracts in both regions, highest in AP (12% of the sample) and amongst Government and bank promoted groups (14%). PDS and Mid-day meals did not usually involve SHPA guidance in any way).

Do such group-based enterprises effectively replace existing trading roles and relationships? The study examples suggest that they do. They enable poorer women collectively to access and manage assets or contracts which they lack the capacity as individuals (or as separate households) to do.

But there is the question of viability. As shown in **Table 9.6**, of the total 33 activities 3 were a one-time, seasonal activity (pond lease, fodder depot) and were not repeated; of the remaining, **one-third were continuing and viable**, though with relatively low rates of return to SHG members. These were mainly the group enterprises. Government linked contracts are quite unsuccessful.

**Table 9.6 Group based enterprises/contracts - continuity and viability**

Type of enterprise/contract	Number	One-time	Other	
			Viable	Not viable or doubtful
Total number of enterprises/contracts	33	3	10	20
<b>Group enterprises</b>	19	2	7	10
Dairying	5		1	4
Lease - land, pond	5	2	3	
Other (stone-cutting, food processing, tent house)	7		3	6
<b>Govt linked contracts</b>	14	1	3	10
PDS	9			9
Mid day meal	4		3	1
Fodder depot	1	1		

The case studies (**Box 9.6**) illustrate the factors affecting viability. The successful group enterprises are those which are effectively catering to a local market, usually small scale, yielding small profits to the group members, with clear accounting. With increasing scale of an enterprise activity, the risks increase, due to market competition, as well as risks associated with poor record keeping and lack of transparency around the amount of profits and their distribution. As the examples show too, the returns appear to be relatively low, providing a small supplementary income.

**Box 9.6 Illustrations of group enterprises and contracts**

**Successful small scale group activities:**

**A kitchen garden**

The sixteen members of the Ma Mangala group in Orissa took a bank loan of Rs28,000. The members borrowed Rs1,500 each for their own purposes, and their husbands used the balance to take lease on the group's behalf on a half acre plot of land which belonged to a Brahmin landowner but was adjacent to the scheduled caste part of the village where the women lived. Each woman works for one hour every evening on the plot. Their husbands manage the garden and sell the surplus produce, and each family gets about Rs250 in cash every season as well as plenty of vegetables for their own consumption. The bank loan has been repaid on time, without difficulty.

**Paddy husking**

Ten tribal women in Manikhera Village in Orissa formed an SHG in 1995, promoted by a local NGO. They saved regularly, and joined an SHG federation, and took two loans, for Rs2,000 and Rs5,000, from the federation. They had decided not to apply for a larger loan from the bank, since they did not know how they would use or repay it. They used the second loan to finance a small group paddy husking business. This enabled seven of the members each to earn fifty rupees a week, and the group also earned a profit of Rs150 every week which they used to repay the loan. There were no problems over who should do the work and earn the wage, because many of the members had other things to do.

As a result of this modest success, the group decided to accept the NGOs recommendation and to take a loan of Rs15,000 from the State Bank, which they would use for poultry and livestock. They were not sure whether they would do this individually, or as a group.

**Stone breaking - a success...**

The eleven members of the Ma Kalijee SHG in Orissa, prompted by the NGO, used Rs4,400 of a bank loan to pay for eight tractor loads of stones, which provide part-time work for all the members for about two months. The SHG pays the members eight rupees a day, and they can sell the broken stones at a margin which allows them to cover the wages, and to make a surplus of Rs2,000 for the group's funds, as well as repaying the loan.

## Box 9.6 Cont...

**... but an example of failure through opposition from existing contractors**

Ten SHGs in Orissa together received a grant through the NGO of Rs20,000 to finance direct purchases of stone from a large quarry rather than buying smaller amounts for higher prices from traders. Their efforts were thwarted, however, because the traders told the quarry owner that the SHGs would need a licence. It was not clear whether this was correct, but the women became discouraged and ended up using the money for household expenditure. Their SHPA was unable to help.

**Whole-sale trading by NGO on behalf of tribal SHGs**

Four SHGs of women of Khond tribal community (Orissa) had accumulated funds of over Rs15,000 each - through member savings (Rs10/month) and grant aid (Rs5,000/SHG). There is hardly any inter group lending, but the NGO suggested that the SHGs could use their savings in the winter to purchase niger seed at a low rate soon after harvest, for resale later in the year, at a higher rate.

In December 2004, each SHG withdrew Rs7,000 from their saving account to buy up the village produce of niger seed at harvest time for Rs15 per kg. The crop was sold two-three months later for Rs18 per kg. The SHGs thus used nearly half of their accumulated fund for a short-term business venture to make a 25% profit over a three-month period - working out to a small income of up to Rs150 for each member. Management was by NGO staff.

**Issues in SHGs and Milk production**

PRADAN in Rajasthan has promoted a large number of SHGs and introduced them to dairy activities. They have had some successes and some failures. The NGO field workers helped the SHG members to form thirty village dairy societies, each with around thirty five members (including non-SHG members). The NGO also provided veterinary care, and helped the members to have their animals insured.

The milk is sold to nearby towns, but the new SHG member co-operatives face strong competition from the existing traders, who pay low prices but are also willing to make cash advances, and from other pre-existing men's co-operatives in some of the same villages. The women find it hard to prevent the milk delivery men from adulterating the milk, and some of these men also try their best to discredit the new societies, since they are working with the existing private traders.

The local dairy co-operative union appears unhelpful, since its staff are used to working with private traders and the existing men's societies. Some of the SHG members are also themselves linked to the traders, and they try to sabotage the new co-operatives' activities from within.

It is not at all clear what will be the future of the new societies, particularly if and when PRADAN withdraws; it seems likely that about half of them will survive, while the remainder will fail.

In the case of government contracts, the risks lie in the supply system: the delays in receiving payment from the government department, and diseconomies of scale (number of children in the school relative to costs of providing the mid-day meal, and costs of transport to more remote villages) as well as problems in group management or risks in attending to VIP visits (**Box 9.7**).

The government PDS - or ration shops - are emerging as an example of unrealistic design. They are increasingly being handed over to SHGs to run. The idea is that women may run PDS as it is intended, to provide subsidised grains to the poor - and fewer grains will find their way to 'non-beneficiaries' (i.e. traded at market rates). Nevertheless, with margins fixed at 7-8% for rice and wheat, and since the sale of other profit making items is not allowed, it is not clear that PDS can break even, let alone make a profit, without some

additional trading. Added to the in-built diseconomies, is the problem of managing cash flows and supplies from a somewhat notoriously non-transparent system, and women's lack of experience in handling such a system, SHG members or not. It is not surprising, then, that we found all the examples of SHGs 'managing' PDS to be unsuccessful, and usually short-lived (see also Box 7.3, which shows the social constraints too, for Scheduled Caste women, trying to cater to other castes in their local village market.

#### Box 9.7 Experience with government schemes

##### **PDS**

##### **Short-lived**

An SHG in Bhaluchachda village in Orissa complained to the BDO and the Collector about the bad management of the local PDS system. Their efforts succeeded, and in 1998 the PDS dealership was allocated to the group, in the name of Sulochana, a literate member.

Initially the system was well managed; it satisfied the needs of the community and was also profitable; the profits went to the SHG. After some time, however, Sulochana started to misuse her position; she did not keep the records properly, and the ration distributions seemed unfair. The other village people complained, and the PDS concession was re-assigned to the secretary of the local panchayat. He reverted to his original management methods.

##### **Short-lived and unsustainable**

The villagers of Sapmundi village in Kalahandi District Orissa were poorly served by the PDS dealer. His store was 6 km away from the village, in the district headquarters town, and he delivered the rations only once a month. If someone did not have the necessary cash on that day, or was away from the village, they missed their rations until the next month.

The 25 members of two SHGs decided to do something about it. With the help of their SHPA, they petitioned the sarpanch, the sub-collector and the collector, and eventually in 1998 the dealership was re-assigned to Janamati Dei, the President of one of the groups.

The SHPA staff helped initially with record keeping, and the SHPA also covered the cost of transporting the ration goods to the village; this was about Rs1,000 per month. After three years, however, the groups were expected to cover this cost themselves. They could not earn a sufficient surplus to do this, and they also lost money because the labourers in the government stores used to pilfer up to a fifth of the stocks.

The SHGs carried on, although their accumulated losses of over Rs12,000 meant that they used up their group reserves and fell into arrears on the repayments of the loans they had taken from DWCRA to finance the operation. In 2002, however, as the SHGs were falling into even greater losses, the authorities took the PDS franchise away from the groups and re-assigned it to the previous dealer. The village was as poorly served as before.

##### **Mid-Day meals**

In a village in Warangal district (AP) two group leaders described their SHG's contract for cooking the mid-day meals in the government school in the village: We have used the group funds to invest in the big cooking vessels which are needed. We also had to bribe the officials to get the contract. Even so, it is quite difficult to manage the scheme, since the government food supplies and payments are often late, but the meals still have to be provided. Also, the government pays us per child. But with just 250 children in the school, what the government pays does not cover our costs. So we collaborate with the school teachers on the school attendance records so that we can claim an amount which covers our costs.

## Box 9.7 Cont...

**How Government VIPs "encourage" SHGs**

The SHPA of an SHG in Chorbasai village in Rajasthan managed to persuade the District Collector to allow an SHG to manage a drought relief low-cost fodder scheme. The group and their husbands managed it successfully for three months, and the Chief Minister (CM) of the State came to hear of it; he decided to encourage the group by paying them a visit. The fodder supply was delivered and unloaded on time, but the group decided to delay the distribution until the CM arrived. He arrived late, and in the meantime there was a rainstorm. The fodder was ruined, the farmers refused to take it, and the group lost six thousand rupees. This loss was set against the revolving loan grant which they had received from the Government, which had been intended to finance their lending operations.

Apart from the group enterprises/contracts, we also came across a few examples of groups engaging in the occasional wholesale purchase of basic commodities for sale within the group at lower than retail market rates. And other examples of SHG members encouraged to use micro-credit for certain enterprises for which they were provided some initial training and market guidance by the SHPA - NGO or government. Such activities were not a focus of this study, but the stories are mixed. **Box 9.8** illustrates a vibrant village economy to which micro-credit can successfully contribute. But for every success story, there were also cases of loss and failure in enterprise - in limited markets.

## Box 9.8 A village of entrepreneurship - from pickle making

Narkedimilly is a big village with over 1,500 households in Atreyapuram mandal of East Godavari district (AP). DRDA (Government) promoted the first group in 1997. On entering the picturesque village one notices drums of blue and white, packed with pickles, in almost all the houses, with women sitting around, cutting lime, slicing tomato, pounding chillies, cleaning tamarind, preparing pickle.

What started as a small initiative fifteen years ago by 10 families, is now big business with nearly 500 families involved. Women from two thirds of these families are members of SHGs, and timely credit from SHGs has contributed significantly to the growth of the business. Mango, lime, tomato, amla, gongura, bittergourd, tamarind, drumstick, ripe chilly - name it and the women know how to transform it into a rich, tasty pickle.

Apart from being involved in actual production, women are also involved in purchase of raw material, loading into the drums. Men take the responsibility of transporting and marketing the end product. Men camp in different districts (Cuddappah, Hyderabad, Visakhapatnam, parts of Orissa and Karnataka) for marketing and have established tie ups with small tea shops and restaurants.) During peak mango season men, too, help in actual production. And each family hires at least 10 persons as daily labour during peak season.

Each family is able to earn a profit of Rs3,000-5,000 per month. Profit from mango pickle is an estimated Rs11,500 per annum while profit from lime, tomato, red chilli, and tamarind pickle are together estimated at Rs40,000-70,000 per year per family.

### Box 9.8 A Cont...

The women know their business well and provided the following account for mango pickle.

Mango pickle making	Rs/annual season
<b>Costs</b>	
<b>Raw material</b>	
Mango - 4 bags	8,000
Oil, salt, chilli powder, garlic, fenugreek	9,000
Labour cost 5 men @ 100 per day	500
10 women @ Rs 50/day	500
Transport	500
<b>Total cost</b>	<b>18,500</b>
Four bags of mango convert to 6 drums of pickle. Each drum contains 100 kgs of pickle.	
<b>Revenue</b>	
Each kg is sold at Rs 50	
Total (Rs50 x kg 100 x drums 6) =	30,000
<b>Profit</b>	<b>11,500</b>

### Conclusions

- Just under one-third of SHGs have been involved in a range of community actions. These are usually one-off, and are largely effective - or partially so. The mobilisation of numbers of women through village or cluster networks, or federations, were a significant feature of effective community action. SHPA guidance was important, both NGOs and Government agencies - advising on the options within existing structures.

One in five SHGs has attempted group-based enterprises. Just under half of these appeared to be viable, though with relatively low earnings for SHG members. Where successful, such enterprises have enabled women collectively to access and manage assets or contracts which they lack the capacity as individuals (or as separate households) to do.

SHPA support seems critical in providing or facilitating ideas for group based enterprise. Though this does not in itself guarantee viability or effective returns.

- Government contracts (PDS, MDM) carry their own risks and are probably inherently unviable, especially for 'new women entrepreneurs'.

# Sustainability

Records Equity Defaults

*and recoveries* Financial value

## 10 Group records

The analysis of group sustainability depends on the data obtained from the records of the sample SHGs. As evidence for their transactions, SHGs are generally expected to maintain the following records: savings and loan ledgers for the group, savings and loan passbooks for individual members, meeting minute books, and receipts/vouchers. There are simpler (or more complex) systems for SHG MIS. Some SHGs keep just two sets of books to record all financial and non-financial data. Some even keep ten books. The question of what amount and type of book-keeping is appropriate for SHGs is one to which we will return.

In this chapter, we review the pattern and quality of account keeping for the sample SHGs, and 'accountability' within the group in terms of sharing and communication with members. We start with the question of who maintains the records.

### 10.1 Who maintains SHG records?

In practice many kinds of arrangements are entered into for the maintenance of SHG records and reporting of their financial transactions. These include: (a) SHG office bearers taking the responsibility (b) work by locally recruited para-accountants or bookkeepers paid by the SHG (c) dependence on SHPA staff; and (d) assistance from relatives of leaders or other well-wishers.

We find all these arrangements across the study regions, though with significant variation by State and SHPA (**Figure 10.1, Table 10.1**). There is greater use of SHG office bearers in AP (65% of groups) and of paid bookkeepers in Karnataka (73% of groups); SHPA field staff (especially of NGOs, and of some Government SHPAs) do much of the record keeping for the northern sample, especially in Orissa (64% of groups; 38% in Rajasthan where another 36% of groups employ a bookkeeper).

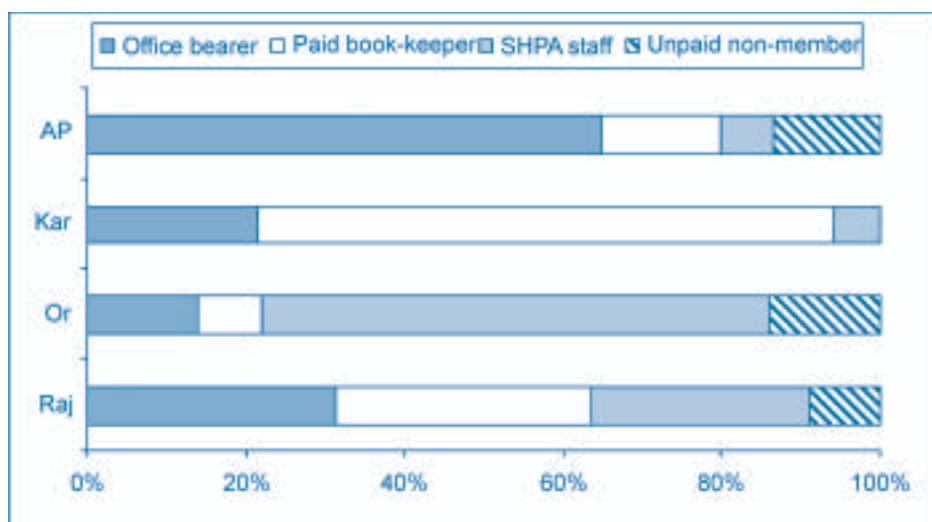


Figure 10.1

Who maintains group records

Table 10.1 Record maintenance according to SHPA

Records maintained by:	Overall	NGO	Govt	Bank
SHG office bearer (a+b)	31%	25%	41%	46%
Paid (a)	19%	14%	12%	7%
Unpaid (b)		11%	29%	39%
Paid bookkeeper	32%	32%	27%	43%
SHPA staff	28%	35%	20%	4%
Unpaid non member of SHG	9%	8%	12%	7%

At the time of group formation, the SHPA staff naturally initiates the record keeping. SHPAs which have continuous funding for their services may continue to maintain the records themselves, as found especially amongst northern NGOs. Some of these - including federations - charge SHGs for this service.

Other SHPAs hand over the responsibility for record keeping, usually gradually over a period of at least 12 months. If the group leader has some schooling (primary minimum) then she is guided to manage the records under the supervision of the SHPA staff. Otherwise the task is assigned to a local person in a village who has the education and the willingness to be the bookkeeper, and is paid by the SHG.

#### Box 10.1 Aspects of record-keeping

**How long does it take?** Estimates range from a minimum 1-2 hours every month or week for each SHG: monthly/weekly meetings: records in passbooks and minutes; transfer into main group ledger for loans and savings

**Why are some group leaders paid?** In cases where leaders write the group records with the help of a family member, to pay for the additional help.

**Who are the local 'para-accountants'?** These are often relatives of a group member - both men and women. May do the records for more than one SHG, usually within the same village. Federations appoint book-keepers (sometimes an educated SHG member)

**How much is the payment?** The SHG pays: Rs10/week, Rs20-50/month. Maximum Rs50/month. In AP, the Village Organisation pays an honorarium of Rs150-200 a month to bookkeepers, depending on the number of SHGs in the village.

**What sort of training is provided?** Usually on the job by SHPAs. AP, under the Velugu approach, has 'Master Book Keepers' and Community Coordinators to guide and supervise.



## Individual passbooks

As part of transparent functioning, it has been standard practice for some years for SHGs to provide savings-cum-loan passbooks to each member indicating cumulative savings and other payments into accounts representing their claims on the SHG. Members' loan repayment obligations are similarly recorded in the passbooks. The record of the study SHGs is quite variable across states and SHGAs: very satisfactory in Rajasthan and in NGO promoted groups where 2-4% fail to provide members with passbooks; moderate in the other states (6-10%) and increasing to 12% in Government and Bank groups (Table 10.2).

**Table 10.2 Whether passbooks maintained for each member**

	Total	AP	Karn	Orissa	Raj	NGO	Govt	Bank
N (SHGs)	214	60	51	50	53	137	49	28
Yes	93%	90%	92%	92%	98%	96%	88%	89%
No	7%	10%	8%	8%	2%	4%	12%	11%

## 10.2 Record quality

The quality of records underlies the robustness of financial systems and is a basis for transparency and accountability. As part of this study, records of the sample SHGs were reviewed through an audit exercise which involved checking all the books for the previous two years if available, and cross-checking entries for completeness, accuracy and consistency across ledgers and passbooks.<sup>1</sup> Accordingly, SHG record quality was assessed as 'good', 'moderate' or 'weak' as described in Box 10.2.

**Box 10.2 Three categories of record quality**

1	<b>Good: complete and up to date</b>	<ul style="list-style-type: none"> <li>- All records maintained, updated within previous three months, with no apparent errors</li> <li>- Previous registers maintained and with no apparent errors</li> <li>- Balance sheet easily constructed</li> </ul>
2	<b>Moderate: most records up to date/some errors</b>	<ul style="list-style-type: none"> <li>- Records not fully updated within previous three months for every member</li> <li>- Evidence of some gaps or errors - some entries missing and/or counter entries not matching</li> <li>- Previous registers not fully maintained</li> <li>- [Possible to prepare balance sheet by obtaining additional information from bookkeeper]</li> </ul>
3	<b>Weak: most records not up to date/substantial error</b>	<ul style="list-style-type: none"> <li>- Most records not updated for 3 months or more - commonly 12 months or more (maximum 3 years - 2 cases in the northern sample)</li> <li>- Most entries blank, being filled up occasionally.</li> <li>- No trace of previous registers.</li> <li>- [Impossible to prepare any consolidated statements]</li> </ul>

Table 10.3 gives the distribution of SHGs according to this classification. The same analysis for SHGs with external borrowing outstanding, yields the same result (though records are more likely to be available (Annex Table 10.1).

**Table 10.3 Quality of SHG records**

	Total	AP	Karn	Orissa	Raj	NGO	Govt	Bank
N	214	60	51	50	53	137	49	28
Good	15.4%	11.7%	13.7%	12.0%	24.5%	20.4%	8.2%	3.6%
Moderate	39.3%	30.0%	43.1%	52.0%	34.0%	40.9%	24.5%	57.1%
Weak	40.2%	51.7%	37.3%	34.0%	35.8%	36.5%	53.1%	35.7%
Not available <sup>a</sup>	5.1%	6.7%	5.9%	2.0%	5.7%	2.2%	14.3%	3.6%

<sup>a</sup> Not possible to assess since person maintaining records not in the village at time of visit

Fifteen percent of SHGs have good quality records - complete and up-to-date with virtually no errors, another 39% have records of moderate quality - were mostly up to date, though with some errors. That leaves 40% of SHGs with weak records - over half the sample in AP, around one-third in the other three states. Where records were 'not available', we are not able to comment on their quality. This is a significant proportion with serious implications for accounting discipline and financial accountability. Weaker records in the sample in AP suggests inadequate supervision by the Community Coordinators, and is especially serious in the context of the state having the largest number of SHGs in the country, mostly government promoted.

By SHPA, we find better quality among NGO groups with 20% having good quality records, 41% moderate. Over half of the Bank groups have moderate quality. Government groups are most likely to have weak records (or not to have had them available, if records were being maintained by the government field worker who was often busy with other activities, such as the *anganwadi* worker).

It might seem surprising that bank promoted groups do not perform better. At least one reason for this was that SHGs promoted by banks, and the banks themselves, tended to value the records maintained by the bank branch more than the accounts kept by the SHG. In Karnataka, it was noticed in several SHGs that while records were kept at the SHG level till a bank loan was received, once bank linkage was established, SHGs tended to maintain their internal credit accounts only casually. Even in the matter of the bank loan repayment, amounts were simply remitted in the bank account, and it was left to the banks to ascertain loans outstanding and develop other financial reports.<sup>2</sup> This was also due to lack of training and ability of branch staff to spare enough time to monitor the book keeping at the group level.

**Box 10.3** lists the main problems we found in cases of weak quality records.

Box 10.3 Gaps in SHG record keeping
<ul style="list-style-type: none"> <li>• Meeting register not updated, (although passbooks may be up-to-date)</li> <li>• Loan ledger - many details missing (e.g., does not record outstanding bank loan, or separate interest payments from principal) or does not match with passbooks</li> <li>• Bank passbook not updated for new loan</li> <li>• Previous records not available</li> <li>• Individual passbooks not available/updated</li> <li>• No signatures of group members in meeting register</li> <li>• Loan repayment details not entered every month</li> <li>• Double entry or overwriting</li> <li>• Internal loan of a member (from the group savings) not reflected in her passbook</li> <li>• Error in addition of savings</li> </ul>

Even if group records were not up-to-date, it was certainly expected that member passbooks would be. Overall, in 28% of the sample, we found passbooks were out of date, (10% being more than 6 months out of date). Both proportions are especially high in AP, and lowest in Karnataka and bank promoted groups (**Table 10.4**).

Table 10.4 Whether passbooks are up-to-date

	Total	AP	Karn	Orissa	Raj	NGO	Govt	Bank
N Sample SHGs	214	60	51	50	53	137	49	28
n Groups with passbooks available	193	54	47	43	49	127	41	25
Up to date	72%	59%	83%	70%	76%	72%	66%	80%
Not up to date	28%	41%	17%	30%	24%	28%	34%	20%
More than 6 months out of date	10%	15%	6%	12%	6%	12%	10%	
With over-writing	35%	24%	28%	26%	59%	41%	22%	24%

Given the relative complexity of the records combined with low schooling of most SHG members, supervision of the records is inevitably external - and therefore depends on the degree of follow up by the SHPA, or a bank's requirements.

It is the responsibility of SHPAs to have a system for internal verifications as well as arrange for external audits. Nearly all SHPAs in the study (29 out of 35) did have some verification systems in place, undertaken by SHPA field staff at different periods of time (quarterly, six monthly, annually). One NGO in the north had introduced a cluster based system that worked well - 7-8 SHGs formed a 'sub-cluster' and a leader was selected to review their records. The six SHPAs that did not have any regular system of internal verification were NGOs in AP and Orissa.

Computerisation of records has been started by some NGO SHPAs in the north, resulting in consolidated reports at the SHPA level. External audits of SHG records is not widespread, and was reported by seven SHPAs (all north, none south).

As Table 10.5 shows, having a system of internal verification does not make much of a difference to record quality, since the quality of the system itself, and the capacity of field staff, is in itself variable. Computerisation of records, and having an external audit system in place is beginning to make more of a difference.

Table 10.5 Record quality according to SHPA checks

SHG record quality	Total	Some internal verification	Computerised	External audit
Number of SHPAs	35	29	11	7
SHGs with SHPA	214	183	65	40
Good	15%	16%	22%	33%
Moderate	39%	39%	48%	50%
Weak	40%	39%	29%	15%
Not available	5%	6%	2%	3%

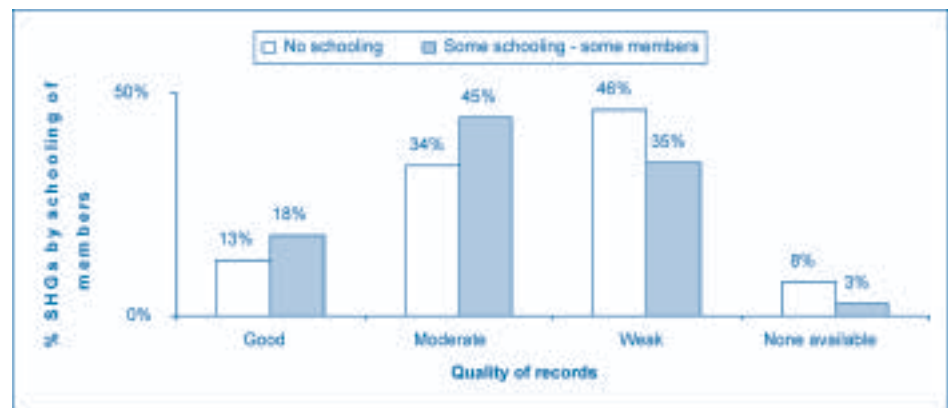
Analysing the data for other factors affecting record maintenance, we find the following:

- When SHPAs focus on financial aspects (microfinance, rather than microfinance +) the quality of records is likely to be better - though not invariably so (**Annex 10.1**).
- More significant is *distance to a main road*: SHGs within 3 km of a main road do better than those further away (**Annex 10.3**) - suggesting easier access for the SHPA staff, whether maintaining the records themselves or supervising.
- There are differences depending on who *maintains* the records (**Table 10.6**): SHPA staff do best, unpaid non-members do the worst (though the number of non-members in the sample is small). In between, there is not much to choose between the SHG office bearers and paid bookkeepers (although it was more difficult to see the records in the case of office bearers) and paid office bearers do better than unpaid. For all types of record-keepers over one third have weak records.

- SHGs where at least some members have some education do better than groups where all members are illiterate (**Figure 10.2**); this suggests better quality of record keeping where there is some possibility that members themselves may like to see the records.

**Table 10.6 Differences in record quality by who maintains**

Who maintains	N SHGs	Quality of records			
		Good	Moderate	Weak	Not available
SHPA staff	59	20%	39%	37%	3%
SHG office bearer	67	15%	36%	40%	9%
Paid bookkeeper	69	14%	45%	36%	4%
Unpaid non member of SHG	19	5%	32%	63%	
SHG office bearer:					
paid	27	26%	33%	37%	4%
unpaid	40	8%	38%	43%	13%



**Figure 10.2**

Differences in record quality by member schooling

Sample: 104 groups - no schooling, 110 groups - some schooling

Good quality of records reflects strongly on the training, capability and application of the record-keeper, reinforced by continuous supervision. As reviewed in the next section, the records are not necessarily explained to the group members, but do receive more attention when a group applies for a bank loan, for which the bank provides a new set of registers (**Box 10.3**).

**Box 10.3 Tidying up two years' records to apply for a bank loan**

The application for a bank loan involves a grading by the bank. What can the bank grade if the SHG records are in a mess? The solution - provide a new set of registers and have the data copied from the old registers into the new one. This is what we found an anganwadi worker (ST, secondary schooling) busy doing in Rajasthan: sorting out figures from the previous two years' data in the old registers (which had considerable cutting and over-writing) into new registers provided by the bank.

**10.3 Accountability to group members?**

To explore the question of accountability within the group, we asked each group: who keeps individual passbooks, where the group records are kept, and whether the financial position of the group has ever been shared and discussed with group members?

For individual passbooks, strict transparency would require that these are kept by individual members. This is the case in the majority (79%) of the sample SHGs (**Table 10.7**). In the other groups, the passbooks are kept by the group leader (13% of groups overall), the

book-keeper or at the SHPA office (the latter especially in Orissa). Even if well-intentioned (e.g., as a safeguard against loss or theft; or because 'members forget to bring their books to meetings') this cannot be considered to be desirable practice.

**Table 10.7 Who keeps member passbooks?**

Passbooks kept with:	Total	South		North		By SHPA		
		AP	Karn	Orissa	Raj	NGO	Govt	Bank
N	214	60	51	50	53	137	49	28
Members	79%	81%	89%	70%	76%	75%	83%	92%
Group leader	13%	15%	9%	13%	16%	15%	10%	8%
Book keeper	4%	4%	2%	4%	6%	4%	7%	
SHPA	4%			13%	2%	5%		

Generally, (in almost three fourths of the groups) group records are kept at the leader's house - including records that are maintained by a book-keeper or by SHPA staff (Table 10.8).

**Table 10.8 Where are SHG records kept?**

Group records kept:	Total	South		North		By SHPA		
		AP	Karn	Orissa	Raj	NGO	Govt	Bank
N	214	60	51	50	53	137	49	28
At leader's house	73%	97%	53%	76%	64%	73%	86%	54%
With a member	10%		22%	4%	15%	10%	4%	18%
With SHPA	8%	3%	2%	18%	11%	10%	8%	
By bookkeeper	5%		8%	2%	9%	4%	2%	14%
At community hall, <i>anganwadi</i> centre	4%		16%			3%		14%

When those responsible for maintaining the records were asked if they shared or discussed the financial records with SHG members, just over half said that they did, to an extent. But in a situation where the majority of members are not literate, and the records are quite complex (and possibly not well completed), the challenge is to share financial information effectively.

NGO staff do sometimes pay attention to this, setting out to explain the financial records with group members or encouraging literate group leaders to do so. This is also a reason for family members, including men, to get involved, with SHG members relying on others in the family to follow up on financial data.

A feature of most SHGs was the trust in SHG record keepers and the absence of a desire to verify records and accounts - or have them verified. This may be because in most groups, transactions happen in front of the members and idle cash is put into a box and locked (which is why meeting attendance is important). Thus while (written) systems of accountability did not appear to be generally well-developed, this did not, barring the occasional discordant voice, appear to affect the level of trust that the SHG members had in their leaders, record keepers and operators of their SHG accounts.

## Conclusion

In relation to financial transactions, books and records need to be well maintained with systems in place to verify the records and as a basis for transparency with group members.

- This is largely not happening. Part of the problem lies in the relative complexity of the recording system - the number of records, and the amount of work to record the transactions. Record keepers may find them difficult to manage. Group members - many of whom are illiterate - do not find them useful nor are they easy to explain. And SHPAs themselves find it difficult (or at any rate resource intensive) to provide the necessary back-up. This is a 'dark side' of SHGs which needs attention.

## 11 Equity within groups

The formation of SHGs is regarded as being based upon certain general principles; they should be voluntary, mutually beneficial, with some affinity among the members, and equitable. In this chapter, we look at the available data from group records to explore equity in practice, in terms of group member access to credit (frequency, share and size of loans). Credit refers to the total SHG portfolio, available from external borrowings (from a bank or federation) and from the group's own resources (savings).<sup>1</sup>

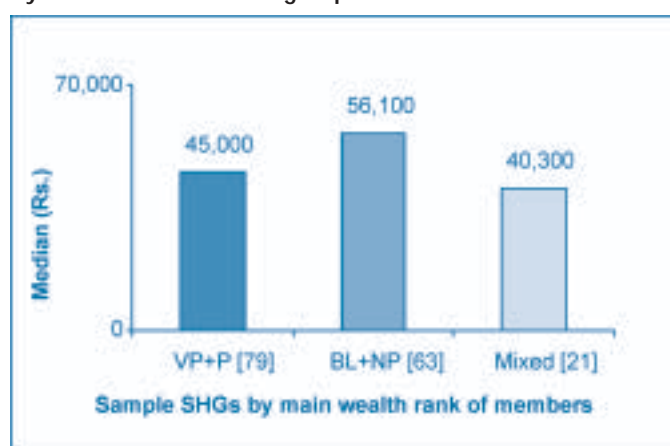
For the sample SHGs with data available (practically all groups in the south, 80% of groups in the north (the average portfolio size is Rs69,100, ranging from Rs27,400 in Orissa to nearly Rs1 lakh in Karnataka, though most SHGs have portfolios below this (median at Rs48,000) as shown in **Table 11.1**

	Total	AP	Karn	Orissa	Raj	NGO	Govt	Bank
N	214	60	51	50	53	137	49	28
SHGs with data available	190	60	50	39	41	119	44	27
Mean	69,100	70,900	98,500	27,400	76,000	72,200	58,500	80,400
Median	48,000	49,020	74,100	19,000	67,500	51,120	48,000	45,410
Min	900	2,000	4,000	900	2,200	2,000	900	4,000
Max	612,220	270,500	612,220	114,200	290,420	612,220	225,800	316,350

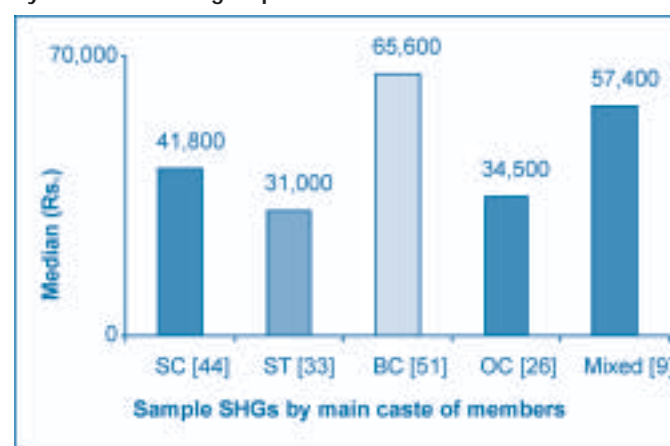
Comparing loan portfolios of SHGs by main wealth rank and caste, the data shows smaller loan portfolios for poorer groups, and the largest for BC groups (**Figure 11.1**).

Figure 11.1 Median - loan portfolio (Rs)

By main wealth rank of group members



By main caste of group members



Are loans distributed equitably within groups? For analysing this question, the data available differs between the southern and northern sample. For the southern sample (AP and Karnataka), loan data is for the previous one year; for the northern sample (Orissa and Rajasthan) it is since the formation of the group.<sup>2</sup> As we will see, this does not seem to affect the comparative findings significantly, due to the relatively high level of access to credit within the southern SHGs. Conversely, the fact that the northern data is since the formation of the group, underlines a low degree of borrowing in the northern groups.

### 11.1 Non-borrowers

The first step in the analysis is whether there are members who have not borrowed at all (in the past year for the southern sample, since the formation of the group for the northern sample). For groups with loan data, we find one-fourth of the southern SHGs (one-third in Karnataka, fewer in AP) have non-borrowers; in the northern sample this proportion is over one-third (**Table 11.2**). In terms of number of non-borrowers, 20% of SHGs overall have one to three non-borrowers, though 8% (of the overall sample) have four or more (in Rajasthan, 10% have 6+ non-borrowers). It is interesting to note that the bank-promoted sample, though having large portfolios on average, have the highest level of non-borrowing. Put this alongside the fact that membership in bank-promoted SHGs, especially in Karnataka, is substantially poor and very poor, and we have an indication perhaps of low credit absorption capacity relative to the credit available.

**Table 11.2 SHGs with non-borrowers**

	South	A P	Karn	North	Orissa	Raj
N	111	60	51	103	50	53
SHGs with loan data available <sup>a</sup>	102	59	43	80	40	40
Groups with non-borrowers	25%	19%	35%	38%	40%	35%

[SHG loan registers]

<sup>a</sup> In this and in subsequent tables in this section, data for the south relates to the past one year while data for the north relates to the period since SHG formation

The number of non-borrowers in the overall sample is quite small. Only 7% of the sample members could be classified as non-borrowers with the lowest incidence being in AP (even over the period of one year) and up to 9% in Rajasthan (since group formation - **Table 11.3**).

**Table 11.3 Incidence of non-borrowing**

	South	A P	Karn	North	Orissa	Raj
Members (in SHGs for which loan data available)	1,440	736	704	1,174	569	605
Non-borrowers	76	29	47	92	38	54
Percentage non-borrowers	5%	4%	7%	8%	7%	9%

The data suggests that non-borrowers are more likely to be ST (13% of ST members in the sample did not obtain loans, compared with the average for SC and BC of 5% and only 1% for OCs); and more likely to be poor (6-7% poor and very poor, compared to 2% of non-poor members).

Nevertheless, although we actively pursued this question in both FGDs with the group and with members individually, there was no clear evidence to suggest that these members had asked for and been denied loans by the SHG or that they had any grievance on this account. Rather an acceptance of a group not being able to disburse loans due to non-repayment by existing borrowers, and also acceptance of own lack of creditworthiness (**Box 11.1**). This, of course, excludes those members who have actually left SHGs on account of dissatisfaction with their share in SHG loans: reported for 6% of dropouts in FGDs (Chapter 5, Table 5.4).

### Box 11.1 Groups with non borrowers

There are different reasons for SHGs to have a larger (more than 4-5) number of non-borrowers. The non-borrower members of three such groups from Rajasthan and Orissa said that they do not borrow as they don't need loans. They are mostly non-poor members and have joined the groups primarily to save. They have no problems in borrowing if need arises.

In two SHGs there are defaulters including the leaders with repayments long overdue. The group does not have sufficient funds for further loan disbursement. The members who did not require the loans earlier are unable to borrow now as a result. The SHPAs have not attempted to interfere in-group affairs to resolve this problem.

The other category is that of a group with very poor and poor clients. Non-borrowers from these groups say that they do not borrow due to fear of not being able to repay back the loan.

There is one group in Rajasthan which has no borrowers. The husbands of the members have their own SHG and borrowings are made there. The thrift group with women is used only for small savings.

Those who do not borrow, have other reasons for being part of an SHG. Perhaps the main reason is to have an easy and safe mechanism to save. Non-borrowers also tended to say that, even if they have not yet taken a loan from the group, they would do so if the need arose.

### 11.2 Comparing loan access

Equal access to credit may be considered both in terms of number of loans (frequency of access) and amount borrowed.

Data on frequency of access to loans (in **Table 11.4**) shows that SHG members had an average of 2.2 loans in the south during the last one year and 3.8 in the north since group formation. The standard deviation (a measure of dispersion of the average values across SHGs) for number of loans taken is consistently low - almost invariably being less than half the mean values, though the range of variation differs considerably between states. For the southern sample, the standard deviation for loans borrowed in the previous year is zero for 31% of SHGs; all borrowing members have taken the same number of loans in these SHGs, with highest incidence (50%) in the bank-promoted SHGs, reflecting equal distribution in these groups. Only 2% of SHGs in AP have a standard deviation more than 2, 16% in Karnataka. In the northern sample, the data for loans since group formation show higher variation, as might be expected. There is zero standard deviation in 15% of groups in Orissa, none in Rajasthan, 8% over-all. And over one-quarter of groups (over one-third in Rajasthan) have a standard deviation more than 2.

**Table 11.4 Member access to credit - number of loans (by regional sample)**

	South	A P	Karn	North	Orissa	Raj
N - SHGs with data	109	60	49	77	39	38
<b>Mean number of loans</b>	<b>2.2</b>	<b>1.6</b>	<b>2.8</b>	<b>3.8</b>	<b>2.7</b>	<b>4.9</b>
Std dev	1.1	0.7	1.6	1.7	1.3	2.0
Range of Std dev (no. of loans)						
Zero	31%	35%	27%	8%	15%	
Up to 2	61%	63%	57%	66%	69%	63%
>2 to 4	6%	2%	10%	22%	15%	29%
More than 4	3%		6%	4%		8%

[ SHG records - where available for number of loans]



In sum, the variation in the average number of loans taken by members in the southern SHGs in one year was not great, but variation increases, as might be expected, when taking the longer time frame since group formation, as done for the northern sample.

Each member had borrowed on average Rs9,500 in the Southern states over the past one year - almost the same as borrowed during the entire period of SHG functioning by the average member in the northern sample (Table 11.5). There is, however, substantial inter-state variation. The average loan amount was only about Rs6,700 in AP compared to Rs13,000 in Karnataka. A similar unevenness is found across the northern states - the average for Rajasthan being over Rs13,400 as against about Rs 5,600 for Orissa.

Table 11.5 Member access to credit - amount

	South	A P	Karn	North	Orissa	Raj
n - SHGs with data	109	60	49	80	40	40
Mean amount of loan (Rs)	9,530	6,700	13,000	9,500	5,600	13,400
Std dev	5,040	3,180	7,360	5,215	3,150	7,070
Range of Std dev						
Zero	16%	15%	16%	5%	10%	
Less than 5,000	56%	72%	37%	59%	75%	43%
5,000 to 10,000	17%	12%	24%	29%	13%	45%
More than 10,000	11%	2%	22%	8%	3%	13%

[SHG records - where available for amount of credit]

In terms of the degree of inequity, or variation within individual SHGs in the loan amount received by members, 68% of SHGs overall have low standard deviation values of less than Rs5,000 in the average loans to their members; 10% have standard deviation values of more than Rs10,000, though the incidence is marginal (2-3%) in AP and Orissa which have lower mean loan amounts.

When SHG members were questioned in FGDs about variation of access, most cases of variation, including the highest, were linked to differing repayment capabilities. Those members who received smaller loan amounts did not express any dissatisfaction with the loan distribution process (Box 11.2 next page). In fact, a common response to the question of some members taking larger loans was: *'If she has taken a large loan it will be her headache to repay, not ours'*.

SHGs where the standard deviation was 0 - which means that loans had been equally distributed among all group members - were 16% of the southern sample (for loans over the previous one year) and 10% in Orissa (for loans since group formation). These were external loans, partly reflecting advice by some banks (in the southern states and in Kalahandi district, Orissa) recommending this approach so as to simplify procedures and records (since for everyone repayment is the same). Members of these SHGs also said that equal distribution helps to avoid conflict in the group about access to an external loan.

Nevertheless, we found in a few cases that equal distribution in the records did not necessarily imply equal use. The examples (Box 11.3) illustrate that equal credit absorption or repayment capacity amongst all members of an SHG cannot be assumed. Apparently equal distribution of loans within an SHG may in some cases serve to disguise various questionable practices including on-lending within the group or outside it.

### Box 11.2 Why do some members have more loans, some less, some none?

Loans to individual members usually depend on the need and repayment capacity of the person. The loan amounts vary depending on whether the loan is from internal (group funds) or external (bank/federation) sources.

In case of internal loans the amount is usually three to four times (maximum) the client's individual savings with a few exceptions when the member was given a loan to a much higher proportion of their savings. These were usually cases of marriage in the family about which other members said that everybody would need it sometime or the other.

In case of external borrowings, many groups generally prefer to divide these loans equally, if all members are willing. In other cases the amount is divided according to demand but not very high to any individual since the repayment responsibility lies with the whole group.

It is generally accepted by group members that poorer women borrow less, and the non-poor can borrow more because they have the loan absorption capacity, can use a larger amount and also have the capacity to repay.

In the case of repeat linkages (3rd, 4th, and 5th) where the loan size is very high, the group discusses the loan absorption and repaying capacity of members. The group can decide not to lend larger amounts to members who don't have the repaying capacity. This kind of situation arises in SHGs where there is a wide economic disparity among the SHG members.

For those who do not accept the situation, the alternative is to leave. As noted earlier and discussed in chapter 5, around 6% of dropouts or more left the group because they did not get a loan. A few of them did complain that group leaders favour some members when it comes to loan disbursement and take most benefits themselves.

[SHG-FGDs]

### Box 11.3 "Equal distribution" may not mean equal use

In the southern sample, (both AP and Karnataka) members in eight SHGs had passed loans on to other members. They said that the practice of equal distribution of loans had forced some of them to take loans regardless of whether they need to borrow or not. Because of their own low absorption capacity these members pass the loan to other members who are related to them, or are close friends in whom they have confidence. In these cases such members repay the loan instalments as per the group norms on behalf of the initial borrower from the SHG.

In Orissa, there were two SHGs which had on their records the equal distribution of a 'test loan' provided by the Government promoted federation. The SHG had to return this loan amount (Rs7,000) with interest within six months to demonstrate its credit-worthiness and become eligible for the much larger subsidized SGSY loan. These were groups of adivasi women - illiterate (unable to read the records), living in small remote hamlets and not fully integrated within a cash-based economy. When we asked the women members, they were not aware of the equal distribution recorded by the NGO field worker. They themselves were not in a position to repay the loan with interest within six months. They had instead 'recycled' the entire loan to someone who had the sort of business which would enable repayment. In one group it was the husband of the president who - according to the women - used the money for a goatery, (though subsequently we learned from the man himself that it wasn't goats but liquor which is more profitable); in the other the husband of a member for fishery. Both men have undertaken to repay with interest within 6 months - and so fulfil the condition for the groups to obtain the SGSY loan.

[ SHG - FGDs, and individual interviews]

### 11.3 Group leaders

Do leaders get more loans? This is a question often asked. The ability of the SHG leadership to use the group for its own ends has come in for adverse attention. The ways in which the SHG leadership may exploit their position are several but one perception of bad practice is of SHG leaders cornering the major share of the SHG funds for their own requirements and treating it as a source of cheap loans for their own household's needs.

In the sample we have 470 group leaders or office bearers (2-3 in each SHG, 16% of total members.<sup>3</sup> Some leaders are non-borrowers, but a smaller percentage (3%) than for SHG members overall (7% - Annex Table 11.1).

The average data on number of loans and amount borrowed, compared for members and leaders, shows some degree of bias in favour of leaders in all states with higher access by a factor of 25-30%, both in frequency of borrowing (number of loans) and in amount borrowed. However, the standard deviations are high both for members and for leaders, indicating substantial variations within both, not just between members and leaders (Table 11.6).

Table 11.6 Comparing loan access: leaders and members

	A P	Karn	Orissa	Raj
<b>Members (excl. leaders)</b>				
1. Average number of loans	1.6	2.7	2.5	4.8
2. Average loan amount (Rs.)	6,570	12,500	5,240	12,660
Std dev	5,700	11,300	5,900	11,400
<b>Leaders</b>				
3. Average number of loans	1.9	3.4	3.6	5.8
4. Average loan amount (Rs.)	7,970	16,390	7,070	17,820
Std dev	6,100	13,900	7,100	20,000
<b>Leaders: other members</b>				
No. of loans [3/1]	1.20	1.25	1.41	1.21
Loan amount [4/2]	1.21	1.31	1.35	1.41

Data was available in 183 SHGs for number of loans, and in 186 SHGs for loan amounts by individual members.

Further analysis (in Table 11.7) shows an interesting range around the average. There are groups in which leaders have taken fewer loans (16% of the sample) and a lower amount (24% of the sample). Though leaders have borrowed significantly more than other members, (more than twice the number of loans in 8% of SHGs, and more than twice the amount in 18% of SHGs) especially in the northern sample where the data covers time since group formation.

Table 11.7 SHG leaders and members: Distribution by ratio of borrowing

Ratio of leaders: members		A P	Karn	Orissa	Raj
Average no of loans					
Ratio of :	Less than 1	10%	17%	10%	31%
	1 to 2	87%	75%	69%	69%
	2+	3%	8%	21%	
Mean amount borrowed					
Ratio of :	Less than 1	20%	29%	20%	29%
	1 to 2	65%	58%	53%	53%
	2+	15%	13%	30%	18%

This evidence does suggest that in some SHGs leaders may be accessing more credit, especially over a longer time frame (northern data, Orissa particularly). This is known by other group members and is not necessarily seen to be exploitative (or at any rate is not reported as such in group discussions). Compared to other members, in most SHGs, leaders are more aware, have more education, are relatively well-off economically and socially, and are in a position to utilise loans better. This results in their taking larger loans from the group. In leader-centred SHGs or SHGs whose functioning is mainly dependent on 2 or 3 members, less active members tend to say that the active members and leaders contribute more for the smooth functioning of SHGs and it is reasonable for them to take more or larger loans.

SHG members said that larger loan amounts often related to larger consumption needs such as marriage and dowry expense, though for some of the larger amounts we found more surprising uses (a loan to another SHG, a loan to the NGO - **Box 11.4**). Again, such cases suggest the low credit absorption of a group relative to the amount of external borrowings (bank loan). Such 'surplus' funds may be used by the leaders or lent to non-members.

Box 11.4 Large loans to group leaders - some questionable practices	
(i)	The largest single loan amount borrowed in our sample is Rs1 lakh - by a group leader in Rajasthan. This included a sum of Rs40,000 which it turned out was provided at the request (and on the guarantee) of the NGO SHPA to another group, only one year old. This group had been promoted by the same SHPA, and was not yet eligible for a bank linkage loan, but at risk of breaking up without a loan.
(ii)	The second largest loan amount was for Rs 80,000, also in an SHG in Rajasthan. The group had received three bank loans with the last loan amount for Rs3 lakhs. The group leader borrowed Rs80,000 of this which she said was for her daughter's marriage/dowry expenses.
(iii)	The third largest loan amount of Rs 60,000 was to a group leader in Karnataka, which she said she used for on lending.
(iv)	Other large amounts (Rs20,000-25,000) have been borrowed by group leaders - and by some members - for a daughter's marriage or to pay college fees.
[ SHG records, FGDs]	

#### 11.4 Lending to non-members

Several SHGs have lent to people outside the group.<sup>4</sup> As shown in **Table 11.8**, this was reported by 18% of sample groups overall, and by a higher percentage in AP, in Orissa and in government promoted SHGs - with no significant variation by wealth rank or caste of SHG members. Usually this has been a single instance of lending outside the group, and is not a regular practice.

**Table 11.8 SHGs who reported lending to non-members**

	Overall	AP	Kar	Orissa	Raj	NGO	Govt	Bank
N	214	60	51	50	53	137	49	28
% SHGs lending to non-members	18%	23%	14%	22%	11%	17%	24%	11%

[SHG - FGDs; not in group records]

Such loans are not maintained in the group records but are recorded separately or only verbally. (A few have been loans to the SHPA). Usually, the interest charge is 1-2% higher per month than is charged within the group. The group therefore stands to earn but non-members do not always repay. Sometimes, as we saw in Chapter 9 (Box 9.1 loans for village water supply) no interest may be charged.

There are, therefore, two issues here: firstly, from the group perspective, there may be risks of default since there is only verbal agreement and the group has no clear ability

to enforce the agreement. Secondly, and from the promotional perspective, even if loans are repaid, with higher interest and returns to the SHG, this becomes a new form of money-lending; comparable to direct money-lending by individual members of the SHG, which also does happen.

### Conclusion

The financial intermediation role of the SHGs is based, among other factors, upon recognition of the variation in credit needs of women members within and across SHGs. Equity of access to loans, is thus neither a necessary nor feasible condition for financial intermediation by SHGs. Nevertheless, based upon detailed analysis,

- a high degree of equitable functioning was observed in the study SHGs in both regions in respect of access to loans and their distribution among SHG members.
- Further, it was also established that SHG leaders are not, beyond reasonable limits, cornering a disproportionately high number of loans or correspondingly large loan amounts.
- The reported cases of on-lending by individual members or by the group lending to non-members largely reflect supply-driven credit distribution to SHGs, which is increasingly practised as part of target-driven programmes.

## 12 Defaults and recoveries

In this chapter we look at issues of default within SHGs, to explore who are those who default and what are the systems for recovery. Measuring default requires careful analysis for SHGs since there are various types of repayment schedule. The analysis in this chapter focuses on member to group recoveries in the context of varying norms - both from member to group and from group to bank - as described in the first section. We have used information available at group level for repayment by members to the group as the basis for analysis of member default, adapted to the repayment norms stated by each group.<sup>1</sup>

### 12.1 Patterns of repayment

Loan repayment by SHGs involves two stages of recovery. The first stage is by members to the SHG, and includes credit from group savings (internal loans) and credit from bank borrowings (external borrowings), the second is by the SHG to the bank where the group has an external borrowing. The SHG product as such has been designed to accommodate flexible repayment schedules at the member level (from member to group) although this advantage is not available for group repayments to the bank. At both stages we found varying patterns of recovery.

#### Member to group

For loan repayments by members to the group, whilst interest is expected to be paid on a regular basis, repayment of principal varies as decided by the SHG, guided by the SHPA. The four broad patterns of repayment we came across are as follows:

- regular monthly instalments, depending on the loan term
- regular fixed monthly instalments (e.g. Rs500) which determine the loan term
- irregular repayments within the agreed term and
- one bullet repayment at the end of the term (with interest however paid monthly).

The repayment terms can vary from area to area, though usually a SHPA advises on a particular type with all the groups that it promotes. SHGs can also be flexible, adapting credit terms to the individual circumstances of members. This reflects the basis and

strength of the group, that all the SHG members know each other, their various sources of income, regular and irregular, as well as the family events and circumstances affecting cash needs and cash flow. Usually, some amount of repayment is expected at every meeting (whether monthly or weekly), though missing one or two instalments, or paying less than the required amount, is not unusual.

#### Group to bank

For repayment of bank loans by the group, the pattern is clearly specified for first linkage loans: repayment period of 10 to 12 months; often the principal is paid in 10 equal monthly instalments and interest is paid at the end. In subsequent linkages where the loan size is Rs50,000 and above, the repayment period varies - from 20 months to 36 months, and up to 60 months. Within this term, the repayment schedule varies and depends on agreements between the bank and the group. Usually there is a quarterly or monthly repayment schedule for repayment of principal and interest. In some areas, bank managers have a more seasonal approach based on their knowledge of the local economy, and expect repayments at different times of the year, depending on agricultural seasons.

Guidelines for definition of default at bank level are given below.

#### **Guidelines for definition of default on dues to banks**

*'Even one instalment unpaid without authorisation by the group is treated as dues not recovered'* and therefore a default. NABARD guidelines for rating of groups:

Recovery is a critical measure of performance, but the 'definition of default must take local conditions into account' (NABARD SHG manual)

#### **RBI Instructions for Asset Classification by banks**

' A Non Performing Asset (NPA) is a loan or an advance where the interest and or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan or the account remains 'out of order' in respect of an overdraft/cash credit account.

Overdue: Any amount due to the bank under any credit facility is overdue if it is not paid on the due date fixed by the bank.

'Out of Order' status: An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'

At group level, SHPA staff, group leaders and members mostly agreed that they do not consider a loan to be in default until a payment is 90 days past due - whether the interest or principal + interest. The data we have used for default is based on this definition, and for each group studied reflects the repayment norms stated by the group. For example, if the group stated bullet repayment of principal but monthly repayment of interest as the norm, over-dues have been calculated on the basis of interest payments missed for three months or more.

On this basis, the extent of default within SHGs appears high, (taken as a percentage of current borrowers with loans outstanding to the group who are 90 days behind on their payments) ranging from 60% in the southern sample to 24% in the northern sample. For over-dues of 12 months or more, the default rate falls but at 28% is still high for the southern sample, compared to 5% for the northern sample. This difference between the

southern and northern level of default seems to reflect the fact that in AP, especially, bullet repayment is emerging as the main recovery strategy before disbursement to the group of the next external loan. As a result, whilst the member to group repayments may be irregular, this may not be reflected in the repayment patterns from group to bank.<sup>2</sup>

## 12.2 Which types of member fail to repay and why?

*"There are two types of defaulters: those who wilfully default - these are usually better off than the rest - and those who are very poor and find it difficult to repay."*

This was the view shared by the majority of SHPA field workers interviewed in this study. Difficulties in repayment are linked to poverty, vulnerability, and risk (an accident, illness or death in the family, crop failure). Wilful - or intentional - default, when this occurs, is often related to lack of discipline in the group. In particular, if group leaders or better off members don't repay, then other members too may follow their bad example.

Analysis by wealth rank shows slightly higher incidence and period of default among poorer borrowers: in the southern sample, 38% of the very poor have over-dues of more than 12 months compared to the average 28% across wealth ranks; in the northern sample, 8-9% of poor and very poor borrowers have over dues of more than 12 months compared to 1% of non-poor borrowers.

Leaders and members alike default on loans, with slightly higher incidence of leader default in the southern sample, slightly lower incidence in the northern sample.

## 12.3 How do other members bring pressure on defaulters?

The theory of social collateral that underlies SHG borrowing implies that all members of a group are responsible for ensuring loan repayments and hence apply social pressures on the defaulting members. We found several examples of such group action, and different kinds of action: from discussions within the group, giving a warning, and imposing a fine; to taking possession of a defaulter's assets, or locking her out of her house.

There is a pattern of escalation to these actions depending on members' understanding of the defaulter's situation (of whether she is genuinely facing difficulties of repayment or not), pressure to ensure repayment as a group so as to access a further loan and the type of relationship that the defaulter has with the group.

After several years of being together, group members usually know each other well, and each others' situations. When a member falls behind on her repayments and this is known to be due to vulnerability - losing a husband, losing the main bread earner, losing a child, illness - a group will usually adjust and try to support her through the difficult situation. Sometimes one or two group members who are economically better off, influence the decisions in the group and in leadership positions help support the defaulters to repay their loan instalments. The members reschedule the loan (usually waiving additional interest due), make any external repayments on her behalf, and are willing to wait until the member can begin her repayments again.

As noted in Chapters 4 and 5, exploring issues of exclusion and dropout, such support to a vulnerable member is perhaps a sign of a mature group. In newly formed groups, as the group is being established, the most vulnerable are likely to drop out if indeed they have tried to join at all. In a notable case from a group in Rajasthan (described in Chapter 5, Box 5.5), SHG members condoned the default of a fellow member, the poorest member in the group who was suddenly in great difficulty when her husband died in an accident. The group took the decision to support her on the grounds of solidarity. In contrast, soon after this group was formed, a widow had dropped out since she could not keep up with the savings deposits.

In case of default, therefore, the first action is discussion within the group, perhaps including a decision on whether to impose a penalty. Many groups do in theory have a penalty provision of Rs2-5 for a missed instalment (similarly Rs2-10 for missing a meeting or not making the savings deposit) though penalties are not actively implemented in practice.

Follow-up on continuing default involves usually a visit to the member's house (since by now she will have stopped coming to meetings) and a period of waiting for about six months to a year. After a year, the group may take extreme action. The few cases of extreme action (possession of assets, locking a member out of her house) seem to arise when a group has exhausted all normal means to elicit repayments from defaulting members. Examples in **Box 12.1** illustrate these patterns of action.

### **Box 12.1 Examples of different kinds of group action against a defaulter**

#### **Supporting members through a difficult time**

- (i) Putta Basamma, has been a member of her group for five years in Karnataka. Her husband is an agricultural labourer. He also leases land on which they cultivate vegetables for sale. Putta Basamma borrowed Rs15,000 from her SHG for her vegetable business. But soon after this, her son ran away from home. The sudden shock affected her badly. She could not manage her business properly and was losing money. In the SHG meeting, the members did not press for repayment, but said there would be a penalty of 2% on the outstanding. For about a year, she stopped attending the group meetings, until, to everyone's relief her son returned. Since then she restarted her vegetable business and also got her son a job in a nearby hotel. She is confident of earning enough to repay the loan along with the penalty amount. The other members are happy with their decision to wait and watch.
- (ii) Sarsi bai is one of the poorer members of her group of BC women in Rajasthan. She had borrowed Rs10,000 in April 2002 for her daughter's wedding. She was repaying regularly and had repaid Rs4,000 after four months when her son had an accident. After this, she stopped her repayments, though she kept saving regularly. In August 2004 she paid cumulative interest of Rs2,880 and Rs500 towards the principal, but since then has not been able to repay any more. The group members allow this - they say she is doing what she can, she is poor and both her husband and son drink - which make matters worse.

Though the SHG has one check in place - it followed the practice of having a guarantor from the group for every loanee. Her guarantor, Nani bai - another member who dropped out of the group in September 2002 was not given back her savings of Rs1,100 - which will be returned once Sarsi repays her loan.

#### **Firm action**

- (iii) Five years ago, an SHG group in Madri village, Rajasthan had borrowed Rs50,000 from the bank. Ten members divided it equally between themselves. The monthly instalment to the bank was Rs1,700. Each member was supposed to pay Rs300 for 20 months. There was a penalty of Rs5 per month for late repayment. However, most members were late and only six had repaid by the 33rd month. These members then decided to start holding meetings at the place of those members who had not repaid. That member would then have to bear the expenses for their refreshments during the meeting. One of the members quickly paid up soon after this decision out of embarrassment. Five years from loan disbursement, the bank sent a notice to the group. Two women were still to pay. The group finally made full payment after the notice and the two defaulters were made to pay Rs2,500 each to cover the extra interest that the group had to bear due to late repayment.
- (iv) Indira SHG (in AP, NGO promoted) had a bank loan of Rs2,40,000. The loan was divided amongst the members - a mixed group mainly SC, some Muslims; wealth



## Box 12.1 Cont ...

rank categories very poor, poor and borderline). Most of the members purchased a cow. Repayments were not being made regularly. The bank started to put pressure on the group.

One of the poorest members had repaid three instalments but after that had migrated to a village about 35 km away. To repay the loan, the group decided to take back the cow - which two of the members arranged. The strategy worked. Within a few weeks, the defaulter repaid all the overdues as well as the outstanding loan amount of Rs9,000 with interest - and took her cow. This action had an effect on other defaulters as well and group discipline improved.

**Extreme action**

- (v) Farzana, is one of the poorer members of her group of Muslim women in Chandoli village, Rajasthan. Her husband is alcoholic and income is irregular. When the group got a loan from the bank Farzana borrowed Rs10,000 and bought a buffalo. But there was a drought that year. She was unable to feed the animal properly or buy fodder. Her buffalo fell ill and had to be sold - and she stopped repayments on the loan.

The group waited for a year, understanding that she was in a difficult situation. Finally they raised the issue in the Mahila Sabha. The sabha decided to lock her family out of their house. And this they did for two days during the rainy season. She has now started to repay in very small amounts - as much as she can afford to repay.

- (vi) Ramanamma joined an SHG in a village near Thorrur in AP in 2000. She saved regularly, but then her husband started drinking and stopped earning, and she had to support him, their two children and her old parents. They all lived in the same household. In 2001 her sister had complications with her pregnancy, and Ramanamma borrowed Rs2,000 from the group to help with the medical bills.

Ramanamma kept up her savings and loan interest payments, but she fell behind on the principal. She was the only defaulter, and the group was anxious to clear its books in order to qualify for a Rs10,000 revolving grant from the Government. The other members tried without success to persuade her to pay, so they decided to take stronger measures. When Ramanamma and her family were out of their small house, they locked the door and took the key. 'We'll let you in when you pay your dues', they said.

After two days of being locked out, Ramanamma could not bear it any longer. She rushed with her two daughters to the village well to drown them and herself. Luckily, the husband of one of the SHG members was there, and stopped her. When she explained, he reminded her that she had some savings in the group. Surely, he said, her position was not totally hopeless.

Ramanamma was too ashamed to go back to the group, but they unlocked her house. When they asked if she wanted to stay as a member or not, she said she wanted to leave. Her Rs2,060 savings was adjusted against the outstanding principal of Rs2000, and the President gave her Rs60 in cash. Two months later, the 15 remaining members were awarded a revolving loan grant of Rs 10,000. They distributed it equally among themselves, but Ramanamma had already left so did not get anything. Now, two years later, most of the members want her to rejoin, but she is not sure.

When the President was asked why the group had locked Ramanamma and her family out of their own house, even though her savings balance was enough to cover her outstanding loan, she replied: 'Savings are saving and loans are loans. They must not be mixed up'.

Whether to take action is also a pragmatic decision based on a group's own assessment of its relationship with the defaulter. Our case studies suggest that the group disciplines those it feels it can, but refrains from doing so when the defaulter is in a more powerful position and it is not easy to question her, for example a senior relative, or someone from a better-off, influential family. Examples in **Box 12.2** illustrate this. They hint at the difficulty of disciplining the better-off members in a group, and underline how default (and inaction against a defaulter) can lead to others in a group following that example, eventually leading to break-up of the group

#### Box 12.2 Examples of inaction in case of default

- (i) Amri bai belongs to one of the richest families in the village (Alwar district, Rajasthan). Nevertheless, she was a member of an NGO promoted SHG comprising Meo and SC women. She borrowed Rs10,000 from the group, and repaid two instalments, but then stopped repaying. This was clearly a case of wilful default. [When the study team interviewed her, she denied knowledge of any loan taken.] The group have tried to put pressure on her, but they feel powerless when they go to her house to ask for the repayment, only to be told to go away. This is now leading to unrest in the group as another member is trying to default now. It seems as if the group is on the verge of breaking up.
- (ii) Indira Podupu Sangam in Nallepalli village (Chittoor district, AP) was formed in the year 1998 with 15 members promoted by a rural branch of the SV Grameen Bank. It is an OC group (Reddy community). Within the group, eight of the members belong to two closely related families, and were relatively well off (borderline). The other members were not related, and were from borderline and poor families.

In 2000, the group got its first bank loan of Rs30,000. The two group leaders borrowed over half of this between them (one with Rs11,000, the other Rs6,000) and the balance amount of Rs13,000 was shared by the other members. The leaders did not repay their loans. Others in the group who were related to the leaders would not put any pressure on them to repay. The non-related members questioned this, stopped depositing their savings and dropped out in 2001. The group eventually stopped meeting - although the savings remained in the group account - and were partially adjusted against the bank loan.

With government schemes increasingly being linked to the SHGs, 10 members (mostly related to each other) decided in 2004 to revive the group, this time on the understanding that they would divide equally whatever may be the loan amount. The group got a bank loan of Rs20,000 which was divided equally.

Compare too Box 7.4

#### 12.4 How do groups, SHPA and bank workers try to ensure recovery?

The culture of credit discipline, or lack of it, in a group is largely guided by the group leader and by the SHPA field staff. We came across both positive and negative examples of both - sometimes in the same village when members themselves compared the roles of different leaders, or a new SHPA field worker (**Box 12.3**, next page).

**Box 12.3 Group culture - influenced by leaders and SHPA field workers****Group leaders**

Saira is a member of two groups - one SHPA promoted, one government promoted (by the anganwadi worker) in Alwar district, Rajasthan. She says that the NGO promoted group (both SC and minority members) has better attendance with more regular repayments than in the anganwadi group (consisting only of minority members), wherein attendance is irregular, especially by better off members.

She feels the reason for this difference lies in the example set by the group leader. The anganwadi group leader does not maintain discipline and is herself late for meetings. There is no stress on timely savings, repayments or regular attendance. She says that it is the better off members who are more undisciplined. But since they are the group leader's friends, the rest of the group (including her) does not do anything about it.

The NGO group on the other hand is more disciplined with regular savings and repayments. The group leader is good, members cooperate and the field worker also visits regularly.

**Field workers**

In village Mahuakhurd, Rajasthan, some groups (BC and Muslim) had problems of default which led to their breaking up. When asked why, members blamed it on their NGO field officer. They said they found her too lenient, as she allowed late payments if a member said she was in trouble. Because of this, members who could repay had started to default. The members do not favour this policy and believe that they know other members better and would know if there was a serious problem. Nevertheless, it is the NGO field staff who takes the decisions.

The previous field officer, they say, was firm and able to discipline the group much better.

Does internal default by members result in default of the SHG itself on its borrowed funds? Experience suggests that the default within the SHG does not necessarily lead to the SHGs defaulting on its repayment obligations to the bank. This is because of the cushion available to the group in terms of the repayment period. Also the fact that the SHG has access to its own accumulated funds i.e., savings collected, penalties, interest income etc., from which it (or the bank) can draw to honour its repayment obligation with the bank. Apart from this, we also found evidence of reliance on 'bullet repayments' (members repaying their outstanding at one go) combined with the promise of further loans.

The role of NGO/SHPA staff in ensuring SHG repayments to banks, emerged as a significant feature in both southern and northern regions - reflecting the fact that it is usually the SHPA which has assisted the SHG in accessing the loan. If group members are late in making repayments, the banks contact the promoting institution and seek help in recovery. This is especially the case in the northern sample where NGO staff are actively involved in following up on repayments, a corollary to their involvement in writing SHG records (Chapter 10). Though we also found that NGOs focusing on wider village programmes tend to be less able or willing to impose credit discipline in their groups borrowing from banks.

SHPA field staff say that bank staff do not follow up on groups directly themselves. They prefer to send a notice to the promoting agency if any group has not paid interest in full for a period of 90 days. In some branches, bank managers have suggested bullet repayment to be made at the time of harvest. If this does not work then the bank is likely to threaten to withhold any further loans to a village where any group is defaulting.

The SHPA staff thus may assume primary responsibility for ensuring repayment. They expect the group leader to help in resolving any problems. If she cannot, then the staff gets involved, and meets the defaulter directly or raises the issue in a village level/ cluster meeting of all groups in the village. Increasingly, if possible, SHPAs prefer to pass on the responsibility of follow-up to the staff of federations.

In AP, there are Recovery Committees at Mandal/Block level. These include bankers, the Mandal Development Officer (MDO), the Community Coordinator, a representative from the NGO SHPA, a representative from the SHG Federations at Mandal and district levels. It is the task of members of the Recovery Committee to visit the groups and motivate them to make their repayments on time. Bankers send the list of SHGs with overdues to the Mandal Development Officer once or twice in a quarter with a copy to Community Coordinator.

**Box 12.4** illustrates how such concerted pressure at the village level (not just within an SHG) leads to recovery.

#### Box 12.4 Action by the community coordinator

In Narasimha SHG, (all SC members) Nalagampalli (AP) one of the members had defaulted on the Rs20,000 which she borrowed 14 months before. She said that her rice business was not doing well, so it was difficult to repay. But other group members pointed out that her husband was a local caste and political leader, and they did not believe she could not repay. They too stopped depositing savings and repaying the instalments. The situation was rescued when the Community Coordinator and the leader from the other old SHG in the village visited the group and persuaded them that they should complete the loan repayment. The defaulter and her husband agreed to repay her loan within six months - after the rice harvest.

For the past 3-4 years the AP State Government has been fixing the SHG Bank Linkage targets for banks and DRDA/Velugu. To achieve their targets the DRDA/Velugu and Bankers jointly organize 'SHG Bank linkage Loan Melas' once or twice a year. In the process of identifying groups for credit linkage, the SHPAs motivate defaulting and defunct groups by explaining the financial benefits. As a result, on the advice of SHPA staff, some of the default groups have repaid their long pending dues to get larger repeat loans.

In Karnataka, where the study sample includes bank-promoted SHGs, the team did some analysis of SHG transactions at the bank branches. This analysis raises a number of issues in relation to the loan repayment schedule (from groups to bank) and how repayments are made, as illustrated in **Box 12.5**.

#### Box 12.5 Issues in bank-SHG relationship - a bank branch in Karnataka

Of the 124 SHGs with savings accounts in a bank branch (Karnataka), 85 have received loans from the bank. As on 31.12.04, the SHGs together had Rs 19.46 lakhs of savings in the bank. Three SHGs had received SGSY loans, (one each year), and together had also received Rs 3.75 lakhs by way of subsidy. This amount, too, was kept in the branch in a current account, earning no interest, to be physically transferred to the SHGs 3 years after the SGSY loan disbursement, if the repayment performance was good. The branch manager explained that just as no interest was paid on this amount, interest would be charged on the loan, less this amount. The bank had a little over Rs 23 lakhs of funds of the SHGs. Against this, Rs 26.96 lakhs of loans were outstanding at the end of December 2004. Rs 6.28 lakhs of loans were outstanding in the SGSY account.

The branch had mobilised savings (in savings accounts, fixed deposits and savings certificates) of over Rs 1.23 crores from over 2000 clients. That is 18.7% of the savings in the branch were those of SHGs. Total loans outstanding at the branch were Rs 1.73 crores - that is, 15.6% of the loan business was with SHGs.

## Box 12.5 Cont...

SHGs remitted their weekly savings into the bank and once a month remitted some amount towards loan instalment and interest. Except for the first 6 months following the disbursement of the 1st instalment towards SGSY, when loan repayments were made into the SGSY account, all remittances (towards savings and loans) were taken by the branch into the SHG's savings account. At the year end, transfers were made from the savings account into the loan account.

As against annual repayment of Rs60,000 by way of principal, the bank had fixed only around Rs2,400 as monthly remittance, with each member remitting Rs 200 each month. As a result, there usually was a significant shortfall at the year end, which was met through extra payments made by members, in order to clear the loan and access a fresh one. The interest margin between savings and loan rates (9% pa), amounting to over Rs 2 lakhs (9% of Rs 23 lakhs), was also, therefore, available to the branch during the year, as appropriation from the savings to the loan account was made only annually once.

SHG records and collections were in a mess: interest was claimed to have been collected from members, but at the SHG there was no record of it. Collection from individual members of savings and principal of loan amounts were recorded and these showed that some members did not pay loan instalments for months, some paid regularly but random amounts, and only some paid regularly the fixed amount of Rs200. If a member paid 10 instalments at a time, that was not treated differently to one making monthly repayments, or one making ad hoc payments. While the SHG has not defaulted to the bank, within its membership it was not clear who was a defaulter, and who was not, as the books were not maintained well, and were not up to date.

## Conclusions

Dealing with default can entail a fine balance, building or maintaining a culture of repayment discipline, whilst exploring options to assist a member in case of difficulties. Groups need more guidance on workable options. Such options are likely to include adjustment of savings, (though this means a member dropping out of the group), or rescheduling of the loan if this seems warranted.

This confirms the need for appropriate guidance, training and building the capacities within the group.

There is some evidence that older established NGOs working with a broader canvas of empowerment and village development and having faith in the integrity of their SHGs may tend to under-emphasize the importance of timely repayment of their loans to banks.

Variable patterns of recovery - both at the first stage of member to group and the second stage of group to bank - are useful to the extent that they match local cash flows. But it makes it even more essential to have clear, transparent reporting and monitoring - at both group level and bank level.

- Current practices of recovery rely heavily on bullet repayments and the incentive of further loans, particularly in AP, the state with the highest level of loan disbursements to SHGs. This may work up to a point, but is not a healthy strategy as loan sizes increase.

## 13 Group sustainability - financial value

This chapter presents some financial indicators related to group sustainability as well as questions around groups breaking up or becoming 'defunct'. Analysis of financial indicators was not part of the original agenda for this study, but is included since financial value is integral to the performance of an SHG engaged in savings and credit activities, and increasingly so, as banks target SHGs for credit.

SHG members and others spoke, by and large, of a long-term life for the SHG. Nevertheless, it is interesting to remember that the origin of the idea of the SHG as an on-lending group lies in the practice of people coming together informally, to pool an agreed amount of savings, and in turn using these savings to provide bulk sums to individuals as loans, (or in 'rotation') as in a Rotating Savings and Credit Association (ROSCA) or chit fund. There are varied arrangements in practice, but one common element is that such groups (ROSCAs, chit funds) have traditionally been short-lived.

A long-term existence is not a necessary attribute of the ROSCA. Rutherford (2000a), for example, makes the point that informal money management groups are *short-lived and changing* in their membership for good reasons - to maximise returns and safety. The desire to work with *stable and continuing* groups may be seen as a donor/promoting agency and bank concern rather than something integral to an SHG's functioning. There are several instances in different parts of the world (for example the CARE Village Savings and Lending programme in Niger) where the groups save and break up after every year. There are clear formulae for distribution of the funds, and they can of course start up again, with the same or different members, immediately. This avoids the development of the stresses which may be associated with older SHGs, as members' needs diverge.

Thus, the nature of the financial intermediation role and the time horizon for SHG operations may be open to question. This also becomes apparent from the very varied results obtained when we use conventional indicators of financial performance to assess SHGs.

### 13.1 Assessing SHG financial status

An assessment of financial status depends on good quality records and preparation of standardised statements. Financial statements are generally not prepared. SHGs are trained to keep their record keeping simple and minimalistic as most of the members are illiterate. In only 28% of the SHGs (22% in the south, 35% in the north) was an income and expenditure statement available, and in an equal number, a balance sheet and portfolio information. While members were usually able to provide figures of total savings and total SHG loans outstanding, they were not able to provide figures for profits earned or loans outstanding to banks. Their involvement in loan decision-making did not translate to their being reasonably well versed with the financial status of their SHGs.

It could be assumed that SHGs promoted by banks are more likely to have good accounting systems. Surprisingly, the SHGs that did have financial statements available were those promoted most often by an NGO, with the government promoted SHGs following in second position.

Bank promoted SHGs, even though the SHPA's focus is on micro-finance activities, appeared the weakest when it came to monitoring their financial activities. This reflects the observation made in Chapter 10 - where we found the quality of records kept by bank promoted groups (56% moderate quality, 4% good quality, 36% weak, 4% not available) on par with other SHPAs - that banks tend to value and monitor the records maintained by the bank branch more than the accounts kept by the SHG.

In Karnataka, it was noticed in several SHGs that while records were kept at the SHG level till a bank loan was received, once bank linkage was established, SHGs tended to maintain their internal credit accounts very casually. Even in the matter of the bank loan repayment, amounts were simply remitted in the bank account, and it was left to the banks to ascertain loans outstanding and develop other financial reports. This was also due to lack of training and ability of branch staff to spare enough time to monitor the book keeping at the group level.

In the absence of financial statements, SHGs (or SHPAs promoting them) cannot monitor their financial position. Nevertheless, it is usually possible to construct statements from the data available with the group - it can be prepared from the ledgers, registers and other SHG documents or through the SHPA data, supplemented through discussion with group members. This was done as part of this study - wherever data could be collated easily.

Out of the total 214 SHGs, a balance sheet was available or constructed for 188 SHGs. Sometimes the entries seemed a bit mixed up, and in one third of these SHGs, where the assets and liabilities did not tally, a 'suspense' amount was added to create a sheet that balanced. Where the suspense amount was relatively low (taken as less than Rs1,500, or less than 5% of total assets) the SHG accounts data have been included for analysis, giving a total of 150 SHGs with 'usable' balance sheets, 93 of the southern sample, 57 of the northern sample.<sup>1</sup>

### 13.2 Maintaining the value of members' capital?

Through steady (though small) compulsory savings, almost invariably with highly restricted or no access, the nominal value of individual member's capital will inevitably increase over time. SHG members also seek to build up their capital rapidly, particularly in the early years when the size of the SHG fund is low. Internal lending rates are often kept high - 3% per month being quite common and even 5% for some kinds of emergency loans also reported. Indeed, a prize-winning SHG of Kalahandi district in Orissa started operations by charging 5% per month interest on loans to members, which over the years was reduced to 2% or less. When low-cost external capital is also leveraged through bank linkage the possibility of wide margins and reasonable rates of return also exists.

From the available data (**Table 13.1**) we can say that half the sample SHGs were in profit in the previous year. For 30% of the sample, we do not know, since it was not possible to construct usable balance sheets. One fifth was in loss, a proportion significantly higher (43%) in bank promoted groups.

For those showing a current year's profit, using the conventional ratio of return on total assets, the average data shows a moderate 'RoA' of 6.5%. Another way of looking at the returns, is to calculate the return to members on their own capital (the 'internal capital'), taken as total member savings + accumulated surplus. (Here we exclude any 'external' capital provided to the SHG, such as a revolving fund amount or grant). For groups in profit, there is a healthy return on internal capital of 11% on average, but a range from 5% (Orissa) to 15% (Karnataka).

**Table 13.1 Return on assets and return on own capital**

	Overall	A P	Karn.	Orissa	Raj.	NGO	Govt	Bank
Total N	214	60	51	53	50	137	49	28
With a current year's profit	50%	53%	47%	45%	52%	50%	55%	39%
Without current profit	21%	27%	41%	11%	2%	18%	16%	43%
Do not know <sup>a</sup>	25%	13%	6%	38%	44%	31%	14%	14%
Records not available to study team	5%	7%	6%	6%	2%	2%	14%	4%
<b>SHGs with a current profit: n</b>	<b>106</b>	<b>32</b>	<b>24</b>	<b>24</b>	<b>26</b>	<b>68</b>	<b>18</b>	<b>20</b>
Current return on total assets	6.5%	6.2%	7.2%	2.9%	7.8%	6.0%	7.9%	7.0%
Current return on internal capital	11.0%	12.6%	15.5%	5.1%	9.1%	9.5%	15.6%	13.5%
Accum. Profit/SHG (Rs)	19,500	16,700	16,500	5,400	38,800 <sup>b</sup>	23,500	14,100	10,700
Accum. Profit/internal capital	38%	36%	30%	22%	50% <sup>b</sup>	42%	35%	25%
% SHGs with current profit by return on internal capital:								
>10 %	18%	23%	27%	6%	16%	12%	33%	21%
6 to 10 %	13%	10%	8%	11%	22%	15%	10%	7%
<6 %	19%	20%	12%	28%	14%	23%	12%	11%

Summary balance sheet data in Annex 13.1

<sup>a</sup> Weak records, balance sheet does not tally; SHGs where the 'suspense amount' is more than Rs1,500 or 5% of total assets/liabilities

<sup>b</sup> Relatively high average in Rajasthan reflecting a number of very old groups, who have saved regularly over many years, with regular repayments on their internal lending.

This level of profitability and returns can be seen in the context that groups can borrow from their own members at 0%, or from banks at 12% or so, and then on-lend at (usually) 24% minimum. There are of course factors that reduce the interest earned, including the level of default, cases where the groups adjust the principal first out of any repayments made by the members, and idle savings which are not being on-lent (common in Orissa). And there are factors affecting costs, such as payments to book-keepers, payments to federations.

Overall, in three States we find that in one-third or more of SHGs, the value of members' capital is being maintained and enhanced above the rate of inflation; in Orissa this proportion is less than 20%. Thus in the majority of group it is not the case that SHG earnings are high enough to maintain the value of SHG members' capital.

### 13.3 External borrowings in relation to own capital

The ratio of external funds as compared to own funds accessed by SHGs has dual implications. An increasing ratio of debt to own funds can be seen as part of the maturing of SHGs through an increasing intermediation role as well as the improved access of individual members to financial services. While the SHGs are essentially savings first and savings-led associations, it is accepted that SHG levels of dependence on external funds would be high.

Available data for the sample is presented in **Table 13.2**. It relates external borrowing outstanding (EBO) to internal capital for SHGs with usable data. The picture suggests a moderate EBO-internal capital ratio of 1.43 on average, though with a ratio less than 1 in the (small) Rajasthan sample. In the other three states, around one-fifth of the sample has a ratio of more than 3.



Table 13.2 External borrowings outstanding [EBO] as a proportion of internal capital

	Overall	AP	Karn.	Orissa	Raj.	NGO	Govt	Bank
SHGs with EBO	132	40	32	38	22	83	27	22
SHGs with usable balance sheets - n for these SHGs:	93	33	27	23	10	54	19	20
Average internal capital (Rs)	46,875	42,758	64,085	24,903	64,535	48,491	39,423	49,593
Average [EBO] (Rs)	54,883	59,745	83,658	27,167	24,896	49,784	39,268	83,486
EBO/internal capital: group average	1.43	1.54	1.61	1.46	0.55	1.25	1.57	1.80
Distribution of n by EBO/internal capital								
<1	57%	52%	59%	48%	90%	61%	53%	50%
1 to 2	24%	24%	19%	35%	10%	24%	21%	25%
3 +	19%	24%	22%	17%		15%	26%	25%

The ratios in the **Table 13.2** relate to *outstanding* externally borrowed amount. The actual last borrowed amount is likely to be higher on average. We have data for the latest external loan for the northern region, which shows a similar profile, with a few SHGs having a very high 'debt/equity' ratio of 6-9. It is SHGs such as these that lie behind some emerging apprehensions of the limited ability of SHGs to manage larger funds even as banks extend the scale of loans to SHGs which have repaid an earlier loan, after no more than a routine appraisal.

Rules governing bank linkage allow for banks to provide loans to SHGs progressively up to four times the SHG's internal capital. As SHG savings grow over time, this can mean substantial increase in the volume of funds that the SHGs can access through the banking system. Nevertheless, there are likely to be practical limits to the credit absorption capacity of different groups, depending on the circumstances of individual members as well as the local opportunities for investment. Thus, we found a few NGOs (in Rajasthan) which specifically limit the amount of bank loan applied for by their SHGs, a practice which relates as much to limited opportunities to use the additional credit as to the internal capital amount. An alternative, where there are investment opportunities for larger credit amounts, would be to develop a 'graduation' strategy whereby individual members begin direct lending from the local bank.

#### 13.4 'Cash in box' - and costs of banking

SHGs members are generally aware of the need for their savings to earn income through lending or at least through higher-yielding term deposits with their banks. There is of course the option to keep cash in hand, and SHGs usually have a metal box to keep some cash for emergency withdrawal. Normally, the box is kept by one of the office bearers, and the key is kept by another.

The data we have (based on end-of-year accounting - there may be differences within the year) shows that most SHGs (over 70%) in the south keep no cash-in-box, (79% in Bank promoted groups), compared to less than half in the north (**Table 13.3**). This reflects closer proximity to a bank branch in the south, especially for Bank promoted groups where the bank branch may be in the same village.<sup>2</sup>

Table 13.3 Level of cash-in-hand in sample SHGs

	Overall	AP	Karn.	Orissa	Raj.	NGO	Govt	Bank
SHGs (N)	214	60	51	50	53	137	49	28
Zero	61%	73%	76%	42%	51%	52%	69%	79%
Reasonable (upto Rs2,000)	27%	18%	16%	50%	26%	36%	14%	7%
High (Rs2,001-5,000)	9%	8%	6%	8%	15%	7%	14%	11%
Very high (above Rs5,000)	2%		2%		8%	3%		4%

Cash-in-box is usually at a reasonable level (taken as up to Rs 2,000), though around 10% of SHGs are keeping higher amounts than this, especially in Rajasthan where 8% of SHGs hold cash of more than Rs 5,000. This may be a reflection of distance from - and therefore cost of visiting - the bank, though with higher cash amounts in the SHG, there is more chance of mis-appropriation.

The direct costs of banking are mainly transport - the cost of a bus ticket, or getting a ride on a tractor. **Table 13.4** summarises the responses by group leaders on the costs involved. For over one-third a visit takes less than an hour; for one-fourth a visit takes more than 3 hours. It is usually the group leader who goes (61% of the SHGs) though practice varies between states (from 44% in Karnataka where it is common practice - in bank promoted groups - for other members too to visit the bank; to 90% in Orissa.) The costs were reported to be zero in one-third to a half of the groups in Karnataka and the northern states. In AP nearly all groups incur some costs - of transport, stationery, other minor expenditure. Annual direct costs are not very high, around Rs300 on average, though more than Rs500 for the Karnataka groups.<sup>3</sup>

**Table 13.4 Reported direct costs of banking**

	Overall	South		North		SHPA			Distance from bank		
		A P	Kar	Ori	Raj	NGO	Govt	Bank	<3 km	4-8 km	>8 km
N - SHGs	214	60	51	50	53	137	49	28	88	79	47
N - information recorded	174	51	50	41	32	111	35	28	70	67	37
Time to visit bank											
< 1 hour	36%	25%	56%	27%	31%	36%	37%	32%	50%	28%	22%
1-2 hours	40%	37%	26%	49%	53%	36%	49%	43%	40%	45%	30%
>3 hours	25%	37%	18%	24%	16%	19%	9%	11%	10%	27%	49%
Who visits bank											
Group leader	63%	61%	44%	90%	63%						
Annual costs (Rs) <sup>a</sup>											
Zero	32%	4%	48%	34%	46%	35%	20%	36%	44%	25%	22%
Average direct cost/yr	292	184	516	296	264	254	275	471	322	265	298

[Discussion with group leader, record keeper]

<sup>a</sup> Mainly for transport, some other direct costs

The above estimates do not include opportunity costs of the time spent by SHG leaders and members in bank transactions, in group meetings, or talking to researchers for studies such as this one. Some people do raise the question of such opportunity costs being a significant part of transaction costs of SHGs.

A recent study on transaction costs of SHG-bank linkage has the following perspective: "Opportunity costs of both, office-bearers and members, are largely fictitious, for two reasons: (i) there is no income foregone, except in rare cases; and (ii) the opportunity costs are more than offset by indirect and intangible benefits, such as self-confidence in private and public spheres, familiarity with financial matters, and personal access to banks and government programmes."<sup>4</sup>

This observation is no doubt correct for those who choose to join and stay in SHGs. Nevertheless, the poorer the members, the higher the cost is likely to be to them. This is illustrated later in this Chapter (Box 13.5) an example of break-up of a group of daily wage workers reluctant to take on the costs of managing a bank account.

### 13.5 Are SHGs maintaining the quality of their financial assets?

Financial sustainability is dependent on a combination of factors including the timely recovery of loans, pricing of loans, cost of financial service delivery, and accumulation of capital. An analysis of the quality of SHGs' financial assets requires a closer look at portfolio

quality. Portfolio quality, which reflects timely recovery of loans (and interest), contributes to profitability and the ability of the SHG to recycle funds for continued operations.

The standard measure of the loan portfolio quality of a microfinance intermediary is the Portfolio at Risk (PAR) which indicates the risk of default of the loan portfolio. It is measured in terms of the ratio of 'the principal outstanding on all delinquent loans to the total loan principal outstanding'. PAR is classified according to the age of overdues: the longer the period of overdues, the greater the risk to the portfolio. 'PAR= $\geq$ 90 days' means that no repayment had been made for over three consecutive months from the due date, and 'PAR= $\geq$ 360' days means no repayment had been made for over one year from the due date.

In the context of variable patterns of SHG repayments within the group, as noted in Chapter 12, measuring default requires careful analysis in an SHG to take account of different norms and schedules: regular monthly instalments, irregular repayments within the agreed term or one bullet repayment at the end of the term (with regular payment of interest). As in the previous chapter, the norm stated by the group is taken as the basis for analysis of default. And, to take account of flexibility within groups, the portfolio analysis is based on payments overdue by a year, or more.

Portfolio reports were available in around one fourth of sample groups and have been constructed for other SHGs from the available group records and through discussion with the group. The available information, based on data for payments due by group members to the group, indicates that around 45% of groups (a higher proportion - 66% - in AP) have defaults more than one year past due, amounting to 17% of the portfolio (one-third in AP, 12% or less in the other states).<sup>5</sup>

Analysis by SHPA for the southern region shows highest incidence of PAR amongst NGO promoted groups, but highest proportion and average amount of portfolio at risk amongst Government promoted groups. Bank promoted groups show better portfolio quality, with a PAR over 360 days of 22%, or Rs18,000 on average.<sup>6</sup>

This information suggests some variance between the stated group norms of repayment and actual practice. If what eventually happens is that groups make a bullet repayment of both the loan principal and the interest amount - as is reported to be happening in Andhra Pradesh, particularly as a means to accessing a repeat loan - a PAR analysis based on the stated norm (of at least monthly payments of interest) may not entail default, ultimately. Nevertheless, it remains an indicator of the quality of credit transactions, and the availability of SHG funds for on-lending within the group. With Andhra Pradesh being the State with the highest rate of bank linkage in the country, but showing the highest levels of default (in this study), this is an aspect which needs more research and attention.

### 13.6 Defunct and broken groups

Unlike the traditional, short-lived, associations for rotating savings (ROSCAs, chit funds) from which the idea of 'Self Help Groups' was originally derived, SHGs are by and large spoken of as having a long-term existence, by their members and by others. This is a reflection of our sampling focus with nearly half (48%) being SHG members for five years, including 12% members for more than 8 years.

In the study villages, we came across a small number of SHGs which had broken up (no longer existed in terms of bank accounts, office-bearers, savings and loan settlements pending) and also some SHGs which did still have these attributes but were no longer functioning effectively. Such a 'defunct' group usually has only a nominal amount in the SHG bank account, but for a year or more meetings have not been held, with no savings deposits being made, nor any disbursement or repayment of loans.

Estimates for broken and defunct SHGs for the sample villages are given in **Table 13.7**. The data is based on interviews with key informants in each village, and includes SHGs formed at any time (not only those formed by the year 2000 which are the focus for this study). In three states - AP, Orissa and Rajasthan - 8-11% of SHGs formed are no longer functioning. In the smaller number of villages in Karnataka, this proportion is much lower (<2%) perhaps reflecting more sustained promotion by SHPAs, with easier and regular access to Bank loans by Bank promoted groups. In the Karnataka sample villages too we had lower involvement of Government agencies, which amongst SHPAs show the highest proportion of defunct groups.

**Table 13.7 Incidence of defunct and broken groups in sample villages@**

	Overall	AP	Karn	Orissa	Raj	NGO	Govt	Bank
Sample villages	108	28	16	33	31			
Total SHGs formed	1,047	420	290	181	156	482	469	96
No longer functioning	7.0%	7.9%	1.7%	9.9%	10.9%	5.8%	9.4%	1.0%
Defunct	3.6%	6.2%	1.4%	1.7%	3.2%	1.7%	6.2%	1.0%
Broken	3.3%	1.7%	0.3%	8.3%	7.7%	4.1%	3.2%	

Based on Key informant interviews

Overall 3.6% of groups formed were defunct, 3.3% had broken (though, until we met members of the concerned group, it was not entirely clear whether a group had closed its account or not).

We followed up the question of why groups broke up through discussions with members of 28 SHGs, mainly in the northern sample (20 groups). It turned out that six of these groups were in fact defunct, and were interested in restarting. One-fourth of the groups broke up within a year of formation, the main reason being that they had expected to obtain a bank loan, which did not materialise. This was evident in Government promoted groups for whom this was the motivation provided by the field workers, trying to meet their targets. In older SHGs, the main reason for break-up was that certain members had defaulted on their loans. Other reasons for older groups included: differences over savings requirements, poor members unable to save, group unable to function without SHPA staff, loss of records (**Table 13.8**).

**Table 13.8 Why SHGs break - or stop functioning**

Reasons	Total	By years of operation		By SHPA	
		< 1	> 1	NGO	Govt
N - number of groups no longer functioning	28	6	22	15	13
Default	16		16	9	7
Group did not obtain bank loan	6	5	1	1	5
Other (various reasons: irregular savings, absence of SHPA staff, loss of records)	6	1	5	5	1

[FGDs/interviews with members of SHGs no longer functioning]

These situations are illustrated in **Box 13.1** (next page), which also shows how members from a group that breaks may realign to form new groups.

### 13.7 When SHGs break up what happens to group funds?

On break up of an SHG, by definition the group savings account is closed. On closure, the group fund is divided among members, with adjustments against outstanding loans - from the savings amount of the borrower, and, if the loan outstanding exceeds the savings amount, from the accumulated profit of the group. Settlement is usually done under the guidance of the SHPA staff. Members we talked to were satisfied with settlements that had been made.

Where the account is not settled, the SHG continues but is 'defunct'. This defunct situation may be due to there being a relatively small amount remaining in the account which the members are not bothered about (since they have effectively withdrawn their savings through borrowing); but it may also be due to inability to make a settlement in case of a few major defaulters. **Box 13.2** illustrates such a case, and the challenges involved in settling the account.

### Box 13.1 Examples of broken and defunct groups

#### Default by a few members on relatively large loans breaks the group

- (i) This was a group of 30 tribal women, promoted by an NGO in Udaipur district, Rajasthan. Three women were selected as leaders, of whom two were literate. In 1999, the group started saving Rs20/month, rotating the amount as internal loans. After one year, they distributed the group fund (savings + profit) equally amongst themselves and started saving again with a larger amount of Rs50/month. It was after two years, as their savings deposits began to exceed the amount needed for lending, they opened a bank account.

Women in this group were mobilised (even before they formed an SHG) and guided by the NGO to take action on community issues that affected them. They had successfully acted together to prevent encroachment on common resources of the hamlet: physically demolishing a stone wall put up by a large farmer on the common pasture land, and asking the panchayat to report to the police that a farmer from a neighbouring hamlet had installed a motor pump in a common well of the village; this was a well used in the hamlet mainly for animals but the effect of the pump was to reduce the water reaching other wells on the upper slopes of the hamlet.

Nevertheless, financial problems within the group started in the third year. Three members, with loans of Rs5,000 each, were not making their repayments. Due to this, other members (with smaller loans) also stopped their repayments. The group stopped giving new loans and ultimately members decided to break the group. As far as possible, each member's savings amount was adjusted against her outstanding loan amount, although the records were not entirely clear, since they had not been regularly updated by the group leader.

Within the past year, the NGO staff asked the women in the village to form another group. Twenty women agreed, of whom six were from the old broken group. The group members have decided not to give loans that exceed personal savings. The group records are being maintained by a man from the same village who is paid Rs20 every time he updates the books after the monthly meeting.

- (ii) In another example, also in Rajasthan, better off members started to default on their loans. Other members had no control over them. They tried raising the penalty from 2% to 5% but it had no effect as the members refused to pay the penalty. Eventually, even the treasurer started to default. After this things went out of hand. The group defaulted on its loan from the cluster association and was expelled as a result. Since then there have been no transactions and the group has remained defunct. Lately the paid book-keeper (hired by the NGO SHPA) has asked them to restart, at least so as to clear the outstanding loans.

#### Poorer members find regular savings difficult, insufficient trust for internal lending

This was a group of 20 members (OC, two separate castes) formed by an NGO in Ganjam district, Orissa. The members saved Rs20 a month for 22 months, but did not on-lend the money amongst themselves. This was because, they said, they were not sure of repayment. Eventually, in July 2004, the group dissolved since half the members were finding it difficult to maintain regular savings deposits. These 10 were all from one of the two castes, and seemed to be poorer than the others. The savings were all distributed equally - Rs440 + Rs20 (bank interest) to each member.

### Box 13.1 Cont...

The 10 members who did not face problems in saving would like to restart the group - and asked for help to do this from the SHPA field worker accompanying the team.

#### **Not getting a bank loan, in the days before active promotion of SHG bank linkage**

This was a group of 10 tribal women, formed in 1996 by an ICDS field worker in a village of Kalahandi district, Orissa. Members deposited savings both in cash and kind: Rs5 + 1 kg of rice a month. The group was active for an initial period of 6-7 months, and they opened a savings account with a local bank. The ICDS field worker motivated the group to apply for a bank loan but, at that time in the 1990s, the bank manager was reluctant, saying there was no provision to lend to an SHG.

The members decided to break the group, and instead joined other new groups being formed by NGOs who were already beginning to provide loans to SHGs.

### Box 13.2 Example of a defunct group - and the challenges of starting again

The Krishak Mahila Samooh SHG was the first SHG to be promoted in Devgaon village (Udaipur district, Rajasthan) in 1996. The group had 20 members, all from the Meghwal (scheduled) caste, and was promoted by the local field worker of the State Government's ICDS. None of the members had any schooling so their records were maintained by the ICDS field worker.

The group was initially formed to take advantage of a Danish funded 'women in agriculture' programme. The women started by saving five rupees a month, and later decided to increase this to ten rupees. They were taken to Udaipur and even to Delhi, receiving free seeds and other farm inputs, as well as training, over a period of about five years.

In 2001 the agriculture programme ended. The group continued, as did the same woman as President, although two women dropped out because their husbands had died and they were no longer able to save. One of these members owed Rs200 when she left, but the group agreed to write this off. One new member joined, and the SHG members continued to save, and to borrow from the accumulated savings. They also made several loans to non-members, such as the village tea-shop owner, because the members did not have any other profitable way of using the money themselves. The SHG never took a bank loan, for the same reason. The group charged its own members two percent interest a month, but non-members paid three percent.

By 2003, however, some of the members had fallen into arrears with their loans, and other members were reluctant to continue repaying their loans, or to save with the group, so meetings and activities ceased.

In 2005, the Government field worker encouraged the members to re-start their SHG, since the agriculture programme was going to continue into a second phase. The group was interested, but they could not decide how to deal with their outstanding balances. They had kept their SHG's record books, but the ICDS worker had left the village to get married and because she was a signatory to the group's bank account she took the savings pass book with her. The members were not sure when she would return, but they believed that there was about Rs2,500 in the account, and that the ICDS worker had kept a similar sum in cash on their behalf.

It was possible from the available records and the group discussion to construct the group's balance sheet (as of end 2003) roughly as follows:

Box 13.2 Cont...

Assets, use of money		Liabilities, sources of money	
Cash	2,500	Savings balances	13,978
Bank balance	2,500	Accumulated surplus, balancing figure	4,228
Member loans outstanding, including interest	10,906	Loan written off	200
Loans to non-members (prob. excluding accrued interest)	2,500		
<b>Total</b>	<b>18,406</b>	<b>Total</b>	<b>18,406</b>

The record books also showed the following information:

- Four members had no loans outstanding, five members had savings balances greater than their outstanding loans plus interest, and ten had outstanding loans which exceeded their savings balances.
- The largest outstanding loan balance was Rs1,340, and this member's savings balance was Rs594. In every other case, the net outstanding balance was under Rs500.

### 13.8 Not broken - but split or reorganised

We found three kinds of situation where groups were split or reorganised. The first, the most common across the study states, is the reorganisation of groups by fiat of government programmes, to take advantage of the subsidies available in such programmes. More positive situations are initiatives by SHGs to extricate themselves from relatively costly federation programmes (found in the northern sample) or to follow the traditional ROSCA pattern of association when it suits them (found in non-bank linked groups).

#### *New government schemes*

Apart from the break up of groups for the above reasons, over the years as new government programmes and SHPAs enter a village a restructuring of SHGs may take place when grants and other facilities are available. The introduction of the SGSY programme targeting groups with 'BPL' members has led to quite an upheaval of SHG membership in several villages (7 in the northern sample) as 'SGSY groups' have been carved out of existing SHGs. This has resulted in some multiple memberships as members who join the BPL group (along with other new and first-time group members) also continue as members of their older groups.

Similarly, where Government-promoted SHGs were formed under the ICDS programme in areas where other NGOs were working, SHGs were split as members left in anticipation of greater benefits of getting subsidised loans in the newly formed BPL groups. SHPAs too end up encouraging this, so as not to deprive the people they work with of accessing available benefits. In the south existing *mahila mandals* broke up and were reconstituted as DWCRA groups to take advantage of subsidies under the programme, and, with the advent of Velugu, a world bank aided programme in AP, some of the DWCRA groups have (again) reorganized to become new groups to fit the requirements of the programme.

### *Going independent*

Another category of groups are those that have asserted their independence and have left the fold of the SHPA or the SHG federation. Despite the possible benefits of SHGs being formed into federations, the charges for federation services and for maintaining an extra layer of intermediaries can be substantial particularly when their activities are largely limited to financial intermediation. Thus, in one district, we found some resentment amongst member SHGs of a federation (one of the pioneers among community-based organizations (CBOs) of women) that has the following (very high) charges to SHG members for its services, per group:

Initial fee   Rs1,000

Monthly fee   Rs150-300 (Rs300 for older groups with total internal capital of Rs1 lakh)

Commission on bank loan   1% of the loan amount

In the northern region we found a few NGO promoted SHGs that have decided to go their own way to save on the charges of the federation intermediaries (**Box 13.3**). While this is neither a case of defunct or broken group it represents an alternative path for the SHG apart from the one planned by the SHPA. And it highlights the issues of meeting the costs of servicing SHGs - balancing the role of a federation with the internal economics of individual groups.

#### **Box 13.3 Some SHGs prefer to manage independently of a federation**

In Alwar district, Rajasthan, two SHGs promoted by an NGO in 1999 had 'dropped' out of the NGO promoted federation within the previous six months. They dropped out to save themselves the costs of being part of a federation, which in this case were Rs100/group as fees for record keeping, Rs100/month saving allocated to the cluster association, and 1% commission on every bank loan.

Both the groups say they are functioning well without the NGO or the federation and the members say they are pleased that they have cut down on the federation/association costs. They have hired a new record keeper (an educated man in the village) and pay him Rs60 per month. Group 1 had a bank loan of Rs75,000 from the bank of which around Rs20,000 was outstanding. The group plans to repay the entire loan to the bank and take a new loan from the bank on their own without the support of the NGO. The group is confident about getting the loan from the bank.

Group 2 had already approached the local bank for their 4th linkage loan of Rs50,000. Initially they say the bank refused, but eventually was persuaded on the basis of their past good repayment record with the bank. The members said that even if the bank does not give them a loan in the future without NGO intermediation, they would still prefer to work independently and manage with the group funds.

### *A traditional ROSCA approach*

Although not a focus of this study, the northern region includes some SHGs which have not been linked to banks (especially in Rajasthan - 30% of sample SHGs). Several of these were groups in tribal, low cash economies, with limited capacity for credit absorption. Without external borrowing, such groups may decide to follow the pattern of a traditional ROSCA, breaking the group account to distribute their savings, and then reforming the group with the same or different membership (example in **Box 13.4**). We also came across an example from Karnataka, of a group of daily wage labourers who decided to break, since no-one was prepared to take on the costs of managing a bank account (**Box 13.5**).



**Box 13.4 Two groups (north) - saving and regrouping**

Asha (14 members) and Pragati (18 members) are NGO promoted SHGs in Khetiyala, a poor tribal hamlet of a village in Udaipur district of Rajasthan, where most of the people have lost or mortgaged their land to moneylenders. Credit absorption capacity is very low and is evident from the SHG's norm that they will not lend an amount to a member which is more than her savings.

Asha began in 1998, Pragati in 2001. After around three years, in November 2004, members of Pragati SHG decided to divide the group fund and start afresh because most of the members were in debt with internal group loans to repay. So they decided to divide the group fund, pay their debts and start again with an increased savings amount of Rs50 per month (earlier Rs30). But six members said they did not want to take their money back as they would spend all that they had saved in the previous three years. The group members were not sure how to resolve this. But the SHPA field worker suggested a solution, as follows.

Pragati group divided its group fund. The share of each member was a savings of Rs1,320 and interest of Rs629, which was distributed, after adjusting for each member's outstanding loan. The second group Asha showed for its members a savings amount of Rs1,700 and interest of Rs552. In this group, only the interest was distributed among members and the six members of Pragati who did not want to take back their savings from Pragati group fund were asked to deposit savings of Rs1,700 to Asha's group fund and join the Asha group.

In January 2005, the Pragati group started again with new books of accounts, some new members and Rs50/month savings.

**Box 13.5 Anticipated costs of banking deter daily wage labourers**

In June 2004, in a village in Karnataka, 8 SC women were encouraged by a SHPA to form an SHG. Of the 8 women, 6 were daily wage workers in the nearby medical college, and 2 were agricultural labourers. The group began with a monthly thrift of Rs50 each. They saved for 6 months and when their joint savings touched Rs2,000 in 6 months, they lent the amount to 3 among them. The loans were to be repaid in 6 months.

The SHPA also encouraged the group to open a savings account in a bank. The group refused to do that, as no member was willing to come forward to be a leader. While the women were willing to continue as members, they did not care to open a bank account and none wanted to operate the bank account, if opened.

The members explained to the SHPA that they worked as contract labourers on daily wage basis. If they were absent from work for a day without prior intimation, they would find themselves replaced by other workers. Their estimation, from watching other groups meet, was that at least 4-5 days each month would go in meetings, visits to the bank, meeting officials, meeting local political leaders, etc. They, therefore, equated leadership with losing of daily wages and employment opportunities.

The group was aware that without a bank account, they could not expect any external benefits. The members thought about it and chose to wind up the group. They settled their accounts and one among them chose to join an older group, remitting in that group as much money as the others had already saved. Three of the women decided to continue to save for a while, before making a decision on what to do next.

The dissolution and reorganisation of such groups may suit diverse needs in certain environments. It can be seen to represent one of the possible roles for an SHG, going back to the traditional ROSCA concept and somewhat different from the current focus on credit supply and long-term financial sustainability. Though the challenges of poverty remain in tribal economies, as indicated in Box 13.5, with the continuing role of the moneylender.

## Conclusions

From the available accounts, the findings on financial performance of SHGs are mixed in terms of profitability, return on capital and costs. The data on defaults and portfolio at risk suggests the need for further analysis and research in the context of variable repayment patterns and an apparent divergence between stated norms and practice.

The level of 'defunct' and broken groups in the study villages overall seems relatively low (7%). But in AP, defunct groups may be emerging as an indicator of loan default.

In the northern region there are also groups who are breaking and realigning - partly in response to new government programmes and targets for credit disbursement.

# Implications

## 14 Conclusions

Most stakeholders present the SHG as a financially useful and sound instrument, and worry about the social and political implications. What this study indicates is that there are lights and shades on both sides. There are perhaps more social lights beginning to appear, and more financial shades. But, this study suggests that progress on either - financial or social - will require greater clarity of vision and objectives and a systematic approach to building capacity and providing guidance.

Some key implications, for wider debate, are as follows:

**SHGs for what?** Objectives in promoting SHGs differ. Is it 'microfinance'? Is it 'microfinance plus'? Is there a tension (even a trade-off?) between the two? Even with social objectives, 'Self-Help' has a financial base (depositing and managing savings, lending and borrowing) and the base has to be right, with effective and transparent management and the guidance to do this. Clear guidelines and systematic record-keeping for microfinance transactions are essential, whatever the SHPA orientation (more on this below). This has to be part of the initial focus and guidance, over a period of 2-3 years. It is a case of 'getting the basics right.'

**SHGs for whom?** Women from different social and economic levels are joining SHGs, including the poor, and some very poor. This process continues as the numbers grow. However, the barriers to entry for the poor are high - not only do they have lower incomes (by definition), but their incomes are usually more variable. To reduce barriers for the poor means allowing more flexibility to cater to varying and seasonal cash flows, for example allowing varying deposit amounts and frequency, perhaps with a specified annual minimum. The same principle applies to access to credit and repayment, again within specified minimum norms. (Though both will have to be matched by good record keeping).

In this aspect, and in others too (accounting, decision making, social action) it is likely that the poorer the women (or some of the women) in an SHG, the more careful and sustained promotion and guidance needs to be.

**Improving transparency and record keeping:** Record keeping at the group level has emerged as a very weak aspect of SHG functioning - with only marginal differences depending on who maintains the records. Complicated records and MIS seem to be part of the problem of poor book-keeping. Good book keeping is critical for the sustainability of financial operations and continued mutual trust among members. Good quality of book-keeping means completeness, accuracy, up-to-date information and transparency.

There is a need for simple and user-friendly records and books of accounts, coupled with a similar MIS. This should be linked to monitoring - by SHPAs and Banks. Financial literacy and communication for SHGs also assumes importance (especially if SHG members move into running enterprises) and providing women with necessary knowledge in the initial years of SHG functioning would empower them better.

It does not seem necessary that SHGs (or their office bearers) have to maintain their accounts themselves. This can be a service to the group, as is being tried out through different forms of computerised account keeping - by Pradan (the computer *munshi*), by Dhan *kalanjams* and by MYRADA (in community resource centres). Their experience suggests that this may be a cost effective solution, in comparison with training and checking of records at group level. Other simple and user friendly ways of book keeping include the manual systems followed by IBTADA in Rajasthan, and a book-keeping system based on colour coding promoted by Ekgoan Technologies and Covenant Centre for Development.

**Realising the social potential of SHGs?** SHGs represent an opportunity for social action and empowerment through women's involvement in considering, addressing and participating in issues that affect their members and their communities, including issues that affect women in particular. The extent to which this happening is perhaps less than hoped for - although a beginning is being made. One reason is the huge challenge involved in women having the right to speak out and take a stand in still very traditional, patriarchal, societies. The related reason is that social objectives too require a strategic approach, persistence and follow-up.

SHPAs who have social objectives, need to do more about them specifically and strategically: picking up problems, addressing them as they arise, using them as issues/ examples for discussion with other groups - whether issues of social harmony, injustice or mobilising for community development. SHPA support and guidance seems critical and mobilising across groups seems most effective. Clustering of SHGs may have strong social potential, as in federations, though this builds in another level of capacity level and financing - still to be established as sustainable.

There may be a question of time available for women. This did not come up as an issue in groups where such actions were taken, though we did notice that better-off women are more likely to be involved.

**SHGs and local politics?** If this is an area which a SHPA decides to take up, again the approach needs to be strategic and does not end with the election of an SHG member. A few NGOs (PRIA and its associates, such as Samarthan in Madhya Pradesh, the Karnataka Women's Information and Resource Centre) have strategies to guide *panchayat* members and to bring together 'Elected Women Representatives' so as to strengthen their understanding and role. Given issues of party affiliation, possible splits across and within SHGs as well as the existing tensions of *panchayat* politics, this aspect may not be a focus area for many SHPAs. Though, if elected members were to be helped to be more effective in addressing issues of concern to women, and to be accountable to their constituency, the potential impact would be high, both for SHGs and women, and for the political system.

**How much external credit?** SHG growth seems to be attracting too much politics in the form of targets for SHG bank 'linkage', resulting in the supply driven approach of pushing external loans on SHGs. The amount and timing of such loans should depend on member capacities, not on targets or merely the fact of repayment of a previous loan (which in itself is a weak indicator of future credit absorption capacity). Different groups have different potential and cannot be assumed to have the same needs or opportunities. SHG assessment (or rating) should not just be limited to current

performance but could also assess credit absorption and repayment capacity. The issue is one of catering to financial capacities and livelihood financing (identifying opportunities) and not just making credit available in increasing amounts.

There are also economic differences within the group, with some members better able to absorb credit than others. As amounts of external loans start increasing, equal distribution of loans would lead to some members being unable to repay the loans they have taken. The financial implication is that some members may take higher loans than the rest, based on their absorption capacity, though this could affect social dynamics within the group. In this context, rather than ever-increasing group loans, an option that needs attention is to introduce a graduation strategy for individual lending, providing bank loans directly to women with the credit potential.

**Group enterprises?** This is something that SHPAs and banks (for credit absorption) and SHGs themselves (for employment/income) are interested in, but should be entered into only after very careful analysis and planning of sector activities, linkages, cash flows and skills. The same applies to Government contracts.

**Dealing with defaults and drop-outs:** SHGs (and SHPAs) do not have a clear policy on how to deal with defaults or with drop-outs. Dealing with defaults needs to be part of regular trouble-shooting - linked to careful monitoring of internal recoveries and clear guidelines. There is also a need for clear norms related to leaving the SHG and sharing accumulated surpluses. Both aspects would be helped by accurate and transparent accounting.

**SHG promotion - what, how much and for how long?** Everything stated so far points to a need to reconsider the nature and intensity of SHG promotion. SHG promotion - and the necessary money to pay for it - cannot be considered as a one-shot, simple input. It has to be more strategic, adaptive and longer-term.

**Bank and national reporting:** Current reporting by banks engaged in SHG loaning - and by NABARD - is limited to cumulative loan figures. There would be greater clarity if banks were required to make public the credit-deposit ratio in relation to SHGs, and the current loan outstanding figures (i.e. the previous year's opening loan balances, disbursement during year, collections during the year, and loan balance at the end of the year). These figures should also be included in the NABARD annual publication on SHGs.

And in terms of number of poor women involved in the SHG movement, the estimate in this study (and reflected in other studies which have tried to address this issue) suggests that around half of SHG members are poor (below the national poverty line). This should be reflected in official publications and in strategic support. There is scope for tracking poverty/livelihood levels across the SHG movement, which would tie in with appropriate levels of credit linkage as well as enabling longitudinal impact assessment over time.

## CHAPTER 1

### A1.1 SHG linkage 2000-2006: Top 10 States (cumulative data)

	State	2000				2006			
		SHGs linked		Bank loan		SHGs linked		Bank loan	
		No.	%	mill Rs	%	No.	%	mill Rs	%
	<b>All India</b>	<b>114,775</b>	<b>100%</b>	<b>1,930</b>	<b>100%</b>	<b>2,238,525</b>	<b>100%</b>	<b>1,139,740</b>	<b>100%</b>
1	Andhra Pradesh	48,507	42%	866	45%	587,238	26%	434,552	38%
2	Tamil Nadu	13,884	12%	317	16%	312,778	14%	271,219	24%
3	Karnataka	10,610	9%	223	12%	224,928	10%	99,275	9%
4	Orissa	4,068	4%	34	2%	180,896	8%	47,547	4%
5	UP	12,953	11%	92	5%	161,911	7%	51,535	5%
6	West Bengal	3,397	3%	26	1%	136,251	6%	24,245	2%
7	Maharashtra	4,959	4%	92	5%	131,470	6%	39,517	3%
8	Rajasthan	1,941	2%	46	2%	98,171	4%	24,479	2%
9	Kerala	5,551	5%	96	5%	86,988	4%	48,215	4%
10	Madhya Pradesh	2,303	2%	41	2%	57,125	3%	16,669	1%

Source: NABARD Annual Reports

### A1.2 Nine sample districts in four states

State	District	SHGs linked to banks by March 2000	Zone features
AP	East Godavari	8,778	Coastal - tribal
	Warangal	2,954	Telengana
	Chittoor	2,367	South
Karnataka	Mysore	1,100	South - plateau
	Gulbarga	293	North - dry
Orissa	Ganjam	709	Coastal
	Kalahandi	565	Hilly - tribal
Rajasthan	Udaipur	100	Semi-arid - tribal
	Alwar	85	Plains

### A1.3 SHPAs promoting sample SHGs in four states

	Total SHPAs	NGOs	Govt	Banks
Total	35	29	8	3
South	14	10	4	3
North	21	19	4	0
AP	7	5	3	1
Karnataka	7	5	1	2
Orissa	11	9	2	
Rajasthan	10	10	2	

## A1.4 List of SHPAs promoting sample SHGs in four states

State	District	SHPA category	Name	No. of sample SHGs	With federation or cluster association
AP	Warangal	NGO	PSS	5	Yes
		NGO	MARI	4	Yes
		NGO	LODI	5	Yes
		Govt	DRDA	6	Yes
				<b>20</b>	
	East Godavari	NGO	Pragathi	5	Yes
		Govt	DRDA	15	Yes
				<b>20</b>	
	Chittoor	NGO	Siri	4	Yes
		Govt	DRDA	10	Yes
Bank		Sri Venkateswara Grameen Bank	6	Yes	
			<b>20</b>		
Karnataka	Mysore	NGO	Myrada	12	Yes
		Bank	Cauvery Grameen Bank	13	No
				<b>25</b>	
	Gulbarga	NGO	BSRDS	1	No
		NGO	NCUI	7	No
		NGO	Parivarthana	2	No
		NGO	MYRADA	6	Yes
		Govt	Strishakti	3	No
		Bank	KGB	7	No
				<b>26</b>	
Orissa	Ganjam	NGO	GRAM VIKAS	9	No
		NGO	SWAD	8	No
		NGO	PREM	5	Yes
		NGO	St Vincent's	1	No
		Govt	BMASS (Federation)	6	Yes
				<b>29</b>	
	Kalahandi	NGO	FARR	7	Yes
		NGO	PARIVARTAN	5	Yes
		NGO	ANTODAYA	3	No
		NGO	GRAM VIKAS	2	No
		NGO	JAGRUTI	2	No
		Govt	ICDS	2	No
				<b>21</b>	
	Rajasthan	Udaipur	NGO	SEVA MANDIR	6
NGO			HVVS	5	Yes
NGO			GMKS	4	No
NGO			PRAYATNA	4	No
NGO			SAHYOG	4	No
NGO			BAIF	2	No
NGO			VIKAS SANSTHAN	1	No
Govt			ICDS	6	Yes
				<b>32</b>	
Alwar		NGO	PRADAN	7	Yes
		NGO	IBTADA	6	Yes
		NGO	SAKHI SAMITI	6	Yes
		Govt	ICDS	2	No
			<b>21</b>		

A1.5 Group discussions			
Study States	FGDs & wealth ranking - sample SHGs	Sample SHGs - total members	Broken groups
Total	214	2,968	30
South	111	1,454	8
North	103	1,514	20
AP	60	736	5
Karnataka	51	718	3
Rajasthan	53	807	11
Orissa	50	707	9

A1.6 Individual interviews						
States	SHPA field staff	Key informants	SHG members	Non-members	Dropouts	Women PRI members
Total	67	148	159	100	63	42
South	24	103	96	60	24	35
North	42	45	63	40	39	7
AP	11	56	72	30	13	19
Karnataka	13	47	24	30	11	16
Rajasthan	16	22	23	27	18	2
Orissa	26	23	40	13	21	5

## CHAPTER TWO

A2.1 Sample SHGs and members by time (in completed years)									
Years	Total		AP	Karnataka		Orissa		Rajasthan	
	SHGs	Members	SHGs	SHGs	Members	SHGs	Members	SHGs	Members
1	8	111	5	3	41				
2	6	79				5	67	1	12
3	7	75	1	1	11	3	39	2	25
4	33	491	1	9	129	12	171	11	180
5	57	789	18	17	253	14	213	8	108
6	33	441	14	5	76	5	83	9	127
7	28	390	13	7	99	4	54	4	54
8	17	224	5	3	38	4	50	5	80
9	4	48	1	1	7	1	10	1	17
10	9	125	2	2	24	2	20	3	56
11	3	48		2	30			1	18
12	7	107		1	10			6	97
13	1	17						1	17
17	1	16						1	16
Total	214	2,961	60	51	718	50	707	53	807

For SHGs, time refers to number of years since formation of the group (i.e. started saving regularly). For members, time refers to number of years a member (some members join after group formation)



## A2.2 Number of external borrowings by time since group formation

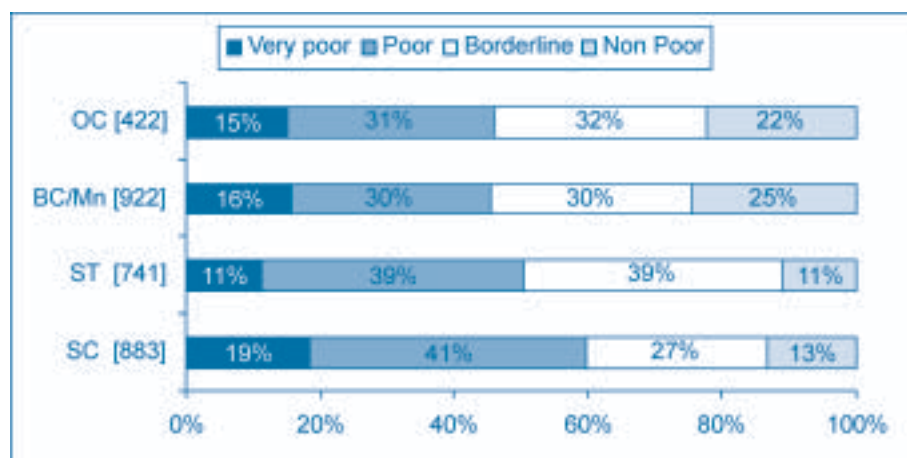
Number of external borrowings	Time since SHG formed		
	<3 years	4-5 years	6+ years
N	21	90	103
None	19%	8%	13%
1	33%	17%	17%
2 to 3	48%	61%	55%
>3		14%	16%

## A2.3 Interest paid by SHG members

Interest	Total	AP	Karn	Orissa	Raj	NGO	Govt	Bank
N	214	60	51	50	53	137	49	28
10-18 %	17%	8%	14%	22%	25%	18%	11%	21%
24%	68%	90%	41%	63%	75%	67%	85%	46%
36%	14%	2%	43%	13%		14%	4%	29%
60%	1%		2%	2%		1%		4%

## CHAPTER THREE

## A3.1 Wealth ranks within caste



## A 3.2 Main activity of SHG members by State

	A P	Karnataka	Orissa	Rajasthan
100%	100%	100%	100%	
Casual labour	22%	45%	45%	39%
Own agriculture (including fishing)	37%	32%	20%	27%
Runs own non farm enterprise	17%	13%	14%	2%
Contributes to non farm enterprise of the family	9%	3%	13%	1%
Animal husbandry <sup>a</sup>	5%	5%		13%
Domestic/house work	9%	1%	6%	16%
Salaried (e.g. anganwadi teacher, cook)	1%	2%	1%	3%

Note: 'Main' activity refers to what women reported they mostly spent their time in, over the year

<sup>a</sup> Few women report animal husbandry as their main activity. This may appear surprising in the context of SHG credit often being disbursed for animals. However, care of animals is usually a supplementary, part-time activity, often shared by different members of the family, including children. This would represent a 'secondary' activity.

### A3.3 Family linkages within SHGs by main caste of group

	SC	ST	BC+MN	OC	Mixed
N SHGs	60	49	65	29	11
% with all members from different families	53%	41%	58%	52%	73%
% with family relationships:					
less than half are related	30%	35%	31%	28%	18%
more than half are related	17%	24%	11%	21%	9%

## CHAPTER FOUR

### A4.1 SHG outreach to village households - excluding villages of >500 households

	Overall	AP	Kar	Orissa	Raj
No. of sample villages	71	20	4	23	24
Number of HHs in sample villages	13,617	4,208	1,116	3,370	4,923
No. of active SHGs	507	211	55	135	106
Approx. total membership of SHGs <sup>a</sup>	6,752	2,574	776	1,823	1,579
SHG membership/No. of HHs i	50%	61%	69%	54%	32%

<sup>a</sup> Based on average membership from study sample

### A4.2 Outreach of SHGs within caste of sample villages (north)

	Overall North	Orissa	Rajasthan
N sample villages	54	25	29
Approx. total membership of SHGs in sample villages <sup>a</sup>	4,078	2,066	2,012
Proportion of total village HHs covered by SHGs	27%	35%	21%
Proportion of total ST HHs covered	35%	77%	25%
Proportion of total SC HHs covered	32%	43%	20%
Proportion of total MN HHs covered	22%	-	22%
Proportion of total BC HHs covered	19%	20%	17%
Proportion of total OC HHs covered	28%	35%	21%

<sup>a</sup> Based on average membership from study sample

## CHAPTER FIVE

A5.1 Reasons for dropout by wealth rank					
	Total	VP	P	BL	NP
N	271	57	95	78	41
<b>Migration/death/illness</b>	<b>40%</b>	<b>49%</b>	<b>43%</b>	<b>36%</b>	<b>27%</b>
Left the village	31%	44%	29%	27%	22%
Death/Illness	9%	5%	14%	9%	5%
<b>Financial</b>	<b>27%</b>	<b>35%</b>	<b>32%</b>	<b>21%</b>	<b>15%</b>
Unable to save	18%	21%	26%	12%	5%
Unable to make regular repayments	9%	14%	5%	9%	10%
<b>Group norms- disagreement/conflict</b>	<b>21%</b>	<b>7%</b>	<b>15%</b>	<b>27%</b>	<b>44%</b>
Disagreement with group norms	6%		4%	8%	12%
Group conflicts	11%	5%	6%	12%	29%
Dual membership	4%	2%	4%	8%	2%
<b>Family constraints/pressure</b>	<b>10%</b>	<b>7%</b>	<b>9%</b>	<b>14%</b>	<b>10%</b>
No time for meetings	7%	5%	6%	8%	10%
Family pressure	3%	2%	3%	6%	
<b>Did not receive loan/subsidy/not useful</b>	<b>2%</b>	<b>2%</b>	<b>1%</b>	<b>3%</b>	<b>5%</b>

Source: FGDs - SHG

A 5.2 Drop-outs in default									
Dropouts	Total	A P	Kar	Or	Raj	NGO	Govt	Bank	
n - data available	284	55	82	72	75	196	30	58	
Number in default	25	3	7	10	5	18	4	3	
%	8.8%	5.5%	8.5%	13.9%	6.7%	9.2%	13.3%	5.2%	
			Very Poor	Poor	Borderline	Non Poor			
n - data available				54	89	71	27		
Number in default				7	9	7	1		
%				13.0%	10.1%	9.9%	3.7%		

Source: FGDs, and where available: drop-out interviews, group records

A5.3 Settlement to dropouts by years as SHG member				
Settlement	Overall ≤ 1 year	Years of membership		
		2 to 4 years	5+ years	
N	259	39	145	75
Savings + interest/profit	29%	64%	27%	15%
Savings only	59%	28%	63%	67%
Nothing	12%	8%	10%	19%

Source: FGDs, and where available: drop-out interviews, group records

## CHAPTER SIX

A6.1 Socio-economic characteristics of elected women representatives - by their level of engagement		
	Level of engagement	
	Low	Moderate/active
n SHG women elected to <i>panchayat</i> position	19	25
<b>By position in SHG</b>		
Leaders	42%	52%
Members	58%	48%
<b>By wealth rank</b>		
Very Poor	11%	4%
Poor	26%	16%
Borderline	21%	40%
Non Poor	42%	40%
<b>By caste</b>		
SC	21%	36%
ST	47%	20%
Minority	5%	8%
BC	11%	28%
OC	16%	8%
<b>By level of schooling</b>		
Illiterate	53%	44%
Neoliterate	21%	4%
Less than 5		20%
Primary	16%	20%
Secondary	11%	12%

## CHAPTER EIGHT

A 8.1 SHGs reporting action on issues of social justice									
By State	Total	AP	Kar	Or	Raj	NGO	Govt	Bank	
N - sample SHGs	214	60	51	50	53	137	49	28	
No of groups reporting such actions	26	15		5	6	15	9	2	
%	12%	25%	-	10%	11%	11%	18%	7%	
Reporting: one such action	5%	13%		6%	-	4%	10%	-	
more than one such action	7%	12%		4%	11%	7%	8%	7%	

Although no actions were reported by the study SHGs in Karnataka, stories that emerged about other SHGs in the sample villages were followed up and are included among the case studies

	By caste <sup>a</sup>				By wealth rank		
	SC	ST	BC+MN	OC	VP+P	BL+NP	Mixed
N - sample SHGs	60	49	65	29	103	86	25
% reporting such actions	3%	6%	17%	28%	6%	15%	28%

<sup>a</sup> Of the 11 mixed caste groups, 2 reported such action ('18%' though the n is very small)

## CHAPTER NINE

## A 9.1 Groups and group based enterprises/contracts (number of sample SHGs)

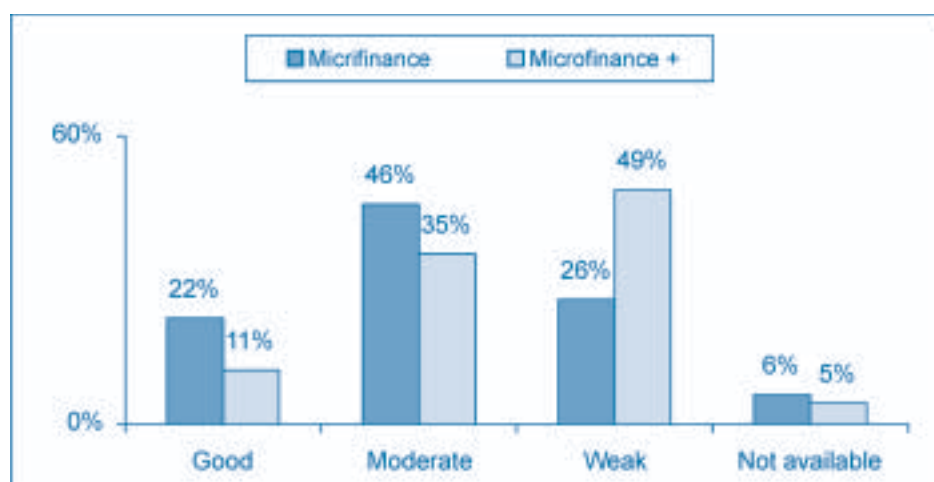
Type of enterprise/contract	Total	South	North	AP	Kar	Or	Raj	NGO	Govt	Bank
<b>Groups reporting</b>	46	20	26	12	8	14	12	34	8	4
<b>Group enterprises/contracts</b>										
Milk collection centres	12	4	8		4		8	12		
Lease for cultivation - land, pond	7	2	5	1	1	5		7		
Other (stone-cutting, food processing, tent house)	11	5	6	4	1	5	1	10	1	
	30	11	19	5	6	10	9	29	1	
<b>Government linked contracts</b>										
PDS	9	5	4	3	2	4		5	2	2
Mid day meal	4	4		4					2	2
Fodder depot	3		3				3		3	
	16	9	7	7	2	4	3	5	7	4

## CHAPTER TEN

## A10.1 Record quality of SHGs with external borrowing outstanding

Quality of group records	Overall	AP	Kar	Or	Raj	NGO	Govt	Bank
n	131	40	31	38	22	83	27	21
Good	15%	13%	13%	13%	27%	20%	7%	5%
Moderate	40%	30%	42%	53%	36%	41%	30%	52%
Weak	43%	58%	45%	32%	32%	37%	59%	43%
Not available	2%			3%	5%	1%	4%	

## A 10.2 Quality of records by type of SHPA inputs



## A 10.3 Quality of records by distance of SHG from highway

Quality	Overall	Distance of SHG from highway		
		Low (0-3 Kms)	Medium (4-8 Kms)	High (>8 Kms)
N	214	109	39	66
Good	15%	20%	8%	12%
Moderate	39%	44%	46%	27%
Weak	40%	32%	36%	56%
Not available	5%	4%	10%	5%

## CHAPTER ELEVEN

A 11.1 Members, leaders and non-borrowers				
	A P	Karn	Orissa	Raj
<b>Sample</b>				
Members	736	718	707	807
Leaders	120	103	120	127
Leaders/total members	16%	14%	17%	16%
<b>% non-borrowers</b>				
All members (including leaders)	4%	7%	7%	9%
Leaders	2%	3%	1%	6%

## CHAPTER THIRTEEN

A 13.1 Balance sheet data for SHGs with usable balance sheets								
	Overall	A P	Kar	Orissa	Raj	NGO	Govt	Bank
N sample SHGs	214	60	51	53	50	137	49	28
n - balance sheets with no/low suspense amount <sup>a</sup>	150	48	45	30	27	92	35	3
number with no current year profit	44	16	21	6	1	24	8	12
number with a current year's profit	106	32	24	24	26	68	27	11
For those SHGs with a current year profit:								
total savings (million Rs)	3.35	0.95	0.91	0.47	1.02	2.22	0.81	0.32
total accumulated profit (million Rs)	1.94	0.52	0.28	0.13	1.01	1.57	0.20	0.18
total current year's profit (million Rs)	0.58	0.18	0.18	0.03	0.18	0.36	0.16	0.07
total assets (million Rs)	8.97	3.00	2.54	1.07	2.37	6.03	1.99	0.95
total loans outstanding with members (million Rs)	6.77	2.59	1.75	0.76	1.67	4.43	1.54	0.80
loans outstanding with non-members (million Rs)	0.18	-	0.18	-	-	0.14	-	0.04

<sup>a</sup> Suspense amount of <Rs1,500 or <5% of an SHG's assets

A 13.2 Comparison of SHGs having different levels of profitability				
	Overall	SHGs by return on internal capital		
		nil	<6%	>6%
n- with usable balance sheets	150	44	40	66
averages:				
age of group (years)	5.7	5.6	5.7	5.8
number of external loans obtained	2.3	2.1	2.5	2.3
external loan outstanding	34,036	41,436	34,348	28,912
loans outstanding to members	74,368	90,191	56,257	74,750
Assets	90,696	105,239	70,930	92,981
Savings	32,944	36,270	30,772	32,044
interest rate charged to members	20.70%	24.5%	18.7%	19.4%
% with PAR =/>360 days	35.50%	48.7%	31.5%	28.5%

A13.3 'Portfolio at risk' at 360 days						
	Overall	A P	Karnataka	Orissa	Rajasthan	
N - SHGs with portfolio data		155	47	46	37	25
Total portfolio outstanding (million Rs)		10.46	3.0	4.5	0.96	1.60
With PAR =/>360 days	number	70	31	21	15	3
	% SHGs	45%	66%	46%	41%	12%
	%PAR	17%	35%	12%	9%	2%
	average (Rs)/SHG at risk	24,200	34,300	24,700	5,400	11,400

A 13.4 'Portfolio at risk' in the southern sample by SHPA				
		NGO	Govt	Bank
n - portfolio information available		42	27	24
Total outstanding portfolio (million Rs)		4.0	1.9	2.0
<b>With PAR at 360 days</b>				
% SHGs		64%	52%	46%
% of these SHGs with o/s ext borrowings		57%	67%	80%
Average PAR	- %	47%	56%	22%
	Average amount	26,600	46,800	18,800





# Glossary

Absolute wealth rank	Well-being ranking of a household that can be compared across different villages and regions, adjusted from local participatory wealth ranking and linked to national poverty line
<i>Adivasi</i>	Scheduled Tribes, literally meaning 'indigenous people' or 'original inhabitants'
<i>Anganwadi</i> worker	Woman employed in the Government's Integrated Child Development Scheme. She is trained in various aspects of health, nutrition and child development and is responsible for child health check-ups, immunization, health education and non-formal pre-school education in her village. [ <i>Anganwadi</i> means courtyard].
<i>Dharna</i>	Mobilisation of people in protest
Dropout	Someone who has formally left the SHG or has become inactive (does not deposit savings) for 6 months
<i>Gram</i>	Village (as in <i>gram panchayat</i> )
<i>Indira Awas Yojana</i>	Government housing scheme
<i>Mandal</i>	District (in AP)
Panchayat	Traditionally a body of five elders (panch means five) who were responsible for all village decisions. Now a village council of elected members headed by a <i>Sarpanch</i> . The lowest tier of local government.
<i>Panchayati Raj</i>	Decentralised system of Government with elected representatives at the level of the village (or village cluster) block and district. Established through legislation in each state.
Public Distribution System (PDS)	Central government scheme to provide basic commodities through 'fair price shops' to the poor.
<i>Patwari</i>	Official responsible for land records

<i>Sabha/Sammelan</i>	Large meeting or association of people
<i>Samiti</i>	Committee (for a specific cause)
<i>Sarpanch</i>	Head of the village <i>panchayat</i>
<i>Velugu</i>	A programme of the state government of Andhra Pradesh, supported by the World Bank. The project works towards empowering the poor to overcome all social, economic, cultural and psychological barriers through self managed institutions of the poor. 'Velugu' means light in Telugu).
Women Headed Household	A household in which a woman is the main earner - usually a widow, or separated from her husband

# References

## 1 Study design: objectives and methodology

<sup>1</sup> Including sometimes individuals ('social entrepreneurs') or SHG leaders

<sup>2</sup> APMAS, 2003 and 2004

<sup>3</sup> It is not a study of 'impact' for members of SHGs

<sup>4</sup> Sinha, F. (2004) discusses the methodology developed in EDA's baseline study of the National MicroFinance Support Programme implemented by SIDBI, supported by DFID and IFAD. EDA, (2005)

<sup>5</sup> SGSY refers to Swarnajayanti Gram Swarajgar Yojana, a Central Government programme under which SHGs can access substantial credit amounts with a subsidy component. Both factors (the scale of the credit and the subsidy) affect the microfinance and group dynamics; hence the intention to exclude SGSY groups from this study.

<sup>6</sup> Statistical Package for the Social Sciences

## 2 SHG sample profile: villages, SHGs, SHPAs

<sup>1</sup> Federations are briefly described in the next section. There are also NGO intermediaries functioning as Micro Finance Institutions (MFIs) to provide credit to SHGs. None of the NGO SHPAs in this study was an MFI.

<sup>2</sup> Annex Table 2.2

<sup>3</sup> This State government programme is now renamed IKP or Indira Kranti Padham

## 3 SHG members

<sup>1</sup> Nanda, 2000

<sup>2</sup> The World Bank/NCAER Rural Finance Access Survey (2003), with a sample of 3,000 households in AP and UP, shows slightly higher access: 41% had a bank savings account, 21% had taken a bank loan.

<sup>3</sup> For the study States, the Planning Commission (2002) estimates are: AP 11%, Karnataka 17%, Orissa 49%, Rajasthan 27%, based on the national poverty line, adjusted to reflect the cost of living in different States. There is continuing debate around these 'head count' estimates. In AP, in particular, the official poverty ratio is likely to be an under-estimate (Deaton, 2003; SERP, 2003 following Deaton, estimated 55% of the rural population in AP in poverty). Whilst the poverty debate is likely to continue, the point remains that there are more excluded from the banking sector than there are poor (however defined), and expanding the outreach of financial services is therefore an opportunity for access by a wide cross-section of people.

<sup>4</sup> Greeley, 2005

<sup>5</sup> See footnote to Table 3.3

<sup>6</sup> Census of India 2001

<sup>7</sup> The All India figure for women headed households is 9.4%. A relatively higher incidence of such households in SHGs and other microfinance programmes reflects the opportunities provided through women-targeted programmes.

<sup>8</sup> The criterion applied here was family relationship, which does not necessarily imply being part of the same household (sharing the same kitchen)

#### **4 Who does not join?**

<sup>1</sup> Montgomery, 1996

<sup>2</sup> If we exclude 26 large study villages that have over 500 households, half of households in 71 villages have an SHG member, 54% or more households in AP, Karnataka and Orissa, one third in Rajasthan (**Annex 4.1**).

<sup>3</sup> Not undertaken in AP and Karnataka, where the number of SHGs in each village is much higher than the north (Table 2.2), and such an exercise would have taken a lot of time.

<sup>4</sup> Table 3.4

<sup>5</sup> We also found cases of the repayment periods for bank loans being stated as less than the stipulated period, i.e. 1 year, rather than 3.

#### **5 Drop outs**

<sup>1</sup> We have taken as dropouts women who have cut all links with the SHG. Where a woman has withdrawn from membership, but is replaced in the SHG by another woman from the same family, this was not treated as a case of 'drop out'.

<sup>2</sup> We came across just one example from the south - Jayalakshmi, in Box 5.2.

<sup>3</sup> They are included in the discussion of broken groups in Chapter 13.5

<sup>4</sup> We did not come across any 'positive reasons', for example graduation to mainstream banking, or, no further need of credit.

<sup>5</sup> APMAS, 2003

#### **6 SHGs and local politics**

<sup>1</sup> Deshmukh-Ranadive, 2003

<sup>2</sup> Research focusing on the political dimension of SHGs and their role in supporting women as effective members of PRIs, would include a comparison with PRI women members who are not part of SHGs. This was outside the terms of reference for this study.

<sup>3</sup> This seems to indicate a family that is highly politicised and astute: whichever party wins, their involvement is assured!

<sup>4</sup> Baviskar, 2003

<sup>5</sup> For example the rallies by women in AP in the early 1990s sparked off by the adult literacy programme and in Haryana too. Both states had periods of 'Prohibition' as a result, which were temporary.

<sup>6</sup> See Chapter 9, Box 9.4

<sup>7</sup> *Hust (2000)*

<sup>8</sup> *E.g. Bezboruah, 2003*

## 7 SHGs and social harmony

<sup>1</sup> *5% of SHGs have more of a balance of numbers between different castes.*

<sup>2</sup> *Between for example ST and SC as found in Orissa where SCs are more in the mainstream (Box 7.2)*

<sup>3</sup> *SC, BC, OC refer to broad caste groupings, within which there are numerous 'sub' categories, linked to traditional occupations and reflecting another set of hierarchies within caste.*

<sup>4</sup> *As reported in a detailed village study covering two villages in AP. Rao, S., 2005*

<sup>5</sup> *Rao, S asked her 62 respondents where they got the Rs30 they needed to deposit savings every month. 35% said from their own earnings, 56% said their husband/son or others in the family contributed (5% said mother/mother-in-law, 3% did not reply)*

## 8 SHGs and social justice

<sup>1</sup> *There were 20 actions reported by 26 SHGs, because some groups engaged together in these actions.*

## 10 Group records

<sup>1</sup> *This audit exercise took up to 2 hours for each SHG with records available*

<sup>2</sup> *See Chapter 12, Box 12.5*

## 11 Equity within groups

<sup>1</sup> *Group records for individual members do not distinguish between external borrowings (from bank, federation) and internal loans (from the group's own fund - of savings and accumulated profits). Accordingly, the data used in this section covers both.*

<sup>2</sup> *It became impractical in the south to collect data from the beginning of group formation, due to the huge amount of transactions involved, especially in very old groups.*

<sup>3</sup> *These are office bearers at any time during the existence of the group. In theory, leadership may be rotated among different members, but this is not usually the practice.*

<sup>4</sup> *Although other family members (a husband, son, daughter) are technically 'outside the group', they are not included here since members contribute their credit to the household pool (and would not charge interest to immediate family members).*

## 12 Defaults and recoveries

<sup>1</sup> *We do not here comments on specific types of repayment as 'good practice'. Rather the assumption is that, whatever the group has decided, that is the norm for the group.*

<sup>2</sup> *This aspect requires further separate study. NABARD annual reports on SHG linkage state on-time repayments reported by banks on their SHG portfolio as over 95%. A recent study by GTZ/NABARD, based on information reported by nearly all the main banks in the country as of March 2005, gives on-time recovery of SHG loans as around 88%, with NPAs under the SHG portfolio reported to be 1.36% (GTZ, 2006). The bank-reported data requires further analysis in terms of the definition of NPA actually applied for different cycles of SHG loans, bearing in mind that after the first loan, the repayment term to the bank is 3-5 years.*

### 13 Group sustainability - financial value

<sup>1</sup> 38 SHGs had very substantial suspense accounts. On the liabilities side (averaging Rs90,000 for 10 SHGs in the southern sample; Rs9,000 for 5 SHGs in the northern sample) this could be accumulated profit (though unaccounted for) or accumulated debt. A suspense amount on the assets side (more noticeable in the northern sample, with an average Rs18,000 for 17 SHGs; Rs15,000 for 6 southern SHGs) could reflect various situations: loan disbursed but not entered in the loan ledger, cash lying with a member of the group or the SHPA staff and not deposited in the bank, even deposited in the bank but not updated in the group passbook, or given out as loans to non-members.

<sup>2</sup> Chapter 2, Table 2.5

<sup>3</sup> This may be due to more frequent visits for loans and loan repayments, and the practice observed of group members visiting the bank together.

<sup>4</sup> Karduck and Seibel, 2004

<sup>5</sup> Data in Annex 13.3

<sup>6</sup> Data in Annex 13.4. Data for the north mainly reflects NGO promoted groups.

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