

QUALITY AND SUSTAINABILITY OF SELF HELP GROUPS IN BIHAR AND ODISHA

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Acronyms

AGM	:	Assistant General Manager
ANM	:	Auxiliary Nurse Midwife
APL	:	Above Poverty Line
APMAS	:	Mahila Abhivruddhi Society, Andhra Pradesh
BC	:	Backward Classes
BDO	:	Block Development Officer
BISWA	:	Bharat Integrated Social Welfare Agency
BMSS	:	Bihar Mahila Samakhya
BPL	:	Below Poverty Line
BRLPS	:	Bihar Rural Livelihood Promotion Society
CBO	:	Community Based Organizations
CBRM	:	Community Based Recovery Mechanism
CCL	:	Cash Credit Limit
CENDERET	:	Centre for Development Research & Training
CIF	:	Community Investment Fund
CRI	:	Critical Rating Index
DDMs	:	District Development Managers
DFID	:	Department of International Development
DRDA	:	District Rural Development Agency
DWCRA	:	Development of Women and Children in Rural Areas
EU	:	European Union
FD	:	Fixed Deposit
FGD	:	Focus Group Discussion
GDS	:	Grameen Development Services
GP	:	Gram Panchayat
GVP	:	Gram Vikas Parishad
IFAD	:	International Fund for Agricultural Development
IGA	:	Income Generation Activity
IGSSS	:	Indo German Social Service Society
INGOs	:	International Non-Government Organisation
IRV	:	Individual Rural Volunteer
KYC	:	Know Your Customer
LPG	:	Liquefied Petroleum Gas
MASS	:	Manav Adhikar Seva Samiti
MCP	:	Micro Credit Plan
MEDP	:	Micro Enterprise Development Programme
MFI	:	Microfinance Institution
ML	:	Money Lender
MNSY	:	Mukhya Mantri Nari Shakti Yojana
NABARD	:	National Bank for Agriculture and Rural Development
NGO	:	Non Government Organisation

NIRDESH	:	National Institute for Rural Development, Education, Social Upliftment Health
NOC	:	No Objection Certificate
NPA	:	Non Performing Assets
NREGS	:	National Rural Employment Generation Scheme
NRLM	:	National Rural Livelihoods Mission
NTFP	:	Non Timber Forest Produce
O/S	:	Outstanding
OC	:	Open Category
OSHC	:	Odisha Self Help Cooperative
PACS	:	Poorest Area Civil Society
PDS	:	Public Distribution System
PHC	:	Primary Health Care
PRADAN	:	Professional Assistance for Development Action
PRI	:	Panchayati Raj Institution
R & P	:	Receipts & Payments
RBI	:	Reserve Bank of India
RF	:	Revolving Fund
RMK	:	Rashtriya Mahila Kosh
RR	:	Repayment Rate
RRB	:	Regional Rural Bank
SBLP	:	SHG Bank Linkage Program
SC	:	Scheduled Caste
SGSY	:	Swarnajayanti Gram Swarajgar Yojana
SHG	:	Self Help Group
SHPI	:	Self Help Promoting Institution
SRLM	:	State Rural Livelihood Mission
ST	:	Scheduled Tribe
TRIPTI	:	Targeted Rural Initiatives for Poverty Termination and Infrastructure
UNDP	:	United Nations Development Programme
WDC	:	Women Development Society
WFP	:	World Food Programme

Fact sheet

Particulars	Bihar	Odisha
A. Sample covered		
• Number of SHGs	144	144
• Number of villages	36	36
• Number of blocks	12	12
• Number of districts	4	4
B. Profile of SHGs		
• Promoter - Government (% of SHGs)	71	33
• Promoter - NGOs (% of SHGs)	29	44
• Promoter - Federation (% of SHGs)	0	6
• Self/community (% of SHGs)	0	17
• Avg. age of SHG (In years)	3.5	6.5
• Avg. size of SHG – At present (No. of members)	13	12
• Avg. size of SHG- At the beginning (No. of members)	13	13
• % of SHGs reported drop-outs	42	43
• Avg. distance to bank (in Kms)	5	8
• Avg. time taken to form into SHG(in months)	2.64	1.68
• Membership in federations (% of SHGs)	81	77
C. Profile of SHG members (% of members)		
• ST & SC members	26	37
• Illiterate members	55	37
• BPL category	63	49
• APL category	27	37
D. Savings –Average amount in Rs.		
• Savings at present- per member & month	41	70
• Savings in Federations- Per SHG & month	103	77
• Total/cumulative Savings per SHG	22,372	39,591
• Idle funds/Amount in SHG SB account	9,598	30,066
E. Meetings - During the last six months		
• Avg. percentage of meetings held	91	69
• Avg. member attendance in meetings	9	10
F. Book keeping & leadership (% of SHGs)		
• Pay honorarium to book writers	29	24
• Leadership rotation	3	37
G. Grading (% of SHGs)		
• A grade	56	24
• B grade	24	52
• C grade	20	24
H. Access to external funds (since inception)		
• SHGs accessed bank loan (% of SHGs)	51	49
• Avg. amount of bank loan per SHG (In Rs.)	58,958	1,84,030

Particulars	Bihar	Odisha
• SHGs accessed Revolving Fund (% of SHGs)	4	35
• Avg. amount of Revolving Fund per SHG (in Rs.)	10,000	14,360
• SHGs accessed SGSY loans (in %)	12	4
• Avg. amount of SGSY loan per SHG (in Rs.)	1,23,235	2,70,667
I. Current loans		
Internal/SHG funds		
• % of SHGs	88	40
• Avg. amount of loan outstanding (in Rs.)	22,521	34,278
• % of savings utilized for internal lending	88	36
Bank linkage		
• % of SHGs	35	24
• Average loan size (Rs. in lakhs)	0.56	1.25
• Average loan outstanding (in Rs.)	25,232	89,522
Federations		
• % of SHGs	38	15
• Average loan size (Rs. in lakhs)	0.51	1.92
• Average loan outstanding (in Rs.)	29,311	1,26,989
NGO-MFIs		
• % of SHGs	15	13
• Average loan size (Rs. in lakhs)	0.51	1.28
• Average loan outstanding (in Rs.)	22,521	38,040
J. Average Loan Repayment Rate (RR)		
• SHGs to banks (In %)	67	56
• SHGs to federations (In %)	68	76
K. Extent of default		
• Internal loan - % of SHGs	73	26
• Internal loan - Avg. amount of default	15,074	24,179
• Bank linkage - % of SHGs	72	29
• Bank linkage - Avg. amount of default in Rs.	20,238	55,719
• Federation - % of SHGs	61	10
• Federation- Avg. amount of default in Rs.	21,736	69,090
L. Impact of SHGs (% of SHGs)		
• Participation in Gram Sabhas	30	74
• SHGs addressing village issues	15	35
• Learning to sign	87	85
• Casting of own vote-decides solely	19	17
• SHG women contested to political office	8	8
• Work burden on women –increased	19	67
• Women taking up non-traditional works	13	31
• Husband sharing the household work	37	76

Executive Summary

The research study on quality and sustainability of SHGs in Bihar and Odisha is funded by mCID, NABARD, Mumbai. It is expected that these findings will enable to stakeholders, particularly the State Governments and the Banks, to focus on those areas that require improvement. Also these findings will be useful for policy advocacy to evolve the SHG movement in India as a sustainable system.

Based on the findings of the study, it can be concluded that the SHGs in Bihar are relatively younger, have a much stronger group dynamics and are increasingly becoming a part of the SHG federation system. However, the bank linkage is limited and there is a need for them to increase their savings to leverage larger bank loans. Government is the predominant promoter of the SHGs in the State of Bihar initially spearheaded by the WDC¹ and now scaled up by BRLPS-Jeevika². On the other hand, the SHG movement in Odisha has achieved significant scale and a much higher linkage banking due to the presence of a large number of NGO SHPIs and the proactive role played by Mission Shakti³ of Government of Odisha. Over a period of three years during 2010-13, the non-performing assets under SHG Bank linkage significantly increased in Odisha to 18% where as the NPA remained around 6% for bank linked Bihar SHGs. The transition from SGSY to NRLM, which took nearly three years, seem to have had contributed to increased NPA under SHG Bank linkage in both the states, may be more significantly to a much higher percentage of NPA in Odisha. Also, the SHGs in Odisha being relatively older had a higher NPA.

It is interesting to note that qualitatively the SHGs in Bihar are of higher quality (56% SHGs are A grade) as indicated by the grading of the sample SHGs as against Odisha having only 24% SHGs in A grade. Combined percentage of A & B grade SHGs (which are considered as functional SHGs) indicate that in Bihar the percentage is 80% and in Odisha it is 76% which is only a marginal difference. Many studies conducted on the quality of SHGs found that as the SHGs grow older, their quality deteriorates. In terms of Impact of SHGs, Odisha stands out as membership in SHGs seem to have ensured a much higher participation in Gram Sabhas and a significant improvement in change of gender roles as nearly 76% of Odisha SHGs reported their husbands sharing responsibilities for household work.

In both the States, NRLM has been initiated and now there is clarity of one agency being responsible for SHG movement. There is a definite need to get a handle on the NPA issue in Odisha by making the SHG federations at village and block level

¹ Women Development Corporation (WDC): is an autonomous corporation established by the Government of Bihar under the Ministry of Social Welfare to focus on various women development initiatives including the formation of women SHGs and SHG federations. WDC also focuses on social issues.

² Bihar Rural Livelihoods Promotion Society (BRLPS – also called Jeevika) is a society promoted by Government of Bihar to implement World Bank funded poverty reduction programme. BRLPS is now designated as the State Rural Livelihoods Mission (SRLM) under NRLM of Rural Development dept of Gol

³ Mission Shakti is a platform for the SHG movement in Odisha promoted by the State Government and has been in existence for almost 15 years spearheading the promotion of SHGs & their federations and establishing enabling policy environment for the SHG system to flourish.

responsible to ensure prompt repayment of bank loans and a much greater emphasis on the capacity building of members of SHGs and SHG federations. In Bihar the SHG movement is achieving scale through a systematic approach ensuring quality of the system and SHG federations taking responsibility for the sustainability of the SHGs. In Odisha, already significant scale has been achieved. The most urgent need is to focus on consolidating the efforts to improve the quality of the SHGs and strengthening the SHG federation system in line with the NRLM implementation strategy.

1 Context and objectives of the study

1.1 The SHG Bank Linkage Program (SBLP), which is India's own innovation, has proved to be one of the largest and most effective poverty alleviation and women's empowerment programs in the World. The SBLP had a modest beginning with 255 credit linked groups and a loan amount of Rs. 29 lakh in 1992-93. Since then, the program has grown exponentially. As on March 2013, about 44.5 lakh SHGs have loan outstanding with banks of Rs. 39,37,530 lakhs. In the process, SHGs emerged as a mass movement across the country and largest community based microfinance model in the world.

1.2 The broad objective of the present study is to understand the quality and sustainability of SHGs and the kind of impact in terms of social and economic empowerment.

The specific objectives are: i) to ascertain the quality of SHGs including SGSY groups promoted by various SHPIs and comparison thereof; ii) to assess SHGs' ability to effectively use their savings and access credit under the SHG bank linkage programme, repayment rate and default management; iii) to know the role of SHGs in helping entrepreneurial members to better manage risks, shocks, disasters and conflicts; iv) to evaluate factors preventing the SHGs to reach its optimum quality through understanding gaps; v) to assess the impact of SHGs, social and economic empowerment of women; and vi) to come up with recommendations to improve the quality, self-management and sustainability of SHGs and their federations.

1.3 To address the above objectives, the data was collected from 288 SHGs in 72 villages of 24 blocks of 8 districts of 2 states - Bihar (4 districts) and Odisha (4 districts). Besides, the study teams had interacted with 10 SHPIs and 24 Bank officials in both the states. Data collection tools were developed and fieldwork was carried out during November – December, 2013.

2 Outreach of SHG Movement in Bihar and Odisha

2.1 As per NABARD's data, as on 31st March 2013, about 2.71 lakh SHGs in Bihar and 5.23 lakh SHGs in Odisha have been savings linked to banks and about Rs.16,968 lakhs and Rs.41,828 lakhs of savings in the SB accounts of SHGs in Bihar and Odisha respectively. The average amount of funds in the SB accounts of SHGs in the sample states (Rs. 6,264 in Bihar and Rs.8,000 in Odisha) is lower than the national average of Rs.11,230.

- 2.2 As on March 2013, there are 185,309 (68%) SHGs in Bihar and 277,954 (53%) SHGs in Odisha have loan outstanding of Rs. 932 crores and Rs. 1,797 crores in Bihar and Odisha respectively. The average loan outstanding of the SHGs in the sample states is lower than the national average of Rs. 88,455.
- 2.3 The percentage of Non-Performing Assets (NPA) in the state of Bihar increased from 5% to 6% during 2010-13. In Odisha, there is an exponential growth in NPA during the period 2010-13, increased from 2.3% to 18.3%. It appears that the NPA has increased significantly in Odisha as the SHGs were older, bank loans were larger and there was no institutional support and monitoring for SHG system during the transitional period from SGSY to NRLM and Mission Shakti did not have the resources while TRIPTI was confined to only a few districts. Whereas in Bihar, the SHG movement is relatively new and WDC & BRLPS – Jeevika, both agencies of Government of Bihar, provided necessary support & monitoring to ensure lower NPA
- 2.4 In Bihar, there are 6,646 federations, of which 6,543 are primary federations and 103 are secondary federations. However, there are no tertiary federations. In Odisha there are 11,356 federations, of which 10,952 are primary, 364 are secondary and 40 are tertiary federations. Under Mission Shakti of Government of Odisha, formation of panchayat level and block level federations began almost eight years ago. As a result there are more federations in Odisha.
- 2.5 Government and the NGOs are the major promoters in the sample states. However, in Odisha only about a third of the SHGs were promoted by Government Agencies whereas in Bihar more than two-thirds of SHGs were promoted by Government (particularly Women Development Corporation and BRLPS – Jeevika). In case of SGSY groups, the government played an active role in promoting the groups. In Bihar, large number of SHGs is SGSY groups (56%); where as non-SGSY groups are more in Odisha (67%). However, most of the SHGs are women groups in both the sample states.

3 Profile of SHGs and SHG members

- 3.1 The government, NGOs, community and the federations are the SHG promoters in the states. However, Govt. is the major promoter of sample SHGs in Bihar whereas NGOs play a predominant role in Odisha. Homogeneity is found in majority of the SHGs as they were mostly formed on the basis of caste, neighbourhood and location. The social composition of SHGs reflects the general population of each of States; in Odisha there are more tribal SHGs as compared to Bihar. The profile of SHG members shows that majority of them are BCs (54%), literate (54%) and below poverty line category (56%)
- 3.2 The SHGs in Odisha are older (average age 6.5 yrs) when compared to Bihar (average age 3.5 years). The SHG movement began much earlier in the State of Odisha due to the presence of a large number of NGO SHPIs and the leadership role played by Mission Shakti. In Bihar, there were fewer NGO SHPIs engaged in SHG promotion. While WDC promoted SHGs over the past 8-10 years in Bihar, the scaling up of SHGs happened under the BRLPS-Jeevika

program, funded by the World Bank, only in the past 3-4 years. It is interesting to note that majority of SGSY groups are more than 5 years. The SHGs are moderate in size, mostly between 10 and 15 members.

- 3.3 Government SHPIs generally followed a target-oriented approach to the promotion of SHGs, resulting in sub-optimal quality. Though the Coop. Banks and the RRBs are located closer to SHGs, majority of the sample SHGs savings linked with commercial banks (65%). Large numbers of SHGs have membership in their primarily level federations as both the State governments, BRLPS in Bihar and Mission Shakthi in Odisha, are keen in promoting SHG federations for the sustainability of the SHGs.
- 3.4 The incidence of dropouts is a concern in the sample states. About 42% of the SHGs have reported a total of 299 dropouts. The age of the groups and the percentage of SHGs reported dropouts are positively correlated, the older the SHG, the larger the number of dropouts. Further, SHG credit linkages with banks increases the incidence of dropouts is low. Migration, old age, ill-health, group norms, small loan size & delay in getting credit linkage with bank are the multiple reasons for the withdrawal of membership. The groups have adopted a two pronged approach in replacing the dropouts and / or enrolling new members – dropouts replaced with other household members, and ii) admitted new members.

4 Performance of SHGs

- 4.1 Monthly savings are common among the sample SHGs (78%). However, some of the SHGs have the practice of weekly savings. Per member savings per month is higher in Odisha compared to Bihar as the SHGs in Odisha are older. There are two types of savings – compulsory and special. Some of the SHGs have promoted special savings for health. Besides, some SHGs have promoted savings with federations.

The average amount of savings is Rs. 55 per month & members. As on Aug 2013, average savings per SHG in Odisha is Rs.39,591 and in Bihar it is Rs.22,372, indicating that the SHGs in Odisha have almost double the amount of average savings compared to Bihar as the Odisha SHGs are older and have a higher average monthly savings per member. Many SHGs (51%) increased their monthly savings over a period of time primarily to get large volume of loan by increasing their group savings.

- 4.2 Monthly meetings are common. During the last six months, the SHGs in Bihar demonstrated a better performance as they had meetings more regularly and also the attendance is better compared to the SHGs in Odisha. The meeting agenda mostly confined to financial aspects such as collection of savings, loan installments and disbursement of loans; small number of SHGs reported about non-financial agenda.
- 4.3 Most of the SHGs are maintaining the set of books prescribed for SHGs. But the books are not up-to-date because of low capacity building training and handholding for the book writers and only a third of the SHGs pay honorarium

to the book writers. Rotation of leadership in SHGs is very low in Bihar (3%) when compared Odisha (37%)

- 4.4 The sample SHGs were graded as A, B & C by administering the Critical Rating Index (CRI) tool developed by NABARD. Majority of the groups are 'A' in Bihar and 'B' grade in Odisha, demonstrating that Bihar SHGs are of better quality compared to Odisha SHGs. There is a clear distinction in the grades of SHGs between states (Bihar: A-56%, B-24%, C-20%; Odisha: A-24%, B-52%, C-24%).

5 Credit Access, Utilization, Repayment & Default Management

- 5.1 All the sample SHGs have the practice of lending from group funds to their members. However, at present, about one-third of SHGs don't have any loan outstanding of group funds with their members as the i) banks not allowing withdrawals during loan period, ii) distribute group funds along with bank loan to provide large loans to members, iii) continuous deposition of savings to get large loan, iv) groups decided not lend internal funds to avoid default based on past experience.
- 5.2 The SHGs have mobilized large amount of savings from the members with an average of Rs. 30,860 per SHG, SHGs in Odisha have a much higher savings almost twice as much as what the average of savings is for Bihar SHGs. The major portion of the group funds are the savings of the members in SHGs. The majority of the funds are with the group members as loan outstanding (55%). Nevertheless, large amount of funds are in SHG SB accounts as idle funds (45%), Odisha SHGs seem to have a larger amount as idle funds on an average. Of the total loan outstanding with the members, major portion is of SHG funds (37%) and their federations (31%) followed by banks (33%).
- 5.3 Some of the SHGs (21%) have the practice of distribution of total or a portion of their savings/group funds. It is primarily due to poor SHG bank linkage programme, low volume of loan, repaying the savings of dropout members, yearly distribution of group funds in the absence of internal lending because of dynamics at group and bank levels.
- 5.4 Large amount of idle funds in SHG SB accounts with an average of Rs. 19,940 owing to get large volume of bank loan, banks not allowing to withdraw, avoid multiple loans and defaulting, no lending/ yearly distribution, distribution along with bank linkage loan etc.
- 5.5 The sample SHGs accessed grants and funds from multiple sources – DRDA, federations, banks and NGO-MFIs; but small percentage of SHGs accessed external credit agencies in both the states. About 30%, 26% and 14% of the sample SHGs have active loans with banks, federations and NGO-MFIs respectively.

The average loan size varies from source to source. The average loan size of banks is low (Rs. 84,889) when compared to federations (Rs. 90,538) and NGO-MFIs (Rs. 87,920). The average amount of loan outstanding by the SHGs is low to NGO MFIs with Rs. 27,355 when compared to federations (Rs. 56,589)

and banks (Rs. 51,704). It could be because of low loan term and better loan repayment rate to NGO-MFIs when compared to federations and banks. The average loan size of banks, federations and NGOs to SHGs is two to three times high in Odisha when compared to Bihar because of more number of old SHGs with repeat linkages in Odisha.

- 5.6 Low percentage of SHGs have loan outstanding with banks in both Bihar and Odisha. About one half of the sample SHGs accessed credit from banks; but another half of the sample SHGs accessed credit not even once. In addition, small percentage of SHGs accessed subsidy loans under SGSY programme (8%). Further, there is a difference between the states in the percentage of SHGs and the amount accessed from the banks. At present, only 30% of SHGs have loan outstanding or active loans with banks.
- 5.7 The majority of the SHGs that have loan outstanding with banks are discontented with the present SHG bank linkage loan in terms of loan size, time taken to get the loans and the number of visits to get the credit and the amount spent for it.
- 5.8 Loan repayment rate from SHGs to banks is a big concern. There is a moderate repayment rate from SHGs to banks (62%). But many SHGs (37%) have the repayment rate less than 50 percent. The loan repayment rate varies between states, grades of SHGs, type of banks, membership in federations, access to credit agencies, social categories of SHGs etc. The repayment rate from SHGs to Federations is good (70%) compared to banks. The repayment rate from SHGs to banks is high in Bihar with 67% as compared to Odisha (56%); where as the average repayment rate from SHGs to federations is high in Odisha with 76% as compared to Bihar (68%).
- 5.9 There is a high incidence of default of SHGs in case of loans from internal funds (58%) when compared to banks (54%) and federations (47%), and the amount also vary from source to source. The percentage of SHGs reported default of loans from SHG funds, banks and federations is 2-3 times high in Bihar when compared to Odisha.
- 5.10 The majority of SHGs (54%) have reported default with large amount of over dues, an average of Rs. 27,951 to bank. There is a significant difference between states in the percentage of SHGs reported default (72% in Bihar and 29% in Odisha). The average amount of over due is high in Odisha when compared to Bihar because of large volume of loans from banks, federations and NGOs.
- 5.11 A small percentage of the members of SHGs were enrolled with the insurance programmes such as AABY (2%) and JBY (8%) implemented by the state and central governments. Further, a good number of members of the SHGs are enrolled to the private insurance agencies. There is no AABY in Bihar; however, about 5% of the SHGs members covered under AABY in Odisha. Of the members enrolled with JBY, large number of members covered in Bihar when compared to Odisha because of more attention of BRLPS on risk mitigation and social security programmes

6 Factors preventing/affecting the SHG quality

- 6.1 Both the SHGs and the federations were formed on target oriented approach. The households also mostly formed into groups to access institutional credit and other government programmes channelled through SHGs. As a result there is a compromise in the process of forming the groups. Consequentially the awareness level of the members is low on the objective of SHGs, its functioning, roles & responsibilities of members and leaders, financial literacy etc. The kind of handholding support from the SHPIs to SHGs is minimal.
- 6.2 The SHG meetings are mostly confined to collection of savings, loan instalments and the disbursement of loans. Non-financial and social agenda is found only in some of the SHG meetings.
- 6.3 Leadership rotation in SHGs is minimal. The books of accounts are with the leaders and in many SHGs, the group leaders are the book writers. In many SHGs, the leaders are selected by the caste and Panchayat leaders and other dominant persons in the village. As a result, there is no transparency in accounts, access to books of accounts, loans are mostly to leaders. As a result, it is influencing the behaviour of the members and the groups.
- 6.4 The SHPIs conducted skilled based trainings to SHG members on various livelihood activities such as Agarbathi making, goat rearing, livestock rearing, paddy processing, piggery, SRI etc under MEDP, REDP and other programs. Though the members were trained on various skill building activities, the SHPIs have not taken up any follow up activities like financial support to procure assets, providing marketing facilities etc. Further, there is no handholding support from SHGs and SHPIs except credit. Most of the SHG women belong to backward communities and level of motivation towards various livelihood activities is less.
- 6.5 About one half of the sample SHGs accessed bank loans (Bihar 51% and Odisha -49%); however, small number of SHGs have active loans with banks (Bihar - 35% and Odisha - 24%) due to delay in getting credit linkages with banks including repeat linkages. As a result, majority of the SHGs are outside the SHG bank credit linkage programme and poor functioning of SHGs – irregular savings, meetings, member attendance, no up-dation of books etc.
- 6.6 On an average the SHGs have a total savings of Rs. 30,860. The amount of savings is high in Odisha with Rs. 39,591 as compared to Bihar (Rs. 22,372) Further, on an average the SHGs have a total of Rs. 19, 940 as idle funds in their SB accounts because of varied reasons. It is more than three times in Odisha (Rs. 30,066) when compared to Bihar (Rs. 9,598).

About 35% of SHGs have the total savings of Rs. 4.63 lakhs with an average of Rs. 4,538 with their federations. The average amount of SHG savings is more than double in Odisha with Rs. 5,386 when compared to Bihar (Rs. 2,502). There are 8% of SHGs have paid share capital of Rs. 36,540 with an average of Rs. 1,661 to their federations.

About 19% of SHGs have got revolving fund, an average of Rs. 13,893 per SHG. The percentage of SHGs got RF is very high in Odisha with 35% as compared to Bihar (4%). It shows that the SHGs and federation have inadequate funds to cater the credit needs of their members. During FGDs, the groups also mentioned about the inadequate funds in their SHGs and federations for low lending operations.

- 6.7 It was noticed that many bank branch managers have low understanding on the bank linkage programme. Many of them are unaware of the SHG grading and hence sanctioning the loans based on the 'head count' for the initial linkages while for later linkages, they sanction the loans based on the repayment track record. Both the SHGs and the bankers are unaware of the 'cash credit limit' policy.
- 6.8 The NABARD has provided financial support to the SHPIs for the promotion of SHGs and federations for limited period. During this period, the SHPIs have involved and formed the SHGs. There is no further follow up for strengthening of SHGs to emerge as member owned, managed and controlled agencies.
- 6.9 The socio economic factors like frequent migration to the nearby towns and low literacy levels of the members are also the preventing factors for the quality of the groups.
- 6.10 Due to availability of loans from MFIs without any meetings and other norms from SHGs, the members are ignoring the SHG meetings. So, the MFI activities are contributing to deteriorating the quality of SHGs.
- 6.11 Though SHG federations are meant for providing multiple services such as financial, non-financial, social and development services, they are limited to low financial services that to credit services due to scarcity of funds. Small percentage of SHGs received support from the promoters and federations in grading of SHGs, auditing of SHGs, insurance services, preparation of credit plans, credit linkages with banks, getting linkages with govt. programmes, marketing etc.

7 Impact of SHGs

- 7.1 The impact of SHGs is visible at various levels such as groups, institutional, village, household and individual assets creation. The majority of SHGs reported significant increase in credit sources, group corpus, cooperation among the members etc. The impact is significantly higher in Odisha as the SHGs there are much older and the SHG movement has achieved significant scale in that state.
- 7.2 The impact of SHGs is high in Odisha when compared to Bihar in building cooperation among the group members (85% / 80%), group respect in bank (59% / 51%), and increase in group corpus (84% / 79%); where as the impact on adherence to group norms is high in Bihar (75%) when compared to Odisha (65%). It is because of comparatively more number of old and new SHGs in Odisha and Bihar respectively.

- 7.3 The linkages between SHGs and the institutions at village level have been increased moderately. The percentage of SHGs reported the increase of SHG members' participation in Gram Sabhas is more than double in Odisha (72%) when compared to Bihar (32%); however there is no much difference between Bihar (42%) and Odisha (44%) in attending GP meetings. But the participation of SHGs in national festivals is more than double in Bihar (58%) when compared to Odisha (23%). The percentage of SHGs addressed village issues is high in Odisha with 35% when compared to Bihar (15%).
- 7.4 At the household level many changes have been taken place - number of credit sources has increased after joining SHGs and the dependency on the money lenders have decreased. As a result, the habit of savings (93%), health status (77%) and educational levels (72%) of the household members has also increased. Some of the members have procured productive assets like cows, sheep/goat (10%) etc., and permanent assets like house and land. Besides, a good number of SHG members purchased mobile phones and televisions.
- 7.5 There are changes in the interpersonal relations between SHG women and the other household members. The household members of the SHGs are cooperative towards the women in attending the group meetings (96%), paying the loan installment (81%) and to work outside the village (55%). The majority of them have equal access to family income, decision making and control over resources.

8 Conclusions & Recommendations:

Study on quality and sustainability of SHGs in the states of Bihar and Odisha has several useful findings. An attempt is made to draw certain conclusions and to make specific recommendations to make the SHG movement strong, vibrant and sustainable in the States of Bihar and Odisha:

- Based on the sample study, it can be concluded that the SHGs in Bihar are of better quality as 56% of them are A grade groups and another 24% are B grade SHGs. On the other hand only 26% of the SHGs in Odisha are A grade and 52% of SHGs are B grade. With regard to access to bank linkage and impact, the SHGs in Odisha seems to have fared better as compared to Bihar SHGs. Some of the major reasons for these significant differences between Odisha and Bihar are: 1) SHGs in Odisha are older and limited investments have been made in the capacity building of the SHGs and SHG federations as there was limited external funding from agencies like DFID and the World Bank which was confined to select districts of the States; 2) following the mission mode, Government of Odisha under the umbrella of Mission Shakti facilitated the formation of a large number of SHGs and their federations in the state moving towards saturation; 3) In Bihar the SHG movement has not achieved significant scale and in the past couple of years BRLPS-Jeevika is moving towards universalizing the SHG system in Bihar with support from the World Bank and NRLM; 4) SHG Bank linkage achieved significant scale in Odisha in spite of the quality of SHGs being moderate and it is still to gain full

momentum in Bihar as it evident from the NABARD data; 5) Significant capacity building investments have been made in Bihar at the SHG level focusing on member education and building SHG federations through a bottom up approach, where as in Odisha the capacity building efforts at the SHG level have been limited; and 6) transition from SGSY to NRLM over a prolonged period resulted in a higher NPA in Odisha compared to much lower NPA of SHG Bank linkage in Bihar.

- It is significant to note that in Odisha the women membership in SHG contributed to their increased participation in Gram Sabhas and their spouses taking much greater responsibility for household chores
- It is interesting to note that Odisha women reported a significant increase in their burden after having taken SHG membership, availed loans and their utilization for appropriate purposes.

Based on the data from both quantitative and qualitative study, the following specific recommendations can be made:

- Odisha SHG movement achieved significant scale. However there are issues of quality, repayment of bank loans and effective functioning of the SHG federation system. State Rural Livelihood Mission has to focus on consolidation of the movement before scaling up.
- In the state of Odisha, strengthening the SHGs that have already been formed must be the most important priority. As the NPA reached an unacceptable 18% in the SHG Bank linkage program, a serious effort is needed to ensure that all SHGs that have borrowed from Bank repay their loans. If the defaulting SHGs do not repay their loans to the banks, these banks will not give loans to any other eligible SHG in that village which has a defaulting SHG. In addition to capacity building, the certain innovations like “bank mitra / saathi” need to be introduced.
- While the SHG federations in the form of Panchayat Level Federations (PLFs) and Block Level Federations (BLFs) exist in Odisha, the PLFs are very weak and do not have role clarity and resource to support member SHGs. Reorganizing these PLFs into Village Organizations (VOs) and strengthening them must be taken up on a priority basis.
- NRLM has been strongly advocating for “**pancha sutras**” to ensure that all the existing SHGs follow the best practices. Mission Shakti and SRLM in Odisha need to work towards supporting the existing SHGs to become stronger, follow pancha sutra and become NRLM compliant.
- Bihar seems to be following a systematic approach to SHG promotion and facilitation of SHG Bank linkage. Care must be taken to ensure that during the scale up period this approach is not given up. While scaling up to saturate is important, for sustainability ensuring quality in the promotional process is equally important and BRLPS-Jeevika will have to follow non-negotiables.

- In both Odisha and Bihar, concrete efforts are required to optimally utilize funds, both own funds and bank loans. The idle funds are unacceptably high in both the states. Bankers need to be sensitized to allow SHGs to withdraw their own funds and lend to members to meet their needs. Specific focus on financial literacy and increased savings is required at the SHG level. It ought to be done in a campaign mode.
- One of the important indicators of good quality SHGs and SHG federations is the accounting, bookkeeping and financial management at each level. As majority of the SHG book writers are not paid and not trained, a system of high quality training and payment of reasonable honorarium to the SHG book keeper must be facilitated and instituted.
- In both the states, need to build social capital in the form of SHG trainers, book keepers, SHG auditors, raters, livelihood support works, bank mitras, bima mitras, etc.
- Both the state governments can organize state level workshops to discuss the findings and recommendations of this study and develop detailed action plan to further strengthen the movement.

1.1 Context

India's Self Help Group (SHG) movement has emerged as the world's largest and most successful network of Community Based Organizations (CBOs). It is predominantly a women's movement. As some experts have pointed out, it is a development innovation in its own right. The SHG Bank Linkage Program (SBLP), which is India's own innovation, has proved to be one of the most effective poverty alleviation and women's empowerment programs. The SBLP had a modest beginning with 255 credit linked groups and a loan amount of Rs. 29 lakh in 1992-93. Since then, the program has grown exponentially. In the process, SHGs emerged as a mass movement across the country and largest community based microfinance model in the world. As per NABARD's microfinance report, as on March 2013, about 73 lakh SHGs have savings accounts in banks, with an aggregate bank balance of Rs. 6,551 crores. Over 44.54 lakh SHGs have loan accounts with total loan outstanding of Rs. 39,37,530 lakhs. However, there remain regional disparities in the growth of the SHG movement, with limited progress in eastern and western regions. The NABARD has identified 13 states as Priority States including Bihar and Odisha.

1.2 Present study

Of the total 13 priority states, NABARD is decided to conduct a study on quality and sustainability of SHGs in Bihar and Odisha states and assigned task to APMAS to conduct a study.

The APMAS has undertaken study in Bihar and Odisha states with the following objectives.

- To ascertain the quality of SHGs including SGSY groups promoted by various SHPIs and comparison thereof;
- To assess SHGs' ability to effectively use their savings and access credit under the SHG bank linkage programme, repayment rate and default management;
- To know the role SHGs in helping entrepreneurial members to better manage risks, shocks, disasters and conflicts;
- To evaluate factors preventing the SHGs to reach its optimum quality through understanding gaps in a) role of SHPIs, b) SHG leaders, c) capacity building support, d) support from financial institutions, e) policy support and other externalities, f) socio-economic factors, g) lack of income generating avenues, h) adequacy of hand holding support etc
- To assess the impact of SHGs, social and economic empowerment of women; and
- To come up with recommendations to improve the quality & sustainability of SHGs and their federations

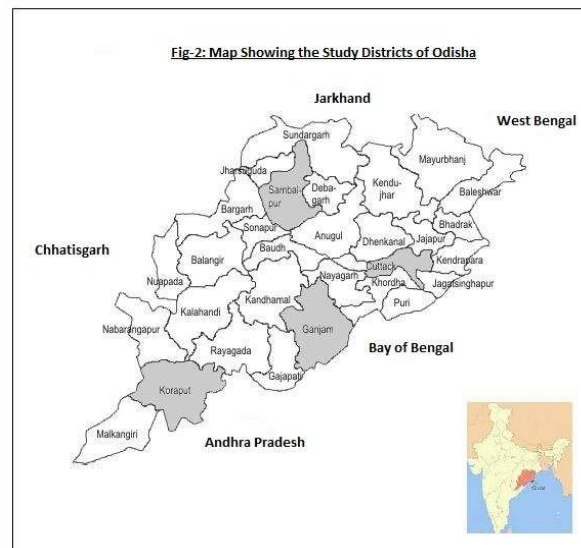
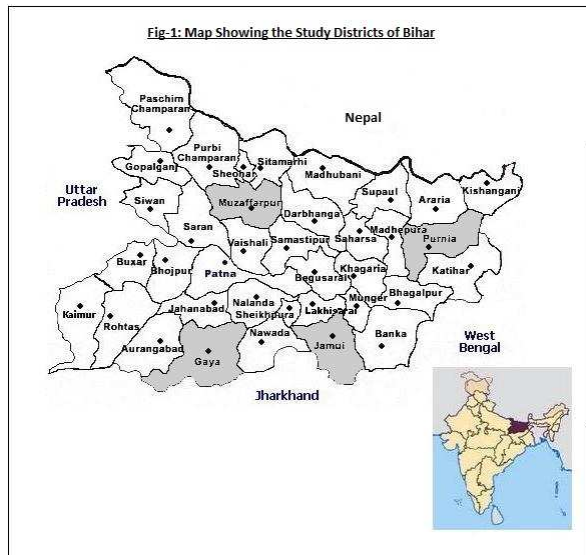
1.3 Research methodology

Sampling design: The study has been conducted by APMAS on quality and sustainability of SHGs in Bihar and Odisha states with common methodology and research tools. The sample size and selection criteria, the sample categories, size and selection criteria used in the study are given below

<u>Units</u>	<u>Number</u>	<u>Selection Criteria</u>
1. States	2	<ul style="list-style-type: none"> • Bihar and Odisha states were identified by the NABARD out of 13 priority states in India based on backwardness and quality of CBOs
2. Districts	8 (2 x 4)	<ul style="list-style-type: none"> • Four districts in each states • No. of SHGs in the district • Geographical and social variations • Presence of special projects related to SHGs • Presence of major promoting agencies
3. Blocks	24 (8 x 3)	<ul style="list-style-type: none"> • 12 blocks in each states • Three blocks in each district • No. of SHGs in the block • Economic development and / or distance from district head quarters • Geographical and social variations • Presence of special projects related to SHGs • Presence of different promoting agencies
4. Villages	96 (24 x 4)	<ul style="list-style-type: none"> • Two villages in a block • One village, where bank branch is located; one close to road; and another remote village from the branch. • Additional criteria for selection of remote village is the presence of different types of promoting agencies
5. SHGs	288 (96 x 3)	<ul style="list-style-type: none"> • Three SHGs in a village • Different SHGs – age, social category, promoters • Purposive and random sampling.
6. District level officials	24 (2 x 12)	<ul style="list-style-type: none"> • 8 AGM/DDMs, NABARD • 8 Lead Bank District Managers • 8 DRDA Project Directors / officers
7. Block level officials	20 2 x 10	<ul style="list-style-type: none"> • 10 Block level DRDA officials • 10 Bank Branch Managers
8. Federations	8 (2 x 4)	<ul style="list-style-type: none"> • Four Federations in each state • But collected information from 11 federations • 3 federations from Bihar and 8 federations from Odisha

- | | | |
|----------------|---------------|---|
| 9. SHPIs /NGOs | 10
(2 x 5) | <ul style="list-style-type: none"> • Five SHPIs / NGOs in each state • NGOs involved in the promotion of SHGs |
|----------------|---------------|---|

Totally, 288 SHGs were studied from 96 villages in 24 blocks of 8 districts in 2 states (See maps showing the study districts in Bihar and Odisha). In addition to SHGs, 8 federations promoted by different SHPIs, 10 SHPIs were studied. Besides, about 24 interviews with the banks officials and 20 interviews with block level officials.



Data collection tools: Data was gathered from both primary and secondary sources. The primary sources included SHGs, Federations, Banks, SHPIs and staff. Secondary sources include project reports, annual reports, websites, and Census of India etc. Both qualitative and quantitative information was collected from the primary and secondary sources using methods such as focus group discussions, checklist, observation, case studies, and interview schedules. Separate interview schedules and checklist, viz. SHGs, Federations, SHPI, and bank branches were used for each kind of respondent. NABARD's Critical Rating Index (CRI) was used to assess the quality of SHGs objectively.

Fieldwork: Fieldwork for data collection was carried out during November – December, 2013 by the APMAS staff in Bihar and Madhyam Foundation staff in Odisha. A five member team in each state was formed. Before data collection, the study teams were oriented on the objectives of the study, sampling methodology, data collection tools, editing of filled in schedules and data entry formats in both the states.

1.4 Limitations of the study – Following are the limitations of the present study.

- i) Mismatch of SHG data in NABARD reports and the data available at sample SHPIs due to various issues related to the up-dation of information.
- ii) Further, majority of the SHG members are engaged in labour or some other work. As a result, there is moderate member attendance in focus group discussions; it is even low in case of defunct and default SHGs.

iii) Normally, SHGs borrowed loans from banks, Federations, NGOs and others. Due to documentation regarding the loans from NGOs and others, the study team unable to collect the data regarding loan outstanding with NGOs and other sources.

1.5 Data analysis

Common data entry formats with data entry guidelines were prepared for both the states to make the data compilation and analysis easy for bringing out the common report. First, soft copies of the Excel Data Files were collected. Then data was consolidated and the soft copies were reviewed and edited, and thereafter secondary variables were generated as per the requirement to do an in-depth analysis. Data was analyzed with simple statistical tools like percentage, averages, proportions, etc. Cross tables and graphs were extensively used in the report to communicate causal relations among different variables and to draw meaningful inferences.

1.6 Organization of the report

The findings of the study are presented in 9 chapters. Chapter-1 provides the introduction and methodology of the study. Chapter -2 describes a brief overview of SHG movement in Bihar and Odisha states, banking facilities, SHPIs etc. Chapter-3 portrays the profile of SHGs and their members. Chapter-4 discusses the performance of SHGs with reference to savings, meetings, book keeping, leadership and grading. Chapter-5 analyses the credit access, utilization and repayment rate default management. Chapter-6 factors preventing the quality of SHGs. Chapter -7 reveals the impact of SHGs at various levels and women empowerment; Chapter-8 presents few case-studies. The last chapter provides summary & conclusions suggestions for the improvement and the sustainability of SHGS in Bihar and Odisha.

OVERVIEW OF SELF HELP GROUP MOVEMENT IN BIHAR AND ODISHA

The present section of the report briefs the reader about the evolution and the milestones of Self Help Group (SHG) movement in Bihar and Odisha, followed by the spread of SHG movement, in terms of number of SHGs, promotion of savings, loan outstanding and non performing assets with reference to Swarnajayanti Gram Swarojgar Yojana (SGSY) groups and exclusive women groups. Further, the chapter presents the details of the support extended by the National Bank for Agriculture and Rural Development (NABARD) to the various Self Help Promoting Institutions (SHPIs) for promoting and nurturing of SHGs.

2.1 Overview of Bihar and Odisha

a) Socio-economic profile of Bihar state: Bihar is the 12th largest State in India in terms of geographical area (94,163 sq Kms). It is situated in the Eastern part of the north Indian political geographical zone and has 38 districts, 534 blocks, 8,471 Panchayats and 44,874 revenue villages. The population of the state is 10.38 crores with a population density of 1,106 persons per Sq Km. The State has recorded a decennial population growth rate of 25.1 percent during 2001-2011. The statistical figures (Poverty Estimates for 2004-05, Press Information Bureau, Gol, 2007) show that 42% of the State's rural population is below poverty line, accounting for about almost one-fifth of the country's rural poor. It has the lowest per capita income in the country with only Rs. 5,772 against national average of Rs. 22,946. The literacy rate is very low and it is about 63.82%, while the female literacy accounts for 53%. If we further characterize poverty in terms of deprivation of basic human needs – food, shelter, safe drinking water, sanitation, health services, education, and amenities - the state is much poorer.

b) Socio-economic profile of Odisha state: Odisha is the 9th largest State in India in terms of geographical area (1,55,707 sq. Kms). It is situated in the East coastal region of India and has 30 districts, 314 blocks /317 Tahasils. According to 2001 census, it is the 11th most populous state with about 36.7 million with the population density of 269 persons per sq. km. According to Multidimensional Poverty Index, 63% of the people in Odisha live below poverty line. The total literacy rate is about 64%, while the female literacy is low with 50.97% when compared to the male literacy (75.95%). In terms of other human development indicators like health, the state faces several challenges which includes less percentage of body mass index of the women (41%), high mortality rate (91%), high proportion of underweight children (41%) and four fifth of the households don't have toilets. The state has performed well in few of the human development indicators, which include sex ratio (978 females per 1,000 males) and child sex ratio (934), when compared to the National figures (933 females per 1,000 males and 914 in case of child sex ratio).

2.2 Banking facilities

a) No. of bank branches: There are 7,021 bank branches in Bihar (Economic Survey 2012-13) and public sector banking operations are predominant. The branches of

public sector and regional rural banks comprise almost 90% of the total branches in the state. Of the total bank branches, 65% were in the rural areas. Bihar has a total of 45,103 villages. This translates to one branch around the cluster of 13 villages, based on the total branch estimates of 2006. In terms of population estimates the branch population per bank branch in Bihar is approximately 23,000 in comparison to the national average of 15,000. The rural urban divide in Bihar is also very stark with each rural branch serving estimated 31,000 people as compared to 18,000 people in urban areas. (Special Task Force Report on Bihar, 2007).

In Odisha, there are 3,595 bank branches. The average population serviced by banks is roughly equal to 15,000, which is better than in many states in India. It is worth mentioning that about 79 percent of all bank branches are located in rural and semi-urban areas. The growth rate of total bank deposits in the State is rising. Odisha is catching up with the nation in terms of per capita bank deposits in commercial banks. For all types of banks operating in the State, the recovery rate stands at about 62 percent in 2011-12, though the recovery position of bank loans needs to be improved (Economic Survey 2012-13, Govt. of Odisha).

b) Banks involving in SHG bank linkage programme: In Bihar, 20 banks were involved in SHG bank linkage programme, in which majority of the banks are public sector banks (16), followed by regional rural banks (3) and private banks (1). There are no cooperative banks which are involved in SHG bank linkage programme. In case of Odisha, there are 44 banks of which majority are the public sector banks (21) followed by cooperative banks (17), private banks (4) and regional rural banks (2) (NABARD, 2013).

2.3 Milestones and SHPIs in the state

a) Milestones in the History of SHG Movement

i) Growth of SHG Movement in Bihar: The SHGs movement became a sustainable path for poverty reduction through the empowerment of women. It was started in India before 1980s by the Non Government Organizations (NGOs) in few areas. However, the SHG movement was recognized by the Government and was extended to all the States in the country by launching of the Development of Women and Children in Rural Areas (DWCRA) in the year 1983. Based on the perceived results from the SHGs, the SHG movement became a massive campaign for livelihoods promotion particularly for poor and middle class families. Based on the available information regarding SHG movement in Bihar State, the movement was started in year 1980 by the NGOs.

The Non-Government organizations 'Holy Cross Sisters' and 'ADITHI' took initiatives to form SHGs in Bihar. They started forming groups with the very backward tribe community 'Birhor' (A hunter-gather tribe belonging to Mundari group of tribes and are concentrated in the Central Eastern India). Then another organization 'ADITHI' also worked with the community and recognized that the SHGs are best means for socio-economic empowerment of women.

Table-2.1: Milestones in the Evolution of SHG Movement in Bihar

Year	Details
1980s	<ul style="list-style-type: none"> • 'Holy Cross Sister' and 'Adithi' NGOs started initiatives for promotion of SHGs.
1989	<ul style="list-style-type: none"> • The Ministry of Human Resources started Mahila Samakya Project in the State to enable that the SHGs become the role of social Intermediation.
1991	<ul style="list-style-type: none"> • Bihar Women Development Corporation (WDC) was established; started acting as a nodal agency for women development programmes in the State
1993	<ul style="list-style-type: none"> • RBI organized a meeting in Patna on micro-credit, Banks started giving loans to SHGs • RBI formed a committee to look into the possibility of SHG-bank Linkage. • Rashtriya Mahila Kosh (RMK) started an innovative mechanism for providing credit to poor women.
1998	<ul style="list-style-type: none"> • Swashakthi pilot project was initiated with joint assistance of International Fund for Agricultural Development (IFAD) and World Bank by WDC
1999	<ul style="list-style-type: none"> • SGSY programme started functioning through District Rural Development Agency (DRDAs) in Bihar
1988	<ul style="list-style-type: none"> • DFID PACS Programme was initiated through development initiatives
2001	<ul style="list-style-type: none"> • Swayamsiddha Project, WDC as promoter, was launched as a follow-up project of Swashakti • NABARD started its SHG promotional activities in Bihar • Mahila Samakhya started for forming Federations
2005	<ul style="list-style-type: none"> • WDC started SHG Federation activities
2006	<ul style="list-style-type: none"> • Swayamsidha completed its project period • Bihar Rural Livelihood Promotion Society (BRLPS)-Jeevika Programme was started to improve rural livelihood options and work towards social and economic empowerment of the rural poor and women • NABARD initiated a steering committee to give directions for SHG-Bank Linkage Programme.
2008	<ul style="list-style-type: none"> • WDC started Mukhya Mantri Nari Shakti Yojana (MNSY)
2009	<ul style="list-style-type: none"> • NABARD identified Bihar as one of the state, where the SHG bank linkage programme is poor
2011	<ul style="list-style-type: none"> • Ending of SGSY programme; Initiation of National Rural Livelihoods Mission (NRLM) programme

The ADITHI promoted about 2000 SHGs during 2000-03 with specific communities like Sharecroppers, Fisherwomen, Craftswomen, etc. In addition to the formation of SHGs, the ADITHI has also provided nurturing support to the other NGOs like NIDAN, National Institute for Rural Development, Education, Social upliftment Health (NIRDESH) and SAKHO in the State, which are functioning independently at present. ADITHI gave more focus on the role of advocacy and influenced the Government's initiatives like Swashakthi project, which aimed at the development and empowerment of women (economical), particularly those engaged in "on farm"

activities in rural areas, through the formation of dynamic SHGs. The country recognized the services of ADITHI in the area of women empowerment and the chief functionary of the organization, Ms. Viji Srinivasa got honored with several awards and rewards for her pioneering work in rural development and women empowerment.

The Gram Vikas Parishad (GVP) is another pioneer of the SHG movement in Bihar and supported a network of 11 NGOs in the State with the aim of self help promotion. The Department of International Development (DFID) supported for the extension of SHG movement in the State in the name of Poorest Area Civil Society (PACS) programme through Professional Assistance for Development Action (PRADAN), an organization working for the poor. The Milestones of SHG movement in Bihar state is given in table 2.1.

ii) Evolution of the Self Help Movement in Odisha: The SHG movement in Odisha has become almost synonymous with economic empowerment of women. While NGOs pioneered this movement in the mid nineties, the Government, realizing its potential, has since then come forward to strengthen the existing SHGs and developing new ones in order to give the SHG movement a boost in the state. A step towards this end is the launching of Mission Shakti on 8th March 2001 for empowering women through Self-Help. This “mission” approach resulted in a substantial increase in the number of SHGs promoted in the state. Through ‘Mission Shakti’ the Government found a co-ordination mechanism to enable it to take upon itself the primary role of facilitating, formation and strengthening of SHGs. The milestones in the evolution of SHG movement in Odisha are explained in table 2.2.

a) NGO-Initiatives: The NGO sector in Odisha gained a momentum in the early eighties for its socio-economic programmes, especially in developing and promoting people’s organizations and community centered activities. Establishment of ‘Grain Bank’, ‘Seed Bank’, ‘Community Fund’ and formation of committees such as ‘Village Health Committees’ (VHC), ‘Joint Forest Management Committees’ (JFMC) etc. to protect the interest of the communities were among the activities that were undertaken. NGOs have played a significant role in addressing issues of women’s empowerment in the state through savings in the form of kind and cash, which began in mid-eighties involving women members of the households by forming “Mahila Mandals”. This was initiated for collective learning and to act as vehicle for fostering collective bargaining by some of the leading NGOs during early 1990s (See table 2.4). Gradually, the savings in kind grew by early nineties and the concept of SHG became popular towards the mid-nineties. These institutions provided a firm base for dialogue and co-operation in programmes with other institutions like government departments and PRIs.

The entry of NABARD in Odisha to support SHG activities in mid-nineties encouraged the bankers and NGOs to strengthen their SHG programmes through cost effective credit delivery system. Since the concept is new, a countable number of organisations were involved in SHG promotion and linked them to banks (See table 2.4). Further, under the auspices of a capacity building project sponsored by

DIAKONIA, CENDERET facilitated formation of over 800 groups in the Koraput, Bolangir and Kalahandi districts through networks of district level grassroots NGOs.

Table-2.2: Milestones in the Evolution of SHG Movement in Odisha

Year	Details
1990s	<ul style="list-style-type: none"> The NGOs like Centre for Youth & Social Development, Gram Vikas, PREM started initiatives for the promotion of SHGs.
1992	<ul style="list-style-type: none"> A few organisations like Adhikar in Khurda, Darbar Sahitya Sansad in Puri, Anthodaya and Parivartan in Kalahandi, Vikalpa in Bolangir, Sundargarh Zilla Mahila Parishad in Sundargarh; Manav Adhikar Seva Samiti (MASS) in Sambalpur, Dhakota Yubak Sangha in Keonjhar, Samuha Vikash and Gania Sishu Raija in Nayagarh took up SHG promotion seriously and linked them with Banks under NABARD's pilot project.
1992-98	<ul style="list-style-type: none"> Under the sponsorship of a capacity building project by DIAKONIA, the organisation named Centre for Development Research & Training (CENDERET) facilitated the formation of over 800 groups in the Koraput, Bolangir and Kalahandi districts through the network of district level grassroots NGOs.
2001	<ul style="list-style-type: none"> Mission Shakti – which was influenced by the micro finance scenario in the state has been launched
2001	<ul style="list-style-type: none"> Odisha Self Help Cooperative (OSHC) Act 2001 was approved by the state cabinet and by may 2005, 407 cooperatives were registered under the act
2009	<ul style="list-style-type: none"> Targeted Rural Initiatives for Poverty Termination & Infrastructure (TRIPTI) project assisted by International Development Agency and implemented by Poverty Reduction Mission was introduced to enhance livelihoods of the rural poor in the selected 10 districts

Other major donors like United Nations Development Programme (UNDP), DFID, European Union (EU), World Food Programme (WFP) and International Non-Government Organisation (INGOs) like CARE, Indo German Social Service Society (IGSSS) and Action-Aid etc, started implementing projects through the support of the local NGOs for promotion and strengthening of SHGs. Another recent phenomenon observed was setting up of MFIs in the state by NGOs.

b) Government Initiatives: In Odisha a structured approach with defined focus on women's empowerment came with the launching of Mission Shakti in 2001. Since then SHG approach remained the front runner in carrying forward the Women & Child Development Department's vision and mission to take the services to the rural women. The SHG program is now integrated with other programs of Women and Child Development. The Government programmes such as RMK, SGSY and "Swayamsiddha" etc, and of late Mission Shakti have influenced the micro-finance scenario in Odisha. Over the past 10-15 years, public policy on poverty alleviation has focused strongly on micro finance initiatives with substantial thrust on subsidy. Through Mission Shakti, the government's efforts have been in the areas of

promotion, capacity building and enhancing marketing opportunities for women entrepreneurs so that they would be able to enhance their income generation opportunities. The Mission has an objective of empowering women through formation and promotion of over two lakh women SHGs by 2008 and strengthening the existing ones by providing capacity building support and facilitating credit linkages for income generation.

Under Swayamsiddha, a Govt. of India aided programme, 3600 SHGs were formed in 36 Blocks of 9 districts of the state. The State Cabinet also gave its approval for the OSHC Act 2001 expecting to contribute greatly to the women SHGs in Odisha, especially the micro-finance activities and initiatives. Besides, this Act has enabled legal status for SHGs, cluster and federation for promoting self help, self-reliance, mutual aid, autonomous, voluntary, democratic business enterprises, to be owned managed and controlled by women to address issues of economic and social empowerment. As of 20th May 2005, 407 cooperatives were registered under the new act, out of which 403 are primary cooperatives and 3 are secondary cooperatives. Apart from this, 12 cooperatives, which were registered under Cooperative Societies Act 1962 have also got converted and registered to the new generation cooperatives under the OSHC Act. Recently Govt. of Odisha brought amendments in the membership criteria of the Cooperative Societies Act 1962, which at this moment provides legal sanction to SHGs for being enrolled as a member of cooperative society for collective economic action.

c) *Formation of Federations:* Building up cluster at the Gram Panchayat (GP) level, federation at the block level and confederation at the district level is another initiative undertaken by the State Government to strengthen the potential of women collectives.

In 2009, TRIPTI project has come into being with the support of World Bank and was implemented by Odisha Poverty Reduction Mission, a society under the Panchayati Raj Department. The project aims at enhancing the socio- economic status of the poor, especially women and disadvantaged groups, by providing financial services and enhancing livelihoods of the rural poor in ten districts of Odisha over a period of five years.

2.4 SHG Scenario

a) Coverage

i) *Number of SHGs:* There are 73,17,551 SHGs in the country; of which 20.47 lakh groups were promoted under SGSY programme and 59.38 lakh are exclusive women groups. Of the total groups in the country, Bihar and Odisha constitute 10.8% (2,70,890 (3.7%) of SHGs in Bihar and 5,22,837 (7.1%) SHGs in Odisha). However, according to NABARD, 35 districts out of 38 are with less than 50% coverage of SHGs in Bihar while only 2 out of 30 districts in Odisha have less than 50% coverage of SHGs. It shows that in Bihar many women are yet to form into SHGs.

ii) *SGSY groups:* About 20.5 lakh SHGs were promoted under SGSY scheme in the country. Of the total SGSY groups, both Bihar and Odisha together have about 16% of groups (7.4% in Bihar and 8.3% in Odisha). About 56% (1,51,029) of the total SHGs

in Bihar and 33% (1,70,048) of SHGs in Odisha were promoted under SGSY scheme. It shows that more than half of the SHGs in Bihar and one third of the SHGs in Odisha are promoted under SGSY scheme.

iii) *Exclusive women groups:* As on March, 2013, there are 59.38 lakh exclusive women groups in the country. Bihar and Odisha has about 12% of the total SHGs in the country (3.7% in Bihar and 8.2% in Odisha). The percentage of exclusively women SHGs is more in Odisha with 93% when compared to Bihar (80%).

b) SHG savings linkage

i) *Amount of Savings/group funds in SHG SB accounts:* As on March 2013, the SHGs in the country have the total savings/funds of Rs. 821,725.5 lakhs with an average of Rs. 11,230 per SHG in their SB accounts. The data in table-2.3 shows that the SHGs in Bihar have an amount of Rs. 16,967.64 lakhs with an average of Rs. 6,264 per SHG. Where as in Odisha, it is Rs. 41,827.21 lakhs with an average of Rs. 8,000 per SHG. It is found that the average savings/funds of SHGs in both the states is below the national average (Rs. 11,230).

S. No	Particulars	Bihar	Odisha	India
A	<i>Total Groups</i>			
1	No. of SHGs	270,890	522,837	7,317,551
2	Amount (in lakhs)	16,968	41,828	821,726
3	Avg. savings per SHG (Rs.)	6,264	8,000	11,230
B	<i>SGSY Groups</i>			
1	No. of SHGs	151,029	170,048	2,047,811
2	Savings Amount (in lakhs)	10,176.05	14,046.24	182,165.1
C	<i>SHG Groups</i>			
1	No. of SHGs	216,822	488,077	5,938,519
2	Savings Amount (in lakhs)	13,408	38,684	651,487

ii) *Savings of SGSY and exclusive women groups:* The data in table 2.3 shows that an amount of Rs. 182,165 lakhs was in the SB accounts of SHGs promoted under SGSY scheme in the country. About 13% of the total amount in the country is in the states of Bihar (Rs. 10,176.05 lakhs) and Odisha (Rs. 14,046.24 lakhs). In case of women groups, 8% of the total savings amount of the country was exclusively saved by the women groups of Bihar (Rs. 13,408 lakhs) and Odisha (Rs. 38,684 lakhs).

c) Loan Outstanding

i) *Loan outstanding:* As on March 2013, 61% of the SHGs in the country have loan outstanding with banks, with an amount of Rs. 39,37,530 lakhs and an average amount of Rs. 88,455 per SHG. Of the total 61% of SHGs 10.4% SHGs are in Bihar and Odisha with loan outstanding of Rs. 4,63,263 lakhs.

The data in table 2.4 shows that in Bihar, 185,309 (68.4%) SHGs have loan outstanding with an amount of Rs. 93,231 lakhs. Where as in Odisha, 277,954 (53.16%) SHGs have loan outstanding of Rs. 1,79,675.86 lakhs with banks. The average amount of loan outstanding with bank per SHG is high in Odisha (Rs.64,642)

when compared to Bihar (Rs. 50,310). However, it is lower in both the states when compared to national average of Rs. 88,455. Further, it is observed that more number of SHGs have loan outstanding in Bihar when compared to Odisha, but the amount of loan outstanding is large in case of Odisha than in Bihar. It could be because of more focus of BRLPS in Bihar on SHG – Bank linkage programme for livelihood promotion

ii) *Loan outstanding of SGSY groups:* About 58% SGSY groups have loan outstanding with banks, with an amount of Rs. 8,59,709 lakhs. Of the total SGSY groups with loan outstanding, 17% of the SHGs are in Bihar and Odisha with a loan outstanding amount of Rs. 137,112.2 lakhs.

Of the total SGSY groups, the percentage of SHGs have loan outstanding with banks is high in Bihar (81%) when compared to Odisha (48%). However, there is no much difference in the amount of loan outstanding between Bihar (Rs. 67,093 lakhs) and Odisha (Rs. 70,019 lakhs).

iii) *Loan outstanding of exclusive women:* About 63% of women groups in the country have loan outstanding with banks, with an amount of Rs. 3,284,004 lakhs. Of the total groups, 10.8% of the SHGs are in Bihar and Odisha with a loan outstanding of Rs. 232,335.7 lakhs.

The data in table 2.4 shows that of the total women groups in the state of Bihar, 78% of the groups have loan outstanding with banks of Rs. 79,455.13 lakhs and 48% of the groups have loan outstanding with Rs. 152,880.5 lakhs in Odisha.

Table-2.4: Loan Outstanding of the SHGs in the Sample States				
S. No	Particulars	Bihar	Odisha	India
A	<i>Total Loan Outstanding</i>			
1	No. of SHGs	270,890	522,837	7,317,551
2	No. of SHGs with loan O/s	185,309	277,954	4,451,434
3	% of SHGs with loan O/s	68	53	61
4	Loan O/S (Rs. in Lakhs)	93231	179676	3,937,530
B	<i>SGSY Loan</i>			
1	No. of SHGs	151,029	170,048	2,047,811
2	No. of SHGs with loan O/s	121,521	80,703	1,193,251
3	% of SHGs with loan O/s	81	48	58
4	Loan O/S (Rs. in Lakhs)	67,092.99	70,019.25	859,708.6
C	<i>Exclusive women Groups</i>			
1	No. of SHGs	216,822	488,077	5,938,519
2	No. of SHGs with loan O/s	168,776	235,080	3,757,241
3	% of SHGs with loan O/s	78	48	63
4	Loan O/S (Rs. in Lakhs)	79,455.13	152,880.5	3,284,004

d) **Non Performing Assets (NPA)**

The data in table 2.5 shows that the percentage of NPA in the state of Bihar increased from 4.94% to 6.18% between 2010-11 and 2011-12; but slightly decreased

from 6.18% to 6.11% in 2012-13, whereas in case of Odisha, the percentage of NPA is increasing year after year. As on March, 2013, the percentage of NPA reported in Bihar (6.11%) is slightly less than the national average (7.08%) while it is three times more than the national average in case of Odisha (18.27).

S. No	Particulars	Bihar			Odisha		
		2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
1.	Amt. of NPAs (Rs. in Lakhs)	1591.4	6426.63	5696.88	3420.18	19609.14	32820.96
2.	% of NPA	5	6	6	2	12	18

e) Federations

There are 6,646 federations in Bihar; of which 6,543 are primary federations and 103 are secondary federations. The major federation promoters are BRLPS, WDC and NIRDESH. Besides, other promoters such as APMAS, NIDAN, Bihar Mahila Samatha Society, Action for Social Advancement, GDS, Pradhan and Bihar Water Development Society have also facilitated the groups to get federated (APMAS, 2013).

There are 11,356 federations in Odisha; of which, 10,952 are primary, 364 are secondary and 40 are tertiary federations. The major federation promoters are TRIPTI, Mission Shakthi, SRLM, Bharat Integrated Social Welfare Agency (BISWA) and Pradhan. All these promoters, except BISWA, have facilitated the groups to form primary, secondary and tertiary federations, whereas, BISWA has promoted only primary level federations.

f) Grant support for promotion and nurturing of SHGs

In Bihar, as on March 2013, NABARD has extended a total grant support of Rs. 1,587 lakhs to 370 NGOs to promote 33,630 SHGs though 12,850 SHGs were promoted. Of the total SHGs promoted by the NGOs, 9,644 SHGs (75%) were savings linked with banks and 4,380 SHGs (34%) were credit linked.

In Odisha, as on March 2013, NABARD has extended a total grant support of Rs. 420 lakhs to 212 NGOs to promote 18,297 SHGs though 12,103 were promoted. Of the total SHGs promoted by the NGOs, 11,772 SHGs (97%) were savings linked with banks and 8,577 SHGs (71%) were credit linked.

No grant support was provided by NABARD to Regional Rural Banks (RRB), Cooperative Banks, Individual Rural Volunteers (IRVS) and Farmers Clubs (FC) in the state of Bihar. However, in Odisha, 10 RRBs have promoted 12,348 SHGs in which 8,206 SHGs were credit linked. In addition to RRBs, NABARD has provided grant to Cooperative Banks (5) and IRVS(4) which have promoted 2,485 and 1,139 SHGs, in which 1,356 and 739 SHGs were credit linked to bank respectively.

To sum up, the initiatives of very few NGOs in 1980s made the beginning for the SHG movement in the states. Later, by realizing its potentiality, both the state governments took proactive role in strengthening the movement. In Bihar, WDC was established in 1991, while Mission Shakthi was established in 2000 in Odisha, which

resulted in a substantial increase in the number of SHGs. As a result, both Bihar and Odisha has about India's 10.8% of SHGs, with 7.2% of total savings in the country. The members of the SHGs were credited both with internal and external funds and more number of SHGs in Bihar have current loans than in Odisha. Further, the performance of the groups in Odisha is deteriorating as the NPA is increasing year after year. In the past few years, in order to strengthen the movement, NABARD has extended financial support in the form of grants to the NGOs for promoting and nurturing the SHGs in both the sample states.

PROFILE OF SELF HELP GROUPS & MEMBERS

The present chapter explains the background of the sample SHGs in terms of composition of the groups in the context of promoters, homogeneity of the groups, members, age and size of the groups, association and access to banks. It also explains the details of the group formation in order to understand the motives behind forming groups, selection of the members and the time taken to form the groups. Further the socio-economic profile of the SHG members is explained in brief.

3.1 Composition of SHGs

a) Typology of groups

i) *Self Help Promoting Institutions*: The Government and NGOs are the major Self Help Promoting Institutions (SHPIs) in both the States. But, in Odisha, the SHGs are also promoted by federations (6%) and community (17%). Of the total sample SHGs, more than one half of them were formed by the Govt (52%) followed by NGOs (37%), self/community (8%) and federations (3%). The data in table-3.1 shows that among the sample states, the percentage of SHGs promoted by the Government is high in Bihar with 71% and low in Odisha with 33% and the SHGs promoted by NGOs is high in Odisha with 44% and low in Bihar with 29%. It shows that Govt. is the major promoter of sample SHGs in Bihar whereas NGOs played a predominant role in Odisha. There are no SHGs in Bihar, which are promoted by federations and self/community through demonstrated effect. It could be due to the active role of BRLPLS in promoting SHGs and their federations.

S. No	SHPI	Bihar		Odisha		Total	
		F	%	F	%	F	%
1	Govt.	102	71	48	33	150	52
2	NGO	42	29	63	44	105	37
3	Federation	0	0	9	6	9	3
4	Self/community	0	0	24	17	24	8
Total		144	100	144	100	288	100

ii) *SHGs promoted under SGSY programme*: About one fourth (26%) of the sample SHGs were promoted under SGSY programme in Bihar (26%) and Odisha (25%). Of the total 26% of SHGs promoted under the programme, 64% of the SHGs were promoted by government followed by NGOs (36%). In Bihar, majority of the SHGs were promoted by government with 53% followed by NGO (47%). Similarly, in Odisha, the groups promoted by government under the scheme are dominant with 75%, when compared to the groups promoted by NGOs (25%). It is because WDC in Bihar has collaborated with large number of NGOs for the promotion of SHGs and their federations.

iii) *Social Category*: About one half of SHGs were formed with the members belonging to same caste and the other half of the SHGs were formed with members belonging to different castes.

S. No	Social Category	Bihar		Odisha		Total	
		F	%	F	%	F	%
A	<i>Uni-caste</i>						
1	ST	1	1	15	10	16	6
2	SC	16	11	8	6	24	8
3	BC	59	41	29	20	88	31
4	Minorities	9	6	2	1	11	4
5	OC	0	0	10	7	10	3
B	<i>Mixed caste dominated by</i>						
1	ST	2	1	11	8	13	5
2	SC	12	8	7	5	19	7
3	BC	27	19	27	19	54	19
4	Minorities	4	3	0	0	4	1
5	OC	2	1	7	5	9	3
6	Mixed caste	12	8	28	19	40	14
Total		144	100	144	100	288	100

Of the total 52% of the homogenous SHGs, majority of the groups are BC groups (31%), followed by SC (8%), ST (6%), Minorities (4%) and OC (3%). Of the total 48% heterogeneous groups, majority of them are BC groups (19%), followed by mixed groups with all categories (14%), mixed groups dominated by SCs (7%), STs (5%), OCs (3%) and minorities (1%). Among the states, Bihar has more number of homogenous groups in terms of social category (59%) when compared to Odisha (44%) and the percentage of heterogeneous groups are more in Odisha with 57% when compared to Bihar (41%). It is because of the criterion of neighbourhood, kinship and affinity while selecting the group members. The state-wise details of social homogeneity are given in the table 3.2.

S. No	Age in years	Bihar	Odisha	Total
1	< 3	40	24	33
2	3 – 5	38	11	24
3	>5	22	65	43
Total		100	100	100

iv) *Age of SHGs*: The age of sample SHGs varies from less than one year to 15 years with an average age of 4.9 years. The average age of SHGs is high, almost double, in Odisha (6.5 years) when compared to Bihar (3.5 years). The data in table-3.3 shows that large percentage of SHGs are of more than 5 years old (43%) followed by less than 3 years (33%) and 3-5 year old (24%). But, majority of the SHGs in Odisha are more than 5 year old with 65%, where as in Bihar, less than 3 year old SHGs are

numerically dominant with 40%. It shows that the SHG movement in Odisha has started earlier than in Bihar. Another reason is that the BRLPS has extended its operations to many blocks and districts in the state in the recent past.

The data in table- 3.4 shows that large number of SHGs, promoted under SGSY programme are more than 5 years old (46%) followed by less than 3 years (32%) and 3-5 years (22%). Similar trend is observed in Non-SGSY groups as majority of the groups are above 5 years (42%) followed by less than 3 years (33%) and between 3 to 5 years old SHGs (25%).

S. No	Age in years	SGSY		Non SGSY		Total	
		N	%	N	%	N	%
1	> 3	24	32	70	33	94	33
2	3 - 5	16	22	54	25	70	24
3	< 5	34	46	90	42	124	43
Total		74	100	214	100	288	100

v) *Size of the SHGs:* The size of SHGs varies from 9 to 21 members with an average of 12.4 members at present. The average size of SHGs promoted by federation is comparatively high with 12.64 members as compared with other SHPIs (Government 12.59 members; NGOs- 12.27 members and self -12.17 members). The average size of SHGs is more in Bihar with 13 members when compared to Odisha (12 members).

The data in table-3.5 shows that of the total SHGs, majority of the SHGs consists of 11-15 members (69%) followed by 10 members (21%) and more than 15 members (10%). Further, the percentage of 11-15 member SHGs are more in Bihar (85%) than in Odisha (54%) and the percentage of 10 member SHGs and more than 15 member SHGs are more in Odisha (34% and 12% respectively) than in Bihar (8% and 7% respectively).

S. No	Members	Bihar	Odisha	Total
1	10	8	34	21
2	11-15	85	54	69
3	>15	7	12	10
Total		100	100	100

The average size of the SHGs promoted under SGSY programme is 12 members and it is high in non-SGSY groups (13 members) when compared to SGSY groups.

Change of membership in groups: The data shows that nearly half of SHGs have reported changes (47%) in group size because of membership withdrawal, enrolment of new members, and replacement of drop-outs with household members. Further, the average group size at present is low (12.4 members) when compared to at the beginning of the group (12.9 members). Similar trend is found in both Bihar (12.8/13.1 members) and Odisha (12/12.9 members).

Dropouts/ Membership withdrawal: The total members of sample SHGs is more at the time of formation with 3,738 members as compared to the total members at

present (3,581). It is because of withdrawal of existing members and enrolment of new members. The data shows that about 42.4% of the SHGs (41.7% in Bihar and 43.1% in Odisha) have reported 299 dropouts with an average of 2.4 members. There is no significant difference in the percentage of SHGs reported drop-out between Bihar (42%) and Odisha (43%). The age of SHGs and the percentage of SHGs reported drop-outs are positively correlated. The percentage of SHGs reported drop-outs is low in less than 3 year old SHGs and high in more than 5 year old SHGs when compared to other age groups of SHGs (see table-3.6).

S. No.	No. of members	< 3 years (N=94)	3 - 5 years (N=70)	> 5 years (N=124)	Total (N=288)
1	No	76.6	60.0	41.9	57.6
2	1 - 2	21.3	32.8	37.1	30.9
3	3 - 4	2.1	4.3	9.7	5.9
4	5 & above	0.0	2.9	11.3	5.6
Total		100.0	100.0	100.0	100.0

There is no much difference between the SGSY (40%) and non-SGSY group (37%) in the percentage of SHGs reported dropouts. But there is a relationship between the percentages of SHGs reported dropouts and SHG bank credit linkage. The data shows that of the SHGs credit linked three & above times, low percentage of SHGs reported dropouts when compared to no credit linkage (40%) and SHGs credit linked once (44%). Where the percentage of SHGs reported dropouts is more in SHGs credit linked twice (65%) when compared to SHGs credit linked once (44%). It could be because of delay in getting subsequent linkages.

Reasons for drop-out: During focus group discussions, the SHGs have reported multiple reasons for dropping or withdrawal of membership. Of all, migration (12%) is the most important reason for member drop-out. The other reasons are:

1. Social causes such as marriage and husband not interested
2. Demographic reasons such as old-age/death and ill-health
3. Group norms like attending meetings regularly, multiple membership
4. Economic reasons like small loan size, no credit linkage from banks and misuse of funds by the leaders and various other reasons .

Membership Enrollment: The SHGs have adopted a two pronged approach in replacing the dropouts and / or enrolling new members – i) replacement of dropouts with other member of dropout household, ii) admitting new members. About 17% of SHGs were admitted a total of 136 new members with an average of 2.7 members. And another 3% of SHGs replaced only 6 members with other members of dropout households.

vi) *Association with Banks:* Majority of the sample SHGs are associated with Commercial Banks with 65% followed by Grameen Banks (25%) and Cooperative Banks (9%).

The distance from SHGs to bank varies from less than 1Km to 25 Kms with an average of 6.3 Kms The average distance to bank is more in Odisha with 7 Km when

compared to Bihar (5 Km.) It shows that the banking services are good in Bihar than in Odisha in terms of the distance. Further, the average distance to Cooperative Banks is high with 6.6 Kms when compared to Grameen Banks (6.4 Kms) and Commercial Banks (5.8 Kms). Of the sample SHGs, majority of the SHGs have banking services within the distance of 5 Kms. However, majority of the SHGs in Odisha (52%) have banking services at a distance of more than 6 Km. when compared to Bihar (31%).

b) Formation of groups

i) *Purpose of Group:* During discussions the SHGs have reported the motives behind forming into SHGs as to avail credit, to promote savings for their future needs and to acquire knowledge of the happenings around them.

- *Credit-* Majority of the SHGs (86%) reported that they formed into groups mainly to access credit, to avail credit at lower interest rate (80%), to avail loans of easy repayment norms (37%) such as monthly installments, small to long term loans, to avail credit to improve their existing IGA or to take up new activity (52%) and to avail subsidized loans (25%).

- *Savings-* About 69% of the SHGs reported their motto to form into small groups is to promote savings for their future needs, which includes children's education, health expenses of household members, life-cycle ceremonies, fairs & festivals etc.

- *Acquire Knowledge -* About 29% of the SHGs formed into groups to acquire knowledge about the government programmes and others issues happening around them

- ii) *Selection of Members:* The data in table-3.7 shows that the groups have followed multiple criteria in the selection and/ or rejection of members such as location, social aspects, personal aspects and to those who follow group norms. The details are as follows. The data clearly indicates that majority of the groups gave preference to location, neighbourhood and good character.

S. No.	Criteria	Bihar		Odisha		Total	
		F	%	F	%	F	%
1	Same locality	135	94	123	85	258	90
2	Neighborhood	96	67	104	72	200	69
3	Same caste	50	35	46	32	96	33
4	Same occupation	33	23	41	29	74	26
5	Literacy	5	4	5	4	10	4
6	Good character	67	47	58	40	125	43
7	Friends	63	44	40	28	103	36
8	Relatives	18	13	24	17	42	15
9	Friendly nature	47	33	28	19	75	26
10	Can pay savings & loan	5	4	48	33	53	20
11	Can attend meetings	17	12	60	42	77	27
12	Can spare time	6	4	41	29	47	16

Besides, the groups also gave importance to the personal aspects as well as economic aspects. As groups considered the members' ability to pay savings and repayment, there is a possibility of marginalization of the poor.

iii) Time taken to form groups: The time taken by the promoters or the members to form into a group varies from 1 to 8 months with an average of 2.16 months. Of the sample SHGs, most of the groups were formed within 3 months both in Bihar (97%) and Odisha (92%). The average time taken to form SHGs by the federation is very less (1 month) when compared to SHGs promoted by self (1.5 months), NGOs (2.2 months) and government (2.3 months). It could be because the federations are very close to the community and it is easy to mobilize the members. It shows that the promoters have followed target approach than process approach in the promotion of groups that influences the quality of groups.

3.2. Socio-economic profile of SHG members

a. Social profile

i) Social Category: The data in table-3.8 shows that of the total 3,581 members of 288 sample SHGs, majority of them are backward classes (BC) (54%) followed by scheduled castes (SC) (20%), scheduled tribes (ST) (11%), open categories (OC) (9%) and minorities (Min) (6%). For state and district wise details see the table given below.

ii) Literacy Levels: The data in table 3.8 shows that majority of them are literates (54%). Of the literates, majority of the members studied up to 5th (38%) followed by High school (13%) and college education (3%). The members with higher education are few in number in both Bihar and Odisha.

b. Economic profile

i) Occupation: Majority of the SHGs members are engaged in agriculture and allied activities. Of the total 3,581 SHG members, majority of them are engaged in agriculture (38%), followed by labour (33%), other petty works (13%) which includes seasonal business, NTFP collection, basket making, masonry, private or government. Also a small percentage of households depend on dairy and livestock rearing (7%), service caste occupations (5%) and petty business (5%).

ii) Access to PDS: The data in table-3.8 shows that of the total 3,581 members, majority of them has BPL cards (56%) followed by APL cards (32%). About 12% of the members do not have any card. Majority of the sample members in Bihar (63%) and nearly one half of the members in Odisha (49%) are BPL card holders. The percentage of members with APL cards in Bihar and Odisha is about 27% and 37% respectively. However, a good number of members are without any cards both in Bihar (10%) and Odisha (14%). It indicates that majority of the SHG members belongs to BPL category.

Table-3.8: Socio-Economic Conditions of Sample SHG Members (in %)

S. No	Members	Bihar	Odisha	Total
a)	Social Category			
1	Scheduled Tribe	2	21	11
2	Scheduled Caste	24	16	20
3	Backward Classes	63	45	54
4	Minorities	9	2	6
5	Open Category	2	16	9
b)	Educational Levels			
1	Illiterate	55	37	46
2	Upto 5th Class	37	39	38
3	6th - 10th Class	7	19	13
4	College	1	5	3
c)	Occupation			
1	Agriculture	34	42	38
2	Labour	37	30	33
3	Dairy	8	4	7
4	Artisans	5	4	5
5	Business	2	8	5
6	Others*	14	12	13
d)	Type of Ration Card			
1	BPL Card	63	49	56
2	APL Card	28	37	32
3	No Card	9	14	12

* include seasonal business, basket making, masonry, Pvt. /govt. jobs, NTFP collection, etc.

3.3 Association with Federations: Majority of the sample SHGs are enrolled with federations (79%). Of the states, about 81% of the SHGs in Bihar and 77% of SHGs in Odisha have membership in federations.

In conclusion, from the above analysis it is understood that the government and NGOs are the major promoters of SHGs in both the sample states and a good number of SHGs are formed under SGSY scheme (one fourth). Homogeneity is followed while forming groups as most of the groups were formed with members of similar caste and neighborhood. It is also found that 11-15 member SHGs is most prevalent among the sample SHGs. The percentage of SHGs reported dropout increases with age. Many groups have reported drop out of members due to various socio, economic and demographic reasons mostly migration. Access to banks in terms of distance is good in Bihar than in Odisha. Most of the members primarily joined in SHGs to avail low cost credit with flexible lending norms and the poorest of the poor, who cannot save and repay regularly are excluded and not chosen. The promoters' have followed target approach than process approach in the formation of SHGs. Many SHGs needs to be joined in federations.

Chapter – 4

PERFORMANCE OF SHGS

The present chapter analysis the basic organizational features of SHGs namely i) savings, ii) meetings, iii) book keeping, iv) leadership and v) group norms. It mainly focuses on the quality of SHGs besides grading.

4.1 Savings

a) *Types of savings:* There are two types of savings – i) compulsory and ii) voluntary. In general, most of the groups have only compulsory savings, where all the members save an equal amount. All the SHGs have reported only compulsory savings in the present study.

b) *Promotion of savings:* The members promote savings with SHGs and federations. Few SHGs made fixed deposits at banks. In addition to the regular savings, the federations collect share capital from members at the time of membership enrollment. Fixed deposits by the SHGs in banks are sometimes voluntary and/ or compulsory. The SHGs has been promoting educational savings to meet the credit needs of education of their children in Bihar.

c) *Periodicity of savings:* Monthly saving is common in both Bihar and Odisha. Of the total sample SHGs, majority of them have the practice of monthly savings (78%), followed by weekly savings (21%). A few groups do not have any schedule (1%). The percentage of SHGs practicing weekly savings is high (33%) in Bihar than in Odisha (9%) as the BRLPS in Bihar is keen in weekly meetings.

Table 4.1 : Periodicity of Savings at SHGs and Federations

S. No	Nature of savings & periodicity	Bihar		Odisha		Total	
		F	%	F	%	F	%
A Member savings							
1	Monthly	93	65	131	91	224	78
2	Weekly	48	33	13	9	61	21
3	No schedule	3	2	0	0	3	1
B Education / health savings							
1	Monthly	48	33	0	0	48	17
2	Weekly	2	1	0	0	2	1
3	Bullet savings	1	1	0	0	1	0
C Savings in federation							
1	Monthly	29	20	69	48	98	34
2	No schedule	0	0	1	1	1	0
3	Bullet savings	1	1	1	1	2	1

Of the SHGs promoting education/health savings (18%), majority of them save monthly (17%), and very few have the practice of weekly savings (1%). Of the SHGs promoting savings in federations (35%), majority of them save monthly (34%) and very few SHGs made bullet payment (1%).

d) *Amount of savings per month per person:* The amount of saving varies from group to group depending on the saving capacity and majority of the group members'

decision. The saving amount per member per month varies from Rs. 10 to Rs. 200 with an average of Rs. 55. The saving amount per month per member is high as Rs. 70 in Odisha than Rs. 41 in Bihar. It is also vary between SGSY (Rs. 61) and non-SGSY groups (Rs. 53). It is interesting that the average amount of savings per month and member of A grade SHGs is low with Rs. 47 as compared to B-grade (Rs. 61) and C-grade (Rs. 59) SHGs. The average amount of savings per month and member of SHGs credit linked to banks for three & above times is high with Rs. 57 as compared to twice (Rs. 52) and once (Rs. 50). It shows that there is a positive correlation between the average of savings per month and member and the number of credit cycles with the banks.

S. No.	Details	F	%	Average Amount	Total Amount
<i>A Member savings</i>					
1.	Bihar	144	100	22,372	32,21,617
2.	Odisha	140	97	39,591	55,42,723
3.	Total	284	99	30,860	87,64,340
<i>B Education/health savings</i>					
1.	Bihar	50	35	2,771	1,38,558
2.	Odisha	0	0	0	0
3.	Total	50	17	2,771	1,38,558
<i>C Savings at federation</i>					
1.	Bihar	30	21	2,502	75,065
2.	Odisha	72	50	5,386	3,87,803
3.	Total	102	35	4,538	4,62,868
<i>D Share capital</i>					
1.	Bihar	3	2	1,473	4,420
2.	Odisha	19	13	1,691	32,120
3.	Total	22	8	1,661	36,540
<i>E Fixed deposits</i>					
1.	Bihar	1	0.7	5,000	5,000
2.	Odisha	1	0.7	30,000	30,000
3.	Total	2	0.7	17,500	35,000

e) *Education/health savings*: The practice of education/health savings is found only in Bihar (35% of SHGs). The average amount of savings per month per member is Rs. 8 with minimum of Rs. 5 and maximum of Rs.10.

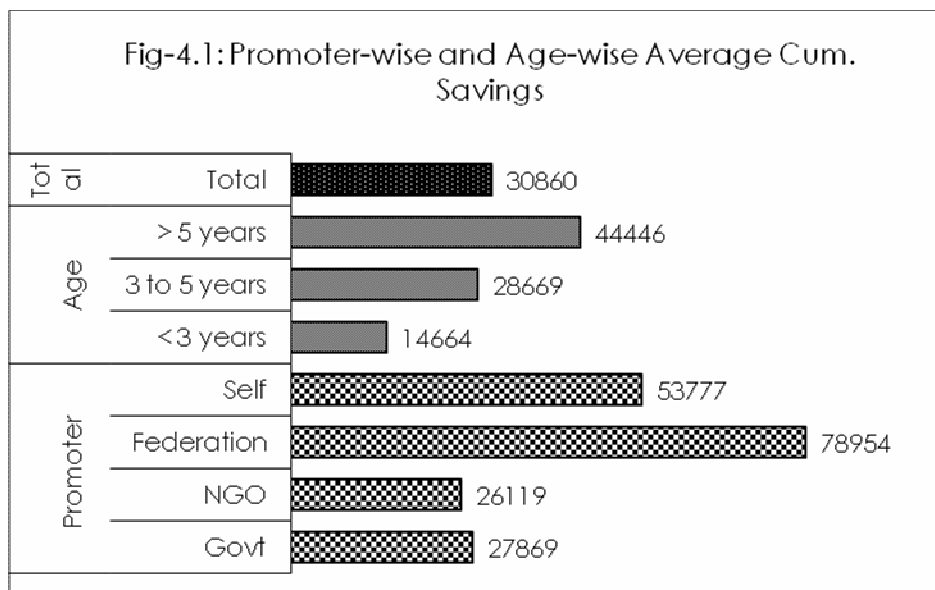
f) *Savings in federation*: The average amount of savings per SHG per month is Rs. 85. It is Rs.103 in Bihar and Rs.77 in Odisha. The average amount of monthly savings with federations by the SHGs is high in Bihar when compared to Odisha.

g) *Share capital in federation*: Of the sample SHGs, 8% of SHGs paid share capital in federations with average amount of Rs.1, 661. Among the states, 2% of SHGs paid in Bihar (in only Gaya district) and 13% of SHGs paid in Odisha (Cuttack 5 SHGs, Ganjam 3 SHGs, Koraput 9 SHGs and Sambalpur 2 SHGs).

h) *Cumulative savings*: The data in table-4.2 shows that as on Nov, 2013, the sample SHGs has the total savings of Rs. 87.64 lakhs with an average of Rs. 30,860. Of the two sample states, the average savings per SHG in Odisha is high with Rs. 39,591 as compared to Bihar (Rs. 22,372). The average cumulative savings of an SHG and the no. of credit linkages with banks are positively correlated. The average amount of cumulative of SHGs credit linked 1st time is low with Rs. 28,582 as compared to the subsequent linkages (2nd time - Rs. 33,924; 3 & above times –Rs. 36,747). It varies between SGSY (Rs. 32,106) and Non-SGSY groups (Rs. 30,421). The variations between states, between SGSY and non-SGSY and between numbers of credit linkages with banks is because of more age of SHGs and the eligibility criteria of SHGs for SGSY loan.

About 35% of SHGs in Bihar mobilized special savings like educational/health savings, but there is no such savings in Odisha. There are Rs. 1.4 lakh educational/health savings with an average of Rs. 2,771 per SHG. The average amount of savings mobilized by the federations in both the states is about Rs. 4,538, (Rs. 5,386 - Odisha; Rs. 2,502 -Bihar).Out of 288 SHGs, only 2 SHGs, one in each, have made fixed deposits of Rs. 500 and Rs. 30,000 in Bihar and Odisha respectively.

i) *Promoter and age wise average cumulative savings*: There are variations in average cumulative savings of SHGs promoted by various SHPIs and age of SHGs (see figure 4.1). The average total savings of the SHG is Rs. 30,860. It is high in SHGs promoted by federation with Rs. 78,954, followed by Rs. 53,777 in self promoted, Rs. 27,869 in government promoted and Rs. 26,119 in NGO promoted. The average cumulative savings is high in the SHGs of more than 5 year old with Rs. 44,446 when compared to other age groups of SHGs (Rs. 28,669 in 3 – 5 years age SHGs and Rs.14,664 is SHGs less than 3 years) It is observed that the average savings is high in federation promoted and self promoted SHGs. The data also shows that the cumulative savings of SGSY groups is high when compared to non-SGSY groups.



a) *Reasons for change in compulsory savings*: The study team collected the information from the sample respondents on reasons for increase in the savings and analyzed the data. The SHGs have reported multiple reasons for the increase of

savings per month and member. Of the total sample SHGs, majority of them reported to increase members savings (51%), followed by increase in SHG corpus (31%), get large bank loan (14%), increase in household income (10%), promoters suggested (7%), banks advised (3%), multiple loans(3%) and large loan installments (1%). The percentage of SHGs reported the reason 'to increase members savings' is very high in Odisha with 81% when compared to Bihar (22%) as there are more older groups in Odisha.

b) *Collection of savings:* The study team has collected information on how many days does it take to collect savings before and/ or after group meeting to know what extent that the financial transactions are taking place within and outside the meeting. The data reveals that in majority of the SHGs, members pay savings in meeting (71%), followed by 1-2 days (12%), 3-4 days (11%) and more than 4 days (6%). About the person who collects savings/loan installments, in many SHGs the 1st leader collects the savings and loan installments (42%), followed by within meeting (32%), 2nd leader (22%) and one of the members (4%). It is found that collection of all the financial transactions within the meetings is the best practice and creates financial transparency among the members. Further, the sharing of responsibility among the leaders and members is also the best practice to avoid leader domination in SHGs. It is observed that there is no difference between SGSY and non-SGSY group in the time taken to collect savings/loan installment amount.

4.2 Meetings

a) *Periodicity and regularity:* An attempt is made to know the periodicity of meetings of the SHGs at the beginning and present. Table 4.3 reveals that majority of SHGs have monthly meetings (73%), followed by weekly (24%) and fortnightly (3%) at beginning. Not only at the beginning even at present, majority of the SHGs have monthly meetings (69%). But, over a period of time of some of the SHG became irregular in conducting meetings and some very few have adopted weekly meetings.

S. No.	Periodicity	Bihar		Odisha		Total	
		F	%	F	%	F	%
A	At beginning						
1.	Monthly	85	59	124	86	209	73
2.	Fortnightly	4	3	5	3	9	3
3.	Weekly	55	38	15	10	70	24
	Total	144	100	144	100	288	100
B	At present						
1.	Monthly	75	52	123	85	198	69
2.	Fortnightly	4	3	0	0	4	1
3.	Weekly	54	38	17	12	71	25
4.	No schedule	11	8	4	3	15	6
	Total	144	100	144	100	288	100

There is decrease of 4% in monthly and 2% in fortnightly meetings when compared to the periodicity of meetings at the beginning. It could be because of poor

monitoring & handholding support of SHPIs, delay in getting bank linkage etc. The percentage of SHGs with monthly meetings is high in Odisha when compared to Bihar; however, the weekly meetings are high in Bihar when compared to Odisha.

The study team has collected the information on meetings to be held and held during the last 6 months, to know the regularity of SHG meetings. Of the sample SHGs, majority of the SHGs (73%) conducted more than 75% of meetings followed by 50-75% (17%) and less than 50% of meetings (9%). A small number of SHGs (1%) have reported no meetings during the last six months. The average percentage of meetings held is high in Bihar with 91% when compared to Odisha (69%). It shows that the regularity of meetings is good in Bihar.

The percentage of SHGs with less than 50% of meetings is more in SGSY SHGs (12%) than in non SGSY SHGs (9%). During focus group discussions, the groups have mentioned that the SHGs promoted under SGSY groups are formed only for getting benefits from the Government. Once the SHGs benefited, the group are not particular on group meetings and member attendance.

Member attendance: Of the sample SHGs, majority SHGs (67%) have reported more than 75% of member attendance in meetings followed by 50-75% (24%) and less than 50% of attendance (9%). State wise details of attendance are presented in the table-4.4. The average member attendance in meeting is high in Odisha with 10 members when compared to Bihar (9 members). The percentage of SHGs reported more than 75% of member attendance is high in Odisha when compared to Bihar; where as the percentage of SHGs reported less than 50% of member attendance is very high in Bihar when compared to Odisha.

There is a significant relationship between members' attendance and age of SHGs. In many SHGs (30%), the percentage of attendance is more than 75% in above 5 year old SHGs, followed by less than 3 year old SHGs (22%) and 3 to 5 year old SHGs (14%). Further, it is evident that more than 75% of regularity is found in 31% of SHGs in the age group of above 5 years. There is no significant difference between SGSY and non SGSY groups in the percentage of member attendance in meetings.

S. No.	Attendance (% of members)	Bihar		Odisha		Total	
		F	%	F	%	F	%
1	< 50	25	17	2	1	27	9
2	50 – 75	44	31	25	18	69	24
3	> 75	75	52	117	81	192	67
Total		144	100	144	100	288	100

During the focus group discussions, the SHGs have reported the reasons for low member attendance in meetings are i) urgent / emergency work (81%), ii) ill health of SHG/HH member (38%), iii) work pressure/peak agricultural season (32%), iv) visitors in the house (32%), v) Migration / work outside the village (10%), vi) fairs & festivals (9%), vii) lactating mother /pregnancy (7%), viii) meeting venue far away (4%), ix) loan defaulting (2%), x) unsuitable meeting time (1%) and xi) husband is unwilling etc.

c) *Meeting agenda*: To understand the nature of SHG activities, the study team has collected the information on the agenda for meetings held during the last six months. The agenda items discussed in SHG meetings are broadly classified into two categories – i) financial and ii) non-financial. The financial agenda includes i) collection of savings (92%), ii) collection of loan installment (76%), iii) Loan disbursement (57%), iv) SHG bank linkage (21%), v) defaulting & repayment (14%), vi) subsidy loans(4%) and vii) revolving fund (2%). The non-financial agenda includes i) social agenda (25%), ii) livelihood activities (22%), iii) books of accounts (10%), iv) training programme (6%), v) to attend public meeting (5%), vi) discussions various development programs (4%), vii) insurance (3%), viii) GB meetings(1%), ix) change of leaders (1%), x) exposure visit (1%) and xi) other activities (5%). It shows that there is a more focus on financial agenda than non-financial and social agenda.

4.3 Book keeping

The performance of SHGs can be measured by the type of books positioned and quality of their maintenance in terms of up-to-date writings, information to be available etc.

a) *Type of books positioned & up-to-date information*: The SHGs books includes i) minutes book, ii) members' passbook, iii) savings ledger, iv) loan ledger, v) cash book, vi) receipts & payments book, vii) monthly reports and viii) all in one book. The data in table 4.5 shows that most of the SHGs maintained minutes book (95%), member pass books (82%), Savings ledger (66%), loan ledger (58%), cash book (48%), receipts and payments books (30%) and monthly reports (23%). A few SHGs maintained all the accounts in one book (8%).

b) Regarding up-dation of books, though majority of the SHGs are maintaining books, majority SHGs are not up-to date in book keeping. It is because of absence of book keepers, absence of training to book writers, low level of understanding on SHG book keeping and accountancy .

Table-4.5: Quality of Book Keeping (% of SHGs)

S. No.	Type of books	Maintain ing	Up to date books	No over writing	Complete information
1.	Minutes book	95	23	59	77
2.	Member pass book	82	25	60	78
3.	Savings ledger	66	22	56	72
4.	Loan ledger	58	20	58	70
5.	Cash book	48	20	62	64
6.	Receipts & Payments	30	26	52	66
7.	Monthly reports	23	12	23	26
8.	All in one book	8	4	67	29

c) *Over writings and complete information*: There is no over writing in majority of SHG books. It is observed that in 59% of minutes books, 60% of member pass books, 56% of Savings ledgers, 58% of loan ledgers, 62% of cash books, 52% of receipts and

payments books, 23% of monthly reports and 67% all in one book have no over writings. Like over-writings majority of the SHGs and the books have complete information.

d) *Maintenance of books and book keepers:* Of the sample SHGs, most of the SHGs keep their records at group leaders' house (81%), followed by member house (15%) and SHPI staff & others including book keepers (4%). Similar trend is observed in both Bihar and Odisha. This shows that the domination of leaders and low access of members to group records.

e) The data in the table 4.6 shows that the SHG members are the book writers to the large number of SHGs (45%) followed by SHPI staff (20%), unpaid non members (11%) Book keepers paid by SHGs (7%) and others (16%) - educated persons, relatives, children of SHG members, etc. The SHG members as book writers are more in Odisha when compared to Bihar; however, the percentage of SHGs paid honorarium to Book writers is more in Bihar when compared to Odisha.

S. No	Book writers	Bihar		Odisha		Total	
		F	%	F	%	F	%
1.	SHG member	39	27	92	43	131	45
2.	SHPI staff	46	32	11	8	57	20
3.	Unpaid non member	2	01	31	22	33	11
4.	BK paid by SHG	20	14	01	01	21	07
5.	Others	37	26	9	6	46	16
Total		144	100	144	100	288	100

f) *Honorarium to Book keepers:* Of the sample SHGs, majority of the SHGs (74%) have not paid any honorarium to book writers. There is no significant difference in the percentage of SHGs pay honorarium to the book writers between Bihar and Odisha. However, of the total 26% of the SHGs who paid honorarium, majority of them paid less than Rs. 50 (15%), followed by more than Rs.100 (8%) and between Rs. 51 – 100 (3%). Of all grades of SHGs, more percentage of A-grade SHGs pay honorarium to book writers (33%) when compared to B-grade (23%) and C-grade SHGs (26%). Of the SHGs credit linked to banks, majority of the groups linked to banks for more than twice pay honorarium (40%) when compared to once (35%) and twice (13%).

Though only 16% of SHG members are educated (studied 6th and above classes), they are writing books in 45% of SHGs. They are not willing to write books as the groups are not paying remuneration to the book keepers. As a result, poor book keeping (in terms of up-to-date books is noticed in the sample SHGs. Only some SHGs paid honorarium (25%) to the book writers. During focus group discussion the groups also reiterated that as the book writers are not spending much time to update the books many SHGs are unwilling or pay small amounts to book writers. Further, the groups also reported the reasons for poor book keeping as poor handholding support from the promoters, low literacy, absence or poor quality of trainings on book keeping, low levels of understanding, etc.

4.4 Leadership

a) *Roles and responsibilities of leaders and members:* To know the awareness level of roles and responsibilities of leaders and members, the study team collected the information from the sample SHGs. The sample SHGs reported that the major roles and responsibilities are i) regular savings / repaying loan (92%), ii) organizing meetings (91%), iii) depositing of amount in bank (88%), iv) ensure member attendance (80%), v) attending trainings (63%), vi) attending federation meetings (62%), vii) regular book keeping (62%), viii) participation in group meetings (59%), ix) support to co-members (53%), x) participation in govt. programs (31%) and xi) coordination with officials (28%).

It is found that the more than three-fourth of SHGs are aware of regularity in savings / repayment of loans, organizing meetings, depositing of amount in bank and ensure member attendance which are most important roles and responsibilities of members and leaders. Though the SHG members are aware of their roles and responsibilities, it is not reflected in conducting group meetings and member attendance as the members are not serious about them.

c) *Criteria and method of selection of Leaders:* While selecting the leaders, the SHGs have considered different criteria for the selection of leaders. While selecting group leaders, the SHGs considered multiple criteria such as i) communication skills (89%), ii) good character (85%), iii) the educational levels of the members (62%), iv) young / middle aged (19%), v) influenced person in the society (11%), vi) elderly (8%), vii) economically sound (5%) and others (19%). However, most of the SHGs have given importance to educational levels, communication skills and good character.

Like multiple criteria for leaders' selection, the groups have followed different methods for their selection. The majority of the SHGs selected their leaders through all members' consent (91%). However, some of the SHGs selected their representatives by adopting various methods such as rotation (14%), elections (7%), self declared (6%) and SHPI nominated and others including village heads nominations (9%)

d) *Leadership rotation:* Though change of leadership is an important aspect in the empowerment of SHGs, the leadership rotation is observed only in 20% of sample SHGs in both the states. The change of leaders varies from 1 to 5 times with an average of 1.7 times. The incidence of change of leaders is high among the SHGs promoted by Govt (45%) and NGOs (35%), when compared to federation (10%) and self /community (35%). Further, as the age of SHGs increases the percentage of SHGs changing leaders also increases. For instance, the percentage of SHGs changing leaders is low in 3 – 5 year old groups (6%) and high in more than 5 year old groups (37%). The incidence of leadership rotation is high in SGSY group with 27% when compared to non-SGSY groups (18%). It is almost double in the SHGs having membership in federations (22%) as compared to SHGs don't have membership (12%). It is also high in SHGs credit linked for more than two times with 35% and low in SHGs credit linked once with 13% when compared to SHGs credit linked twice (34%).

It could be because of relationship between the age of SHGs and number of credit linkages (See table- 4.7).

S. No	No. of times	< 3 years (N=94)	3-5 years (N=70)	> 5 years (N=124)	Total (N=288)
1.	No change	91	94	63	80
2.	1 – 2 times	9	6	30	17
3.	3 – 4 times	0	0	5	2
4.	5 & Above	0	0	2	1
Total		100	100	100	100

e) *Problems in leadership rotation:* During the focus group discussions, the sample SHGs mentioned the issues related to change of leadership as i) present leaders are unwilling to step down (26%), ii) other members are unwilling to take up leadership (39%), iii) bankers are not accepting for the change of leadership (21%), iv) all other members are illiterates (11%) and v) don't know about change of leadership (3%) . It is interesting that the percentage of SHGs reported that the present leaders are unwilling to step down is high in Odisha (45%) when compared to Bihar (7%). Though most of SHG members and leaders are aware of their roles and responsibilities, the percentage of SHGs reported leadership rotation is very low as there are many issues and problems in it.

4.5 Fines

There are fines and penalties in SHGs as norms for the effective functioning of SHGs and to ensure discipline among the group members. The sample SHGs have specific norms relating to fines. The amount of fines depends on the group terms & conditions. During focus group discussions, the sample SHGs has mentioned the details of the fines collected to ensure regular functioning of groups. The details of nature of activity and the amount of fine are given below:

- Delay in paying savings : Rs. 1-3
- Delay in attending meetings : Rs. 1-5
- Delay in paying loan installments : Rs. 1-5
- Delay in depositing funds : Rs. 1-10
- Violation of dress code : Rs. 1-5
- Filthy language in meetings : Rs. 1-5
- Quarreling in meeting : Rs. 1-5

During FGDs, many groups said that though they have such norms, those are not in practice due to various negative implications at group level such as i) quarrels among the members, ii) member dropouts, iii) delay in decision making and iv) fault finding etc.

4.6 Grading of SHGs

The study team administered the CRI tool which was developed by NABARD to know the quality of SHGs in terms of grades. Of the sample SHGs, 40% are in A-grade, 38% are in B-grade and the remaining 22% is in C-grade.

Though many SHGs are A Grade (40%), there is a need of considerable work to be done, particularly capacity building in the areas of meetings, attendance, savings, internal lending, financial literacy, etc. There is a clear distinction between the states in grading of SHGs. More than half of the SHGs in Bihar (56%) are A grade, followed by B grade (24%) and C grade (20%). While in Odisha, majority of the SHGs are B grade (52%), followed A (24%) & C (24%) grades. Further, the percentage of A-grade SHGs are high in groups promoted by Government (50%) compared to other promoters – Self (42%), federation (33%) and NGOs (26%) (See table 4.8).

The percentage of A-grade SHGs is high among minorities (63%), and low among STs (7%) compared to other SHG social categories of SHGs. The percentage of A-grade SHGs is high in 3-5 year old SHGs with 54% and low (34%) in 'more than 5 year old groups. Of the SHGs loan outstanding with banks, majority of the SHGs are A-grade (54%) followed by B grade (28%) and C grade (18%) SHGs. Further, it is observed that there is no significant difference in the grades between SHGs promoted under SGSY and non SGSY groups.

S. No.	Grade	Govt (N=145)	NGO (N=105)	Federation (N=14)	Self (N=24)	Total (N=288)
1.	A – Grade	50	26	33	42	40
2.	B – Grade	35	35	67	54	38
3.	C – Grade	15	39	0	4	22
	Total	100	100	100	100	100

Membership in Federation Vs. Grades of SHGs: The data in table 4.9 shows that of the 228 SHGs having membership in federation, many groups are A grade (44%) followed by B-grade (36%) and C-grade (20%). Where as in case of SHGs that have no membership in federations, many groups are B-grade (45%) followed by C-grade (30%) and A-grade (25%). It shows that the quality of SHGs that have membership in federations is good when compared to those that have no membership.

S. No	Grade	Fed-Member		Non-Member		Total	
		N	%	N	%	N	%
1	A	100	43.9	15	25.0	115	39.9
2	B	82	36.0	27	45.0	109	37.8
3	C	46	20.2	18	30.0	64	22.2
	Total	228	100.0	60	100.0	288	100.0

Multiple loans vs. grades of SHGs: The grades of the SHGs and the number of loans outstanding with the credit sources are positively correlated. It means the number of credit sources increases the quality of the groups also increases. The data in table 4.10 shows that of the 114 SHGs that have accessed credit from one source, many SHGs are A-grade followed by B-grade and C-grades. Similar trend is found in case of two and 3 & above credit sources. But, the credit sources increases, the percentage of SHGs of A-grades has been increasing and the C-grade SHGs have been decreasing.

S. No.	Grade	No (N=62)	One (N=114)	Two (N=73)	3 & above (N=39)	Total (N=288)
1	A	12.9	36.8	56.2	61.5	39.9
2	B	51.6	33.3	39.7	25.6	37.8
3	C	35.5	29.8	4.1	12.8	22.2
Total		100.0	100.0	100.0	100.0	100.0

No. of loan cycles with bank and grades of SHGs: The data in table 4.11 shows that of the sample SHGs which are not credit linked to bank even once, many are A-grade groups followed by B-grade and C-grade. Of the sample SHGs credit linked once with banks, majority of the groups are A-grade followed by B & C grade SHGs. Where as in case of the SHGs which are credit linked twice and thrice & above are B-grade SHGs followed by A & C grade SHGs. Further, the percentage of A-grade SHGs has decreased over the repeat linkages or cycles; and at the same time the percentage of B-grade SHGs has increased.

S. No.	Grade	No (N=142)	One (N=71)	Two (N=38)	3 & above (N=37)	Total (N=288)
1	A	29.6	69.0	34.2	29.7	39.9
2	B	42.3	23.9	39.5	45.9	37.8
3	C	28.2	7.0	26.3	24.3	22.2
Total		100.0	100.0	100.0	100.0	100.0

In conclusion, the SHGs have promoted limited saving products like compulsory savings at SHGs and education & health savings rarely. Monthly saving is common and the amount varies from group to group based on promoters, age, size, etc. The percentage of weekly savings is high in Bihar than in Odisha. Though many SHGs are associated with federations, small number of SHGs promoting savings and paid share capital because of varied reasons. Many SHGs reported financial transactions such as collection of savings and loan installments by the leaders; outside the meetings is not a good practice which leads to misuse of group funds.

The meetings are regular in most of the SHGs. Member attendance in meetings is good in most of SHGs. Low number of meetings and member attendance are due to urgent/emergency work, pressure during peak agriculture seasons, visitors in the house and migration / work outside the village. The agenda for SHG meetings is mostly on financial aspects like savings and loans rather than social and livelihood aspects. Though the majority of the SHGs have maintained a set of books, the quality is poor because of poor member literacy levels, untrained SHG members as book writers, lack of training on book keeping and low honorarium to book writers. Members' access to group records is low as most of the SHGs books are maintained by leaders.

The incidence of leadership rotation in SHGs is minimal due to varied reasons. The sample SHGs adopted multiple criteria to select their leaders. Mostly, leaders were selected on the consent of majority of the group members. The leadership rotation is observed in very few SHGs. The incidence of change of leaders is high among the SHGs promoted by Government and NGOs. Present leaders are unwilling to step-

down, while other members are not willing to take up the responsibility and even bankers do not allow the leaders to change in between the loan period. Though the sample SHGs adopted the group norms, it is not implemented in practice, so it reflects the poor performance of meetings and low attendance.

Many sample SHGs are in A-grade followed by B-grade and C- grade. The grading of SHGs vary across the states, promoters, age of the groups, social categories and credit linkage with bank but no significant change is observed between SGSY and non SGSY SHGs.

ACCESS TO CREDIT, REPAYMENT AND DEFAULT MANAGEMENT

The present chapter of the report mainly discusses the financial aspects of SHGs particularly, SHGs' access to credit from internal and external sources of funds. It addresses the research questions, which includes, what are the internal funds, lending, distribution, and repayment? What are the external funds accessed by SHGs from various sources both grants and loans, repayment rate and defaulting?

5.1 Internal funds: Savings from members, interest on loans, health & educational savings, fines etc are the internal funds available with SHGs

5.1.1 Lending of group funds/savings: Savings from members is the major internal fund source to the SHGs. About 88% of SHGs in Bihar and 40% SHGs in Odisha have reported lending of internal funds as on August 2013.

a) Loan outstanding of members from internal lending: Of the total sample SHGs, 64% of SHGs have total loan outstanding of Rs. 48.26 lakhs with an average of Rs. 26,227. The percentage of SHGs reported loans outstanding from internal funds is high in Bihar (88%) as compared to Odisha (40%). However, the average amount of loan outstanding is high in Odisha (Rs. 34,278) as compared to Bihar (Rs. 22,521). Of the SGSY groups, about 57% of SHGs have reported loan outstanding. However, about one-third of SHGs don't have loan outstanding with their members. It could be because restriction of banks on withdrawal of group savings during the loan period, distribution of group funds along with bank loan to provide large loans to members, continuous deposition of savings to get large loan from banks, groups decided not to lend internal funds to avoid default based on past experience.

b) Savings -vs- internal lending: To know the percentage of savings used for internal lending, the study team has collected the information from the SHGs on the amount of total savings and amount of loan outstanding with SHGs. Of the total savings of Rs. 87.64 lakh, about 55% (Rs. 48.26 lakhs) of the amount is with the members as loan outstanding. The data in table 5.1 shows that the amount of savings as loan outstanding with the members is more than double (88%) in Bihar when compared to Odisha (36%). It shows that the SHGs in Bihar used the funds mobilized internally in an optimal way when compared to Odisha.

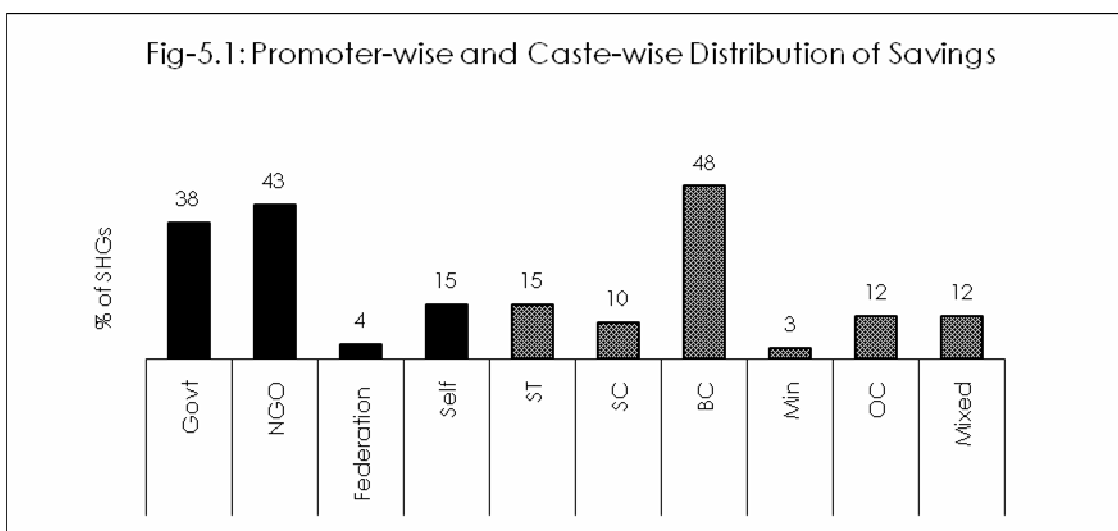
S. No	Details	Bihar	Odisha	Total
1	Total Savings	3,221,617	5,542,723	8,764,340
2	Amount OS with SHGs	2,837,716	1,988,127	4,825,843
3	% of amount of savings	88	36	55

c) Ratio between internal funds vs. external funds: An attempt is made to know the utilization of funds mobilized internally and from external sources. Of the total loan outstanding by the members with SHGs, 36% is of group funds, 33% is of banks and 31% is of federations. It shows that the SHGs largely depend on banks and federations to mobilize funds for on lending to their members. But in Bihar, the share of internal funds is on par with the external funds – banks and federations; where as

in Odisha, large portion is from external sources (74%). In addition to the above, some SHGs have loan outstanding with NGOs (14%). The study team has not mentioned the details of loans with NGOs as there is no reliable data from the SHGs. The source wise loan outstanding is presented in the table 5.2.

Table-5.2: Distribution of Loan Outstanding with Various Sources							
S. No.	Fund source	Bihar		Odisha		Total	
		Amt in Rs	%	Amt in Rs	%	Amt in Rs	%
1	SHG	28,37,716	50	19,88,127	26	48,25,843	36
2	Bank	12,61,584	22	31,33,260	40	43,94,844	33
3	Federation	15,77,373	28	26,66,773	34	42,44,146	31
	Total loan OS	56,76,673	100	77,88,160	100	134,64,833	100

d) Distribution of savings: An attempt is made to know the magnitude of the distribution of savings in sample SHGs. Of the total sample SHGs, about 21% of SHGs have distributed savings to their members with an average of Rs. 33,576. Of the total SHGs distributed savings, many SHGs are promoted by NGOs (43%), followed by Government (38%), self (15%) and federation (4%). Further, the percentage of SHGs distributed savings to members is high in BC groups with 48% and low in SC groups with 10% when compared to other social categories (STs -15%, OCs -12%, mixed caste groups- 12%) (See fig- 5.1).



The number of credit linkages and the practice of distribution of group funds/savings are correlated. It means that if the number of credit cycles with banks increases the percentage of SHGs distributed savings in past also increased (no linkage -16%, 1st linkage - 17%, 2nd linkage - 32% and 3rd & above linkages - 49%). It could be because that many SHGs distributed their savings/funds along with the bank loan to get large volume of loan to invest large amount on IGA and to manage default by avoiding lending with group funds.

e) *Reasons for distribution of savings:* During focus group discussions, the SHGs have reported the reasons for distribution of savings as i) delay in getting bank linkages (26%), ii) more group funds (7%), iii) to pay savings of the dropouts (6%), iv) bankers

pay low IR on savings (5%), v) difficulty in managing large funds (4%), vi) multiple sources of credit (4%), vii) no lending /only distribution (6%), viii) avoid idle funds (3%), ix) avoid defaulting of loans (2%), x) Book keeping & accounting is easy (2%), xi) to pay bank loan installments (1%), xii) availability of external funds on low interest rate (1%) and xiii) procurement of useful assets (1%). It shows that multiple factors are leading to the distribution of savings to their members by the SHGs.

f) Opinion of SHGs on uses of savings: During focus group discussions, the groups have reported the uses of savings as i) habit of savings among the poor women has increased (84%), ii) availability of loans from private credit sources (70%), iii) less dependency on money lenders (49%), iv) getting loans from banks (32%), v) security at old age (27%), vi) providing financial support for educating their children (26%), vii) improved health (25%), viii) taken up IGA (15%), asset creation (12%) and getting dividend (3%).

g) *Idle funds*: The sample SHGs has a total fund of Rs. 56.83 lakh in their SB accounts with an average of Rs. 19,940, which is higher than the national average of Rs. 11,230. The average amount of funds in SHG SB account is far high, more than three times, with Rs. 30,066 in Odisha as compared to Bihar (Rs. 9,598). The data in table-5.3 shows that many of the SHGs (35%) have less than Rs. 5,000 of idle funds followed by more than Rs. 25,000 (24%), Rs.5,001 – 10,000 (20%), Rs.10,001-15,000 (11%), 15,001 – 20,000 (7%) and 20,001-25,000 (4%) in their SB accounts. About 40% of SHGs has more than Rs. 25,000 idle funds in Odisha where as in Bihar it is only 9% of SHGs. About 50% of SHGs has less than Rs. 5,000 idle funds in Bihar and it is only 19% in Odisha.

h) The average amount of funds in SHG SB account is more among the non-SGSY groups with Rs. 20,404 and low in SGSY groups with Rs. 18, 614. The average amount of funds in the savings accounts is low in case of SHGs having loan outstanding with banks (Rs. 15,740) when compared to the SHGs that have no loan outstanding with banks at present (Rs. 21,665). It is because of long waiting period of SHGs for both fresh and repeat linkages, regular savings without withdrawals for on lending to their members. The other reason for low amount could be the transfer of amount from SB account to loan account in case of default. The average amount of funds in SHGs SB account is more in B-grade SHGs (Rs. 28,202) as compared to C-grade (Rs. 16,282) and A-grade SHGs (Rs. 14,009). It is because, large percentage of B-grade (42%) and A-grade (34%) are waiting for credit linkage with banks.

Table-5.3: State-wise Amount of Funds in SHG SB Accounts (% of SHGs)

S. No	Amount Rs. in '000	Bihar	Odisha	Total
1	< 5	50	19	35
2	5 – 10	21	19	20
3	10 – 15	12	9	11
4	15 – 20	4	9	7
5	20 – 25	4	3	4
6	> 25	9	40	24
Total		100	100	100

i) *Reasons for large amount of idle funds in SHG SB accounts:* During focus group discussions, the groups have reported the reasons for large amount of funds in SB accounts as i) to get large volume of loan (16%), ii) banks not allowing to withdraw (12%), iii) to avoid multiple loans & defaulting (8%), iv) no lending / yearly distribution (4%), v) distribute at the time of SHGBL (4%) and others like leaders not allowing to withdraw due to fear of low recovery etc (9%).

5.2 External sources of funds

a) *SHG bank linkage:* The SHGs have accessed funds from banks under SHG-bank credit linkage, revolving fund from DRDA and subsidy loan from DRDA under SGSY programme. The data in table 5.4 shows that about one half of the SHGs accessed credit from banks with an average of 1.9 loans of Rs. 1.2 lakhs, since inception. The average amount of loan accessed by the SHGs in Odisha is far high, more than three times, with Rs. 1.84 lakhs as compared to Bihar. It could be due to more number of old groups in Odisha than in Bihar.

S. No	Source	Bihar	Odisha	Total
A SHG Bank Linkage				
1	% of SHGs	51	49	50
2	Avg. loans	1.3	2.4	1.9
3	Average Loan in Rs.	58,958	184,030	120,182
B Revolving fund				
1	% of SHGs	4	35	19
2	Avg. loans	1	1.3	1.2
3	Average Loan in Rs.	10,000	14,360	13,893
C SGSY Loan				
1	% of SHGs	12	4	8
2	Avg. loans	1.1	1	1.1
3	Average Loan in Rs.	123,235	270,667	161,695

b) *Revolving fund:* About 19% of SHGs accessed revolving fund (RF), since inception, on an average of Rs.13,893. The percentage of SHGs accessed RF is far high in Odisha with 35% as compared to Bihar (4%).

c) *SGSY loan:* About 8% of SHGs accessed SGSY loans on an average of Rs.1.62 lakh; however, the percentage of SHGs accessed SGSY loans are high in Bihar with (12%) as compared to Odisha (4%). Though the percentage of SHG benefited in Odisha is low, the average loan amount is more than double (Rs. 2.71 lakh) when compared to Bihar (Rs.1.23 lakh) . Further, it is observed that, of the total SHGs promoted under SGSY programme, only 23% of SHGs availed SGSY loan with an average loan of Rs. 1.67 lakh. Comparatively, small percentage of non SGSY SHGs (3%) availed SGSY loans with an average loan of Rs.1.47 lakh. The above discussion reveals that many SHGs are not credit linked to banks irrespective of the promoter and the type of group. Small number of SHGs got revolving funds and subsidy loan under SGSY programme for taking income generation activities.

5.3 Current loans

Besides, own funds, the SHGs have loans currently with banks, federations and NGO-MFIs. The data in table 5.5 shows that at present, about 30%, 26% and 14% of SHGs have loan outstanding with banks, federations and NGO MFIs respectively. However, the percentage of SHGs have loan outstanding is high in Bihar when compared to Odisha. But, irrespective of credit source, the average amount of loan is more than double in Odisha when compared to Bihar. It is because of repeat loan cycles of older SHGs with credit agencies. It also reveals that at present, majority of the SHGs have no loan outstanding with external credit agencies.

S. No	Source	Bihar	Odisha	Total
A.	<i>Bank linkage</i>			
1	% of SHGs	35	24	30
2	Total loan (Rs. in lakhs)	28.36	43.80	72.16
3	Avg. loan (Rs. in lakhs)	0.56	1.25	0.85
B	<i>Federations</i>			
1	% of SHGs	38	15	26
2	Total loan (Rs. in lakhs)	27.60	40.31	67.90
3	Avg. loan (Rs. in lakhs)	0.51	1.92	0.91
C	<i>NGO-MFIs</i>			
1	% of SHGs	15	13	14
2	Total loan (Rs. in lakhs)	10.66	24.51	3.52
3	Avg. loan (Rs. in lakhs)	0.51	1.28	0.88

Current loan outstanding: The data in table 5.6 shows that the average loan outstanding by the SHGs with banks, federations and NGO-MFIs is Rs. 51,704, Rs. 56,589 and Rs. 27,355 respectively. The average amount of SHG loan outstanding to NGO-MFIs is low (Rs. 27,355) as compared to banks (Rs. 51,704) and federations (Rs. 56,589). It could be because of good repayment to NGO-MFIs and short loan term. In other words, the repayment to banks and federations is low when compared to NGO-MFIs because of low monitoring.

S. No	Source	Bihar	Odisha	Total
A	<i>Bank linkage</i>			
1	% of SHGs	35	24	30
2	Total loan O/s (Rs. in lakhs)	12.62	31.33	43.95
3	Avg. loan O/s (Rs.)	25,232	89,522	51,704
B	<i>Federations</i>			
1	% of SHGs	38	15	26
2	Total loan O/s (Rs. in lakhs)	15.77	26.67	42.44
3	Avg. loan O/s (Rs.)	29,311	126,989	56,589

Member access to current loans: The data in table 5.7 shows that of the 3,581 members of 288 sample SHGs, 40% of the members availed loan from SHG funds, 20% of the members availed bank loan and 15% of the members availed federation loans. Further, some of the members availed loans from more than one source. The

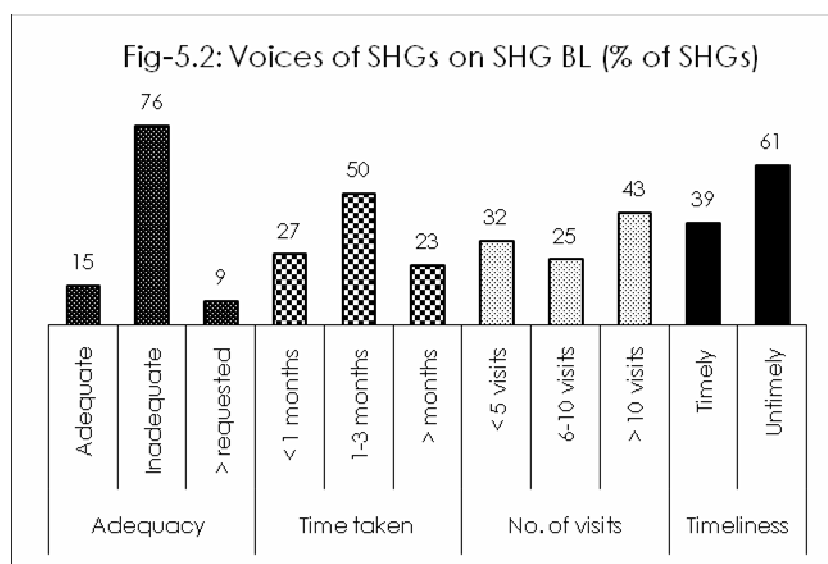
data also shows that in Bihar large number (54%) of SHG members accessed loan from group funds when compared to Odisha (26%).

S. No.	Source	Bihar		Odisha		Total	
		F	%	F	%	F	%
1	SHG Funds	1001	54	446	26	1447	40
2	Bank loans	344	19	367	21	711	20
3	Federation loans	325	18	228	13	553	15

Voices of SHGs on SHG Bank linkages: To know the opinion of SHGs on SHG-BL programme, particularly on the quantum of loan, time taken to get the loan, number of visits made and timeliness of loan, the study team has gathered information by using two/three point scale – adequate, inadequate and more than requested for quantum of loan; less than month, 1-3 months and more than 3 months for time taken to get the loan; less than 5 visits, 6-10 visits and more than 10 visits for number of visits; and timely and untimely to know the timeliness. The opinion of the majority members, who participated in discussions, was recorded as the opinion of SHG.

j) *Loan adequacy:* The data in the fig-5.2 shows that majority of SHGs opined that the current bank loan is inadequate (76%) followed by adequate (15%) and more than requested (9%) irrespective of social category of the groups and their association with the type of banks.

ii) *Time taken to sanction loans:* The data in the fig-5.2 shows that majority of the SHGs reported that the time taken to get the loan as 1-3 months (50%) followed by less than a month (27%) and more than three months (23%). The delay in getting loan, in spite of decreasing, increases the dependency on money lenders.



iii) *No. of visits:* In response to the no. of visits made by the SHGs to get SHG-bank linkage, many SHGs made more than 10 visits to get linkage (43%), less than 5 visits

(32%) and 6 – 10 visits (25%). Further, they also said that due to more visits, they are losing, wage and the loan expenses also increases.

iv) *Timeliness*: Of the total sample, majority of the SHGs felt that the loans were not sanctioned timely (61%) and the remaining (39%) reported as timely. Of the social categories, majority of the ST groups (73%) felt that the loan is untimely when compared to other social categories (SCs-63%, BCs - 58%, Minorities - 68%, OCs - 62%). Further, most of the SHGs expressed that all the banks had not been given loans on time. The majority of A Grades SHGs felt that the current loan is timely. It could be because of good repayment track record of them.

5.4 Repayment Rate

In the present study the repayment rate from SHGs to banks and federations was calculated. It was computed only to those SHGs that have complete loan information - loan amount, date of loan, number of installments & amount, amount of loan repaid, amount of loan outstanding. The repayment rate was calculated for 83 out of 85 SHGs, who have active loan with banks, 66 out of 75 SHGs having active loan with federations.

a) *Repayment Rate from SHGs to Banks*: The repayment rate varies from zero to 100 percent with an average of 62 percent. The repayment rate is high in Bihar with 67% as compared to Odisha (56%). The data in fig-5.4 shows that the loan repayment rate in many SHGs is less than 50% with 37%, followed by more than 95% (32%), between 51 – 75% (19%) and between 76 – 95% (12%).

The percentage of SHGs' repayment rate is more than 95%, is little high in Bihar (35%) as compared to Odisha (26%). The repayment rate to Cooperative banks is high with 100%, when compared to Commercial banks (65%) and Regional Rural banks (49%). It could be because of poor monitoring as they are located far from the SHGs. The quality of SHGs and the repayment rate are positively correlated. The average repayment rate is high in A grade SHGs with 70% followed by B grade (61%) and C grade (41%) SHGs. The average loan repayment rate of SGSY groups is high with 64% as compared to non SGSY groups (59%). The average repayment rate is high among SHGs of SCs with 70% and low in mixed groups with 31% when compared to other social categories (BCs-67%, STs-62%, Minorities-42%, OCs-40%).

SHG membership in federation vs repayment rate: There is no significant difference in the average repayment rate of SHGs that have membership (62.12%) and don't have membership (61.69%) in federations. However, the percentage of SHGs that have less than 50 percent repayment rate and more than 95 percent of RR is high in the SHGs which do not have membership in federations when compared to the SHGs which have membership.

Loan cycles vs. repayment rate: The average repayment rate of SHGs and the no. of loan cycles are negatively correlated. The number of repeat linkages increases the repayment rate has been decreasing (1st linkage -66%, 2nd linkage-59% and 3rd linkage-57%). The data in table 5.8 shows that the percentage of SHGs that have less than 50% of repayment is more in 3 & above linkages. Further, majority of the SHGs' credit linked twice have the repayment rate less than 75%. But majority of the

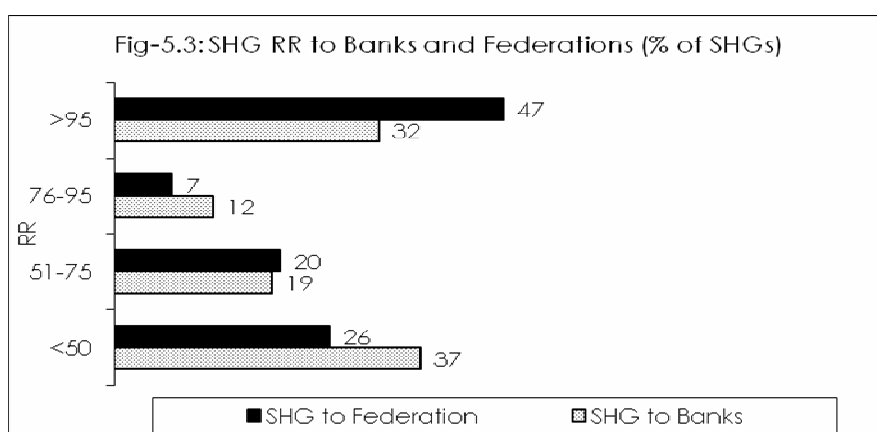
SHGs credit linked 1st time have the repayment more than 75%. It shows that over the subsequent linkages the repayment rate has been decreasing.

S. No.	Repayment Rate	1 st Cycle (N=71)	2 nd Cycle (N=38)	> 2 Cycles (N=37)	Total (N=146)
1	< 50	35.6	25.0	50.0	36.1
2	51-75	13.3	45.0	11.1	20.5
3	76-95	11.1	25.0	0.0	12.0
4	96 & Above	40.0	5.0	38.9	31.3
Total		100.0	100.0	100.0	100.0

Multiple loans vs. repayment rate: The average repayment rate is high in the SHGs which have with two active credit sources (67%) and low in SHGs with one credit sources (55%) as compared to three and above credit sources (62%). The data in table 5.9 shows that the percentage of SHGs that have repayment rate less than 50% has decreased from 40 to 32 percent, and again it has increased to 37 percent. The percentage of SHGs that have repayment rate more than 95% has increased from 25 to 39 percent, and again it has decreased to 29 percent as the loan sources increased. It could be because of repayment of bank loans from other sources of credit to get large loans in the subsequent loans and low repaying capacity.

S. No.	Repayment Rate	One (N=71)	Two (N=38)	3 & Above (N=37)	Total (N=146)
1	< 50	40.0	32.1	37.1	36.1
2	51-75	25.0	17.9	20.0	20.5
3	76-95	10.0	10.7	14.3	12.0
4	96 & Above	25.0	39.3	28.6	31.3
Total		100.0	100.0	100.0	100.0

b) *Repayment rate - SHGs to Federation:* The repayment rate from SHGs to federations varies from zero to 100 percent with an average of 70%. It is high in Odisha with 76% as compared to Bihar (68%). The data in fig 5.3 shows that of the total sample SHGs, many SHGs' loan repayment rate is more than 95 percent (47%) followed by less than 50% (26%), 51-75% (20%) and 76 – 95% (7%).



However, the percentage of SHGs repayment rate, which is more than 95% is comparatively high in Odisha (56%) as compared to Bihar (44%). But the repayment rate which is less than 50% is high in Bihar (28%) as compared to Odisha (19%)

Grades of SHGs vs. repayment rate: The average loan repayment rate to federations is high in B grade SHGs (75%), compared to A grade (69%) and C grade (40%) SHGs. There is no significant difference in the loan repayment rate between SGSY (69%) and non-SGSY SHGs (71%). The average repayment rate is high in OCs (83%) and low in mixed caste groups (30%) when compared to other social categories (BCs-74%, SCs-68%, Minorities-59%, and STs 50%). In bank linkage, the average repayment rate is high in Bihar (67%) and low in Odisha (56%). In contrary, in federation loans, the average recovery rate is high in Odisha (76%) and low in Bihar (68%).

5.5 Extent of default

a) *SHG loans:* Of the total sample SHGs, 58% of SHGs has loan default with SHG corpus. The percentage of SHGs reported default is nearly three times in Bihar when compared to Odisha. Of the total loan outstanding with members, 36% of total amount is as overdue with an average of Rs.16,350 per SHGs. The percentage of default amount to the total loan outstanding is more than double in Bihar as compared to Odisha; however, the average amount is low in Bihar when compared Odisha (see table-5.10).

Table-5.10: Source-wise Extent of Default Loans				
S. No	Source wise default amount	Bihar	Odisha	Total
A. SHG loans				
1.	% of SHGs	73	26	58
2.	% of default amt to total loan OS	49	18	36
3.	Avg. default amt (Rs.)	15,074	24,179	16,350
B. Bank loans				
1.	% of SHGs	72	29	54
2.	% of default amt to total loan OS	58	18	29
3.	Avg. default amt (Rs.)	20238	55719	27951
C. Federation				
1	% of SHGs	61	10	47
2	% of default amt to total loan OS	45	5	20
3	Avg. default amt (Rs.)	21736	69090	24442

b) *Bank loans:* Of the sample SHGs, majority SHGs (54%) have reported loan default. There is vast variation between states. The percentage of SHGs reported default is high, more than double, in Bihar when compared to Odisha. Similarly, the percentage of default amount to the total loan outstanding is also high in Bihar when compared to Odisha. Though percentage of SHGs and percentage of overdue amount is low, the average amount of default is high in Odisha as the loan size is high in Odisha when compared to Bihar.

c) *Federation loans*: Of the sample SHGs, many (47%) have defaulted to federation. There is a significant variation between states. The percentage of SHGs (61%) and percentage of default amount to the loan outstanding (45%) is high in Bihar when compared to Odisha. Though the percentage of SHGs and percentage of amount defaulted is low in Odisha, the average amount of default is high.

5.6 Default management

According to a project report of a research study on 'Loan Default by SHGs', the repayment rate of bank loan among SHGs has decreased over the last few years. It has highlighted the reasons for default as i) SHGs have departed from formation norms such as area selection, wealth ranking and members with the same socio economic condition; ii) SHGs have been coming together mainly for credit and subsidies, instead for savings; iii) SHG leaders and members are unaware of the group concept; iv) SHGs exhibit a progressive erosion in quality in terms of maintenance of attendance registers, cash books and ledgers; v) SHG members do not fully utilize group funds; vi) Paucity of funds and personnel, force small NGOs that support SHGs to leave the community; vii) Pressure on banks to disburse subsidized loans disturbs the normal process of SHG growth and maturation; viii) Group leaders often take the largest share of bank loans (Singh, J & Singh A 2010).

a) *Reasons for default/delayed payments*: During focus group discussions, the SHGs have reported multiple reasons for delayed payment / default for internal lending, bank loans and federations. They are i) ill health of household member (34%), ii) less availability of work (28%), iii) migration (16%), iv) fairs and festivals (9%), v) Drought (7%), vi) natural disaster-floods (6%), vii) death of loan borrower (4%), viii) misuse of group funds, ix) loan waiving due to political promises, x) bribes to SHPI/banks/ middlemen, xi) bribes to SHPI/banks/ middlemen and others.

b) *Default management strategies*: During interactions with the SHGs, bank branch managers, federations, SHPIs and project staff, have reported the following steps that have been followed to ensure good repayment or to avoid default.

<u>Groups</u>	<u>Banks</u>	<u>Federations</u>
<u>A. Strategies - Before Loaning</u>		
<ul style="list-style-type: none"> • Loans based on member savings • Repaying capacity of borrower • Loan for IGA • Need based loans • Auditing of SHGs • Regular attendance to group meetings 	<ul style="list-style-type: none"> • Grading of SHG by using CRI tool • Loan volume based on savings and MCP • Large funds in SHG-SB a/c • Fixed deposits on the name of SHGs • Good repayment record • Auditing of SHGs • Life Insurance of SHG members • Recurring deposits • Back end subsidy 	<ul style="list-style-type: none"> • Auditing of SHGs • Need based loans • Regular attendance to federation meetings • Resolution of federations • SHGs without linkages • Regular savings to federation • Share capital paid SHGs

- Regular savings to bank
- Recommendation of SHPI

B. Strategies – After Loaning

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> • Fines and penalties • Monthly fixed amount • To avail subsidies • Bullet payments • Review on repayment in group meetings • Repeated discussions on SHG meetings • Imposing penalties | <ul style="list-style-type: none"> • Adjustment of group funds to loans • Bullet payments • Rescheduling of loans • Sharing of defaulters list with SHPIs • Fund transfer from SB A/c to loan A/c • Personal visits to SHGs • Review on SHG-BL repayment in CBRM Sub-committee meetings • Adjustment of FD to loan O/s | <ul style="list-style-type: none"> • Review on repayment in federation meetings • Sharing of defaulters list with SHPIs • Responsibilities to sub committees • Review of recovery by CBRM sub committee • Collecting penal interests from loan defaulters • Taken away household produce of default member |
|---|--|--|

The banks, SHPIs and SHGs are well aware of the negative implications. However, they have followed different strategies because of varied reasons - target pressure, vested interest of stakeholders etc. As a result, on one hand all have benefited and on the other all have faced risks.

c) *Type of action taken against defaulters:* The groups have taken different kinds of action against the defaulters. Of the total sample SHGs, 21% of SHGs opined that there is no action against defaulters; 17% of SHGs reported that they collect penalties from defaulters; 8% reported that the SHG members repeatedly visited the defaulters' houses; 4% reported that they informed SHPI staff; and 5% reported that they took away the household produce, informed to federation; pressure from village head, informed to bankers etc.

5.7 Social Risk Management

a) *Insurance:* To protect the poor families during the unforeseen incidents, the Central government started insurance programme called Aam Aadmi Bheema Yojana (AABY) in which the premium is paid by the central and state governments on behalf of the beneficiary. Besides, the Life Insurance Corporation of India started Janashree Bheema Yojana (JBY) for the benefit of poor households. Of the total members of sample SHGs, small percentage of members enrolled with AABY (2%), JBY (8%) and other private insurance programmes of private companies (17%). There is no AABY enrollment in Bihar. However, about 5% of SHG members were enrolled with AABY in Odisha. In the case of JBY, the enrollment of members is more in Bihar (13%) than in Odisha (2%). It could be due to more attention of BRLPS in Bihar. Owing to more follow up from the private insurance advisers, comparatively more percentage of members were enrolled with private insurance programs. It shows that the SHG members have low awareness on the insurance programmes for the poor.

b) *Insurance premium paid:* The average premium paid by the sample SHGs is Rs. 2,922 for AABY in Odisha. The average amount of premium paid for JBY is Rs. 790; it is too high in Odisha with Rs. 3,125, as compared to Bihar (Rs. 416).

c) *No. of claims:* There is only one claim in Odisha and it was settled. The claim amount Rs. 30,000 is paid to the nominee. It is observed that the level of awareness on government sponsored insurance programs is low in both the states.

Conclusions

Internal lending is being practiced in almost all the sample SHGs. About one half of the SHGs accessed credit from banks and some SHGs from federations and NGO-MFIs. Small percentage of SHGs got revolving funds subsidy loan from DRDA. About half of the SHG funds are as loan outstanding with the members. There is large number of idle funds in the SHG SB accounts. Further large number of members accessed loans from SHG funds. Though SHGs savings linked to bank, majority of the SHGs are not credit linked to banks at present.

As there is so much of delay in getting bank linkage and the resultant drop-outs many SHGs distributed savings to their members. The incidence of savings distribution is high among the SHGs promoted by the NGOs and the SHGs formed with BCs.

The amount of savings mobilized from their members is largely used for on lending to their members; however, comparatively large amount of group funds are as idle funds in the SB account of SHGs. Some SHGs have used group savings/ funds to repay loan installment. In case of default, group savings transferred to loan installment by the banks. In many SHGs, large funds in their SB accounts are the informal collateral to the bankers.

The SHGs are discontented with the current bank linkage as it is inadequate, untimely, and expensive due to more number of visits and dependency on traditional sources to meet emergency needs. On the whole the repayment rate is moderate. The repayment is depended on location of the banks, grade of the groups, type and social categories of SHGs. The repayment rate also varies from source of credit. It is comparatively high to federation when compared to banks.

Ill health of household members, less availability of work, migration, fairs & festivals etc are the major reasons for default of loans. The action taken against the defaulters are repeated visits to defaulters' house, informed SHPIs etc. Very poor enrollment is observed in insurance schemes in both the states. Though there are many strategies followed before and after loaning by the banks and federations, default is a concern irrespective of credit sources.

Chapter – 6

QUALITY OF SHGS – THE PREVENTING FACTORS

The present chapters analyzes the factors effecting the quality of SHGs like role of SHPIs in the formation & strengthening of SHGs, financial and social agenda, SHG leaders, capacity building efforts, access to development programmes, support from financial institutes. Further, it focuses on the socio-economic factors and policy support & other externalities. Focus group discussions were conducted with SHGs, SHPIs, federations and banks officials to get deeper understanding of the above aspects.

6.1 Role of SHPIs

The initiatives of few NGOs in 1980s made the beginning for the SHG movement in the states. Later, by realizing its potentiality, both the state governments took proactive role in strengthening the movement. In Bihar, WDC was established in 1991, while Mission Shakthi was established in 2000 in Odisha, which are the milestones in the SHG movement in both the states. This has resulted in a substantial increase in the number of SHGs. In due course of time, through demonstrated effect, many women formed into groups so as to avail their entitlements from the government.

Target approach of SHPIs: Both target mode and process oriented approach was adopted for the formation of SHGs. Mainly these groups were formed under various development programmes like SGSY, NULM, WDC, Mission Shakthi, etc. Further, the state governments have collaborated with many NGOs as implementing agencies. To reach the targets many organizations have followed target approach rather than process approach in mobilizing the community, forming as group and in strengthening. It has an impact on the quality of SHGs.

The data on the time taken for the formation of SHGs shows that, it varies from 1 to 6 months with an average of 1.18 months. Of the sample SHGs, about 83% of the SHGs were formed in a period of less than 3 months (83%) and the remaining were formed in a period of more than three months (17%). It shows that the SHPIs formed SHGs in a hurried way than following the process approach

SHPI inputs at the time of group formation: During focus group discussions, in response to the question 'why did you form into a group' many groups have said that to avail bank linkage, to get revolving fund and to avail government programmes channeled through SHGs and their federations. Further, the promoting agencies motivated rural households by highlighting revolving fund, bank linkage and government programmes rather than explaining the need, purpose and benefits of a SHG member. This has been influencing the regularity of meetings, member attendance, book keeping, lending etc.

d) *SHPIs and the number of visits made:* During focus group discussions, about the number of visits made by the promoters at the time of group formation, the groups mentioned that they have visited once or twice only to explain the purpose of groups. As a result, many group members have low levels of understanding on

group concept. Even after formation, many SHGs have not undergone necessary trainings and the quality of trainings is also poor and not much helpful.

e) *Programmatic approach*: During the focus group discussions with SHPI staff, federations and bank officials, it is found that the SHGs were formed by the promoters on “target oriented approach” based on the designated programme by the Central and State governments. The NABARD encourage SHPIs for promoting and nurturing of SHGs by providing financial support on the basis of number of SHGs formed. So the SHPIs adopted the target oriented approach and formed the groups. The SHPIs conducted awareness campaigns initially at village level, oriented the community on benefits from the SHGs, used audio & visual films, made door to door surveys in few problematic villages and formed the groups. But, when the funding closed, they have withdrawn their support and hence the quality of SHGs deteriorated. In case of government as SHPI, the efforts were continuous.

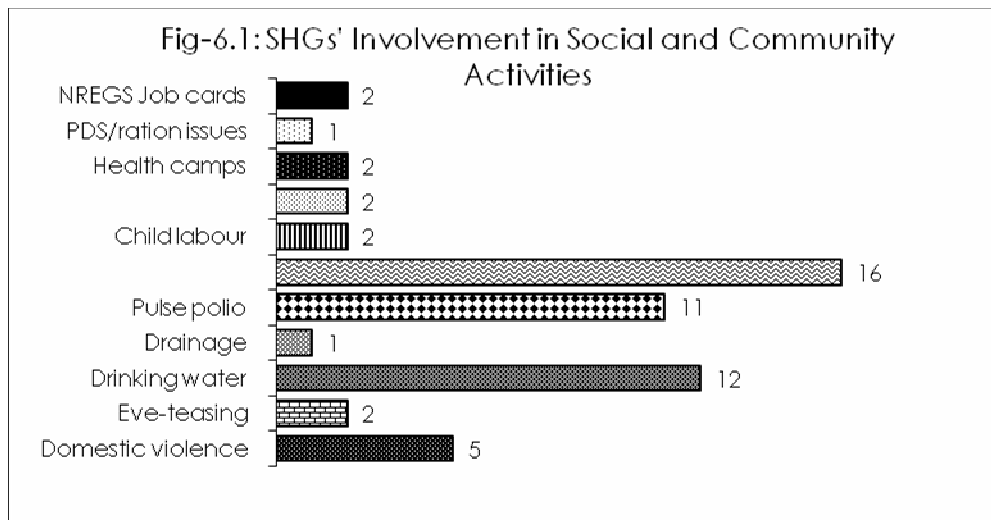
f) *Promotion of federations*: The SHPIs formed primary federations at village level and registered them under MACS Act or Society Act. Like SHGs, the federations were also formed on target approach. The SHPIs have provided low capacity building inputs to them. As a result, the dependency on promoters has been increasing rather than evolving as member owned, managed and controlled organizations. Further, the services of federations to their member SHGs are limited to savings and credit activities rather than institutional building.

g) *Withdrawal strategy*: The SHPIs formed SHGs and their federations and provided some capacity building inputs, but they did not work out the withdrawal strategy at SHG and federation level. As there is no handholding support, the quality of groups has deteriorated – irregular meeting and savings, poor book keeping, no leadership rotation etc.

6.2 Financial Vs. Social agenda

The meeting agenda: The meeting agenda of SHGs is mostly confined to financial aspects such as savings and loans. The non-financial, social and development/livelihood agenda is found only in small number of SHGs. As a result, SHGs became credit centered groups.

The data in fig-6.1 shows that, there are about 25% of SHGs have social agenda in their meetings. The social issues includes domestic violence, eve-teasing, drinking water, drainage, pulse-polio, anti-liquor movement, child labour, AIDs control campaign, health camps, timely distribution of PDS commodities, NREGS job cards etc.



6.3. SHG leaders

a) *Selection of leader:* In some of the SHGs, the leaders were selected by the promoters or the village leaders or caste leaders rather than by its members. In some SHGs the proactive members, they themselves declared as leaders. The leaders of those groups worked for their interest rather than group interest. This nullified the interest of the members and in turn the quality of SHGs is poor.

b) *Leader centered:* The leaders play a crucial role in conducting the SHG meetings and decision making. Books are under the control of the SHG leaders in majority of SHGs (81%). Though the discussions are made among the members, the ultimate decision is found to be in the hands of leaders. It could be due to the higher level of awareness of the leaders, when compared to the other members in the group.

c) *Leadership rotation:* About 20% of the sample SHGs reported leadership rotation. There is no leadership rotation in majority of groups because of varied reasons. Though some of the members are willing to take up leadership roles, the present leaders are unwilling to step down as they don't want to lose the advantages of being SHG leaders – more access to credit, major role in decision making, position/power etc. Further, there are incidences of misuse of funds, no opportunity to the other members in building leadership abilities and for empowerment.

6.4 Capacity building support

a) *Low capacity building inputs from the promoters:* The promoters provided many training programmes to SHGs to build their capacities at various levels, depending on the need of the SHGs. The data in table 6.1 shows that majority of the groups were trained on SHG concept by the promoters. However, one-third of SHGs were not trained on SHG concept. Further, majority of the SHGs have not undergone any training on book keeping and leadership, the two out of five important criteria of SHGs. Moreover, majority of the SHGs are not trained on federation concept. It clearly reveals that there is a poor capacity building of SHGs by their promoters and the federations. Hence, many SHGs are poor in quality – low member awareness on the roles and responsibilities, book keeping, leadership rotation etc.

Table-6.1: Details of Trainings to SHGs by the Promoters (% of SHGs)

S. No.	Name of trainings	SHPI/promoter	Federation	Both	No training
1	SHG concept	36	23	7	34
2	Federation concept	21	11	9	59
3	Book keeping	23	7	11	59
4	Leadership	21	14	10	55
5	Livelihoods	9	4	3	84

b) *Low on the job / handholding support on non-financial and development services from the promoters:* The promoters as part of institutional and capacity building provide different kinds of services to SHGs and their federations. Besides financial services they provide different non-financial services and livelihood services. Small number of SHGs received support from SHPIs in auditing SHGs (8%), insurance services (17%), grading of SHGs (29%), preparation of credit plans (7%), credit linkage with banks (19%), getting linkages with govt. programmes (3%), marketing the produce (6%) etc.

6.5 Poor Access to Development Programmes

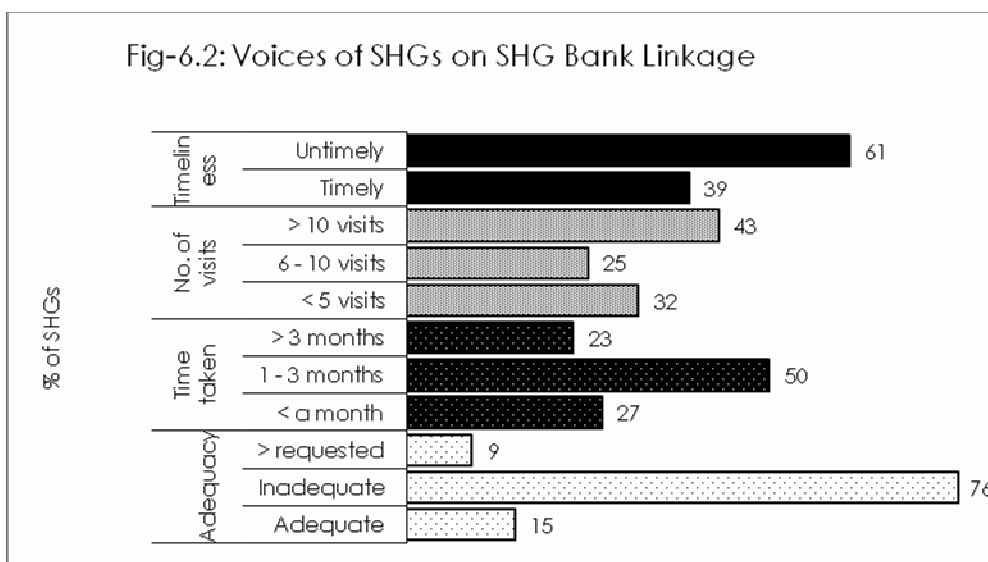
a) *Access to development programs:* Though many government programmes are channeled through SHGs, the information is not percolating to the member level, and it is not a priority item in their agenda. The data also shows that only 4% of SHGs discussed about the developmental programs in their meetings during the last six months. In fact, the SHPIs or the federations are not helping their SHGs & their members in accessing various development programmes. As a result many SHGs de-motivated and became defunct.

6.6 Support from financial institutions

As discussed in the earlier chapter about 30% of SHGs have current loan with banks, about 26% of SHGs have current loan with federations and 14% of SHGs have loan outstanding with NGO-MFIs. It shows the poor credit linkages with external credit agencies. As a result many SHGs are de-motivated and become defunct.

a) *Voices of SHGs on SHG Bank linkages:* To know the opinion of SHGs on SHG-BL programme, particularly on the quantum of loan, time taken to get the loan, number of visits made and timeliness of loan, the study team has gathered information by using two/three point scale – adequate, inadequate and more than requested for quantum of loan; less than month, 1-3 months and more than 3 months for time taken to get the loan; less than 5 visits, 6-10 visits and more than 10 visits for number of visits; and timely and untimely to know the timeliness. The opinion of the majority members, who participated in discussions, was recorded as the opinion of SHG.

Fig-6.2: Voices of SHGs on SHG Bank Linkage



i) *Loan adequacy*: The data in the fig-6.2 shows that majority of SHGs opined that the current bank loan is inadequate (76%) followed by adequate (15%) and more than requested (9%) irrespective of social category of the groups and their association with the type of banks.

ii) *Time taken to sanction loans*: The data in the fig-6.2 shows that majority of the SHGs reported that the time taken to get the loan as 1-3 months (50%) followed by less than a month (27%) and more than three months (23%). The delay in getting loan, in spite of decreasing, increases the dependency on money lenders.

iii) *No. of visits*: In response to the no. of visits made by the SHGs to get SHG-bank linkage, many SHGs (43%) made more than 10 visits to get linkage, less than 5 visits (32%) and 6 – 10 visits (25%). Further, they also said that due to more visits, they are losing wage and the loan expenses also increases.

iv) *Timeliness*: Of the total sample, majority of the SHGs felt that the loans were not sanctioned timely (61%) and the remaining (39%) reported as timely. Of the social categories, majority of the ST groups (73%) felt that the loan is untimely when compared to other social categories (SCs-63%, BCs - 58%, Minorities - 68%, OCs - 62%). Further, most of the SHGs expressed that all the banks had not been given loans on time. Majority of the A Grades SHGs felt that the current loan is timely. It could be because of good repayment track record of them.

b) *Delay in getting subsequent linkages*: During focus group discussions, the SHGs have reported that there is an innate delay in getting subsequent linkage even though they have a good loan repayment track record. As a result many of them are depending on money lenders for credit. The untimely bank loans are used for repaying the old loans borrowed from informal sources.

c) *Awareness on SHG Bank linkage programme*: During interactions with the bank branch managers, the study team found that they have low understanding on SHG bank linkage programme. The majority of the bank branch managers or the field officers who are looking after the programme have not undergone any training or exposure to SHGs. Many branch managers have not visited SHGs even once. Most of them expressed that the SHGs formed to avail SGSY loans and revolving funds.

They also expressed that most of the groups became defunct or default after getting revolving funds or subsidy loans. Hence, many are unwilling to sanction loans under SHG BL programme.

e) *Grading of SHGs and the assessment of credit worthiness:* Most of the branch managers are unaware of the SHG grading tool developed by NABARD. The loan volume is also not fixed on the basis of loan velocity of internal funds. They have been following 'head count' method. That is, if there are 10 members in a group and it is a 1st linkage, the loan volume would be Rs. 20,000 (Rs. 2,000 per members). The amount will be doubled in 2nd and 3rd linkages. But in case of 4th and 5th linkages, it would be Rs. 2-3 lakh rupees based on the repayment track record. To avail large repeat loan, there is prepayment in case of 1st and 2nd linkages; whereas in case of 3rd and other repeat linkages instead of pre or regular payment, there is defaulting. No branch managers are following cash credit limit (CCL) method in disbursing loans to SHGs. Many are not familiar with it and its procedures.

6.7 Socio-economic factors

a) *Migration:* During focus group discussions, the SHGs have mentioned about seasonal and regular migration of SHG members. About 12% SHGs reported that the migration is one of the reasons for poor member attendance in meetings and withdrawal of membership. This has a negative implication on group functions particularly on payment of monthly savings and loan installment, attendance in meetings, savings utilization patterns, loan repayment etc.

b) *Low literacy levels;* Though majority of the SHG members are literates, as their literacy levels are very low, up to 5th standard, they are unable to take up the roles of book keeper and group leaders. Even the educated members are also not willing to take up leadership roles due to household work pressure.

6.8 Policy Support and other externalities

a) *Subsidy loans to SGSY groups:* During focus group discussions most of the SHGs reported that they formed into groups to avail financial support from government as revolving fund and subsidy loan. The data shows that about 19% of the SHGs and 8% of SHGs got revolving fund and SGSY loans respectively. The groups failed in getting revolving fund and subsidy loan, got discouraged and became defunct. Some of the SGSY SHGs became default & defunct after getting subsidy loans. Majority of the SHGs promoted under SGSY programme were not credit linked. It is because, as per revised SGSY loaning norms, an SHG is eligible for subsidy loan, only after two credit linkages with bank.

b) *Implementation of cash credit limit (CCL):* Both SHGs and bankers are not aware of the concept of CCL, introduced by RBI for regular access of loans to SHGs from banks.

c) *Restructuring of SGSY programme or introduction of NRLM:* Through Rural Development Departments of Bihar and Odisha, and their collaboration with large number of NGOs, many SHGs were formed under SGSY programme. The Government of India has restructured SGSY programme as National Rural Livelihood Mission based on the learning from the programme. During the shift from SGSY to

NRLM, there is no focus of promoters on the quality issues and in credit linkage of SHGs. As a result, many groups became defunct or even disintegrated.

b) Microfinance Institutions: The MFIs are working very closely with the poor households and lending need based financial support. The MFIs are maintaining cardinal relationship with the poor households. So the poor households are getting loans from MFIs though the rate of interest is high. Due to banking norms, the SHG members need to visit more number of times to the banks for getting loans and no such norms in MFIs. Further, there are no SHG meetings required for lending loans to members from MFIs.

Due to availability of loans from MFIs without any meetings from SHGs, the members are ignoring the SHG meetings. So, the MFI activities are deteriorating the quality of SHGs.

6.9 Conclusions

To sum up, both target and process approach was adopted for the formation of SHGs with an average of 1.18 months under different development programmes. The members mostly formed into groups to avail the development programmes channeled through SHGs. Poor handholding support was given after the formation of SHGs. Even the federations were formed in a hurried way without any capacity or institutional building. Hence, the members continue to depend on the promoters. Through the discussions with different stakeholders, it is understood that the SHGs became the credit centered groups. Also the incidence of leadership rotation is poor. Majority of the groups have not undergone trainings designed to enhance the capabilities and their institutions. The SHGs are poorly linked to the external sources of credit, which has resulted in the de-functioning of groups. The loans from banks are not timely and as a result the members depend on informal sources, and in turn utilize the loan for repaying high cost loans taken from money lenders. The branch managers are not following cash credit limit (CCL) method in disbursing loans to SHGs. Many are not familiar with it and its procedures. The shift from SGSY to NULM has deteriorated the quality of groups.

Chapter-7

IMPACT OF SELF HELP GROUPS

The present chapter focuses on the impact of SHGs in the areas of changes at household, SHG, village and community levels as a result of group activity. Further, it also analyses the empowerment of women with reference to self confidence levels, support from family to attend SHG activities, access to family resources and control over those, role in decision making at household level, work burden and division/ sharing of household labour, participation in political activities, gender, social discrimination and changes in traditional roles of women.

7.1 Dynamics at various levels

a) *Changes at group level:* The study team has collected the opinion of the SHGs on changes at group level and applied four point scales for analysis (1. Significantly increased, 2. Increased, 3. Decreased and 4. No change). The data in table-7.1 shows that majority of the SHGs reported increase in the availability of credit sources (52%) and group corpus (59%). They have also reported that the cooperation among members has increased (55%) over a period of time. Regarding group's respect in bank, though majority of the groups have reported increase to significant increase of change, about 40% of SHGs reported 'no change'. It could be because of poor credit linkage and more number of visits to banks.

Many SHGs reported that there is an increase in following the group norms by the members. Interestingly more than half of the SHGs (55%) reported that the quarrels among SHG members decreased. Thus the members opined that many beneficial changes have taken place at group level from the time of inception. However, a good number of them have also reported no change which could be due to the poor functioning of the groups.

The impact of SHGs is high in Odisha when compared to Bihar in building cooperation among the group members (85% / 80%), group respect in bank (59% / 51%), and increase in group corpus (84% / 79%); where as the impact on adherence to group norms is high in Bihar (75%) when compared to Odisha (65%). It is because of comparatively more number of old and new SHGs in Odisha and Bihar respectively.

Table-7.1: Changes at SHG Level (% of SHGs)							
S. No.	Particulars	Credit sources	Group corpus	Cooperati on among members	Group respect in bank	Practice of group norms	Quarrels within the group
1	Sig. increased	37	22	28	16	24	6
2	Increased	52	59	55	39	46	10
3	Decreased	1	3	1	5	3	55
4	No change	10	16	16	40	27	29
Total		100	100	100	100	100	100

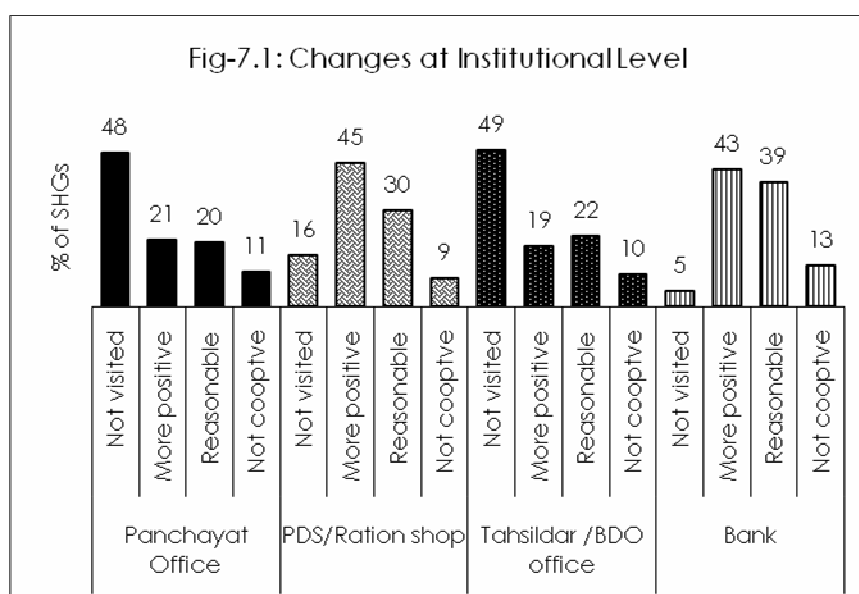
b) *Changes at institutional level:* The study team has collected information on the SHGs' access to various government institutions and the response that they get from the institutions.

The data in Fig 7.1 shows that more than one half of the members of the SHGs (52%) have visited the Panchayat office and another half (48%) haven't visited the office. Of the total members visited Panchayat office, majority of them got reasonable (21%) to more positive response (21%); about 11% of the SHGs have reported no cooperative from the concerned officials. The data in fig- 7.1 shows that majority of the sample SHGs who visited the PDS shop opinioned that the changes at PDS is positive (45%), followed by reasonable (30%). Further, about 16% of SHGs reported that they have not visited the PDS shop and 9% reported that the PDS shop dealers are not cooperative.

Nearly half of the SHGs (51%) reported that they have visited Tahasildar / BDO office and 49% have not visited the office. Of the total SHGs members, who visited the office, majority of the members have opinioned that the response from the officials is reasonable (22%) and more positive (19%). Of the SHG members visited banks (95%), majority of the members have reported more positive (43%) and reasonable responses (39%), but small number of SHGs reported that the bankers are not cooperative (13%).

The above discussion clearly shows that the institutions like PDS shop and banks are close to the women due to their regular visits. In case of PDS shop, the women reported that the shop is within the village and managed by the local member and has no officials. In case of Banks, due to SHG movement, especially the SHGBLP, the frequency of visits to bank has increased and the rapport of the women with the bankers has also increased.

Whereas in case of BDO and Panchayati Raj offices, the women get less chance to visit those offices either due to the traditional system of men taking over the charge of official tasks, or the literacy levels of the women in managing at those offices.



c) *Changes at village/ community level:* To know the relationships between SHGs and the community and Panchayat Raj Institutions, the study team has collected information on the participation of SHGs in the national festivals, Gram Sabha, addressing community issues, social issues and lowering of interest rates by the money lenders.

The data in table – 7.2 shows that majority of the sample SHGs have received an invitation to participate in Gram Sabhas (52%), Gram Panchayat meetings (43%) and 40% of SHGs have received an invitation from the Gram Panchayats to participate in the national festivals like the Republic Day, the Independence Day and other such events organized at village level. The percentage of SHGs reported the increase of SHG members' participation in Gram Sabhas is more than double in Odisha (72%) when compared to Bihar (32%); however there is no much difference between Bihar (42%) and Odisha (44%) in attending to the GP meetings. But the participation of SHGs in national festivals is more than double in Bihar (58%) when compared to Odisha (23%).

The data also shows that only small number of sample SHGs pay attention in addressing village issues (25%) like roads, health, education, drinking water, and social issues (14%). The percentage of SHGs addressed village issues is high in Odisha with 35% when compared to Bihar (15%). A small percentage of sample SHGs have reported about the reduction of interest rates by the money lenders (12%), hosting of visitors (13%) and membership in other CBOs (12%). Hence it is understood that the association of the Panchayati Raj office and SHGs has improved and the SHG members were given preference to involve in the activities of the Gram Panchayats. But, on the other hand, the participation or the involvement of the women in addressing the social and village issues is not satisfactory. It could be because that most of the women have formed into groups to avail financial benefits rather than addressing social issues.

S. No.	Particulars	Bihar		Odisha		Total	
		F	%	F	%	F	%
1	Invitation to Gram Sabhas	46	32	103	72	149	52
2	Invitation to GP meetings	61	42	63	44	124	43
3	Invitation to National festivals	83	58	33	23	116	40
4	SHGs addressing village issues	21	15	50	35	71	25
5	Addressing social issues	0	0	41	29	41	14
6	ML- reduced interest rates	0	0	37	26	37	13
7	Membership in other CBOs	0	0	35	24	35	12
8	SHGs hosting the visitors	0	0	36	25	36	13

d) *Changes at household level:* Regarding the changes at household level, the study team has collected the opinion of SHG women on the habit of savings, availability of credit, health status & educational levels of household members, access to formal institutions & pro-poor programmes, employment of household members and dependency on money lenders.

i) *General Changes*: The data in table-7.3 shows that majority of SHGs (57%) opined that their credit opportunities have increased followed by significantly increased (34%) and no change (8%). Regarding the access to formal institutions, they have reported increase (42%), followed by no change (40%) and significantly increased (18%). In the case of habit of savings in SHGs, majority of them expressed that there is an increase (58%) and significant increase (35%) in the habit of savings at the household level; however, about 7% of the SHGs reported no change. Regarding health status, majority of the SHGs felt that there is an 'increase' (51%) followed by 'significant increase' (26%) and no change (22%). About educational levels of the household members, majority of the SHGs have reported 'increase' (48%) to significantly increase (24%) followed by 'no change' (26%).

Table-7.3: Changes at Household Level (% of SHGs)

S. No.	Particulars	Availability of Credit	Access to formal institutions	Access to pro poor programmes	Habit of savings	Health status	Educational levels	Dependency on money lenders	Employment to HH members
1	Significantly increased	34	18	27	35	26	24	3	15
2	Increased	57	42	39	58	51	48	8	18
3	Decreased	1	0	1	0	1	2	69	1
4	No change	8	40	33	7	22	26	20	66
	Total	100	100	100	100	100	100	100	100

It is interesting that many SHGs have reported that the dependency on money lenders has 'decreased' (69%) followed by 'no change' (20%). But, a small percent of the SHGs reported 'increase' (8%). It could be because of poor SHG bank linkage and absence of internal lending from SHGs funds to their members.

In case of employment to household members, two-third of SHGs (66%) reported that there is no change in employment status. But about 18% reported that there is increase and 15% reported that there is significantly increased in employment opportunities. It could be because due to small volume of loan, major portion of the loan is used for consumption rather than on income generation activities.

The overall changes at household level in all the above aspects reveals that the SHGs have impacted positively on the women in terms of availability of institutional credit and other social aspects of the life of women. However, there is no much change in many of the SHGs, especially in the case of improvement in the employment of the HH members and women access to formal institutions.

ii) *Asset Creation*: Few of the sample members, after associating with SHGs have procured a variety of assets such as livestock, machinery, automobiles, household gadgets, house, ornaments and machinery. Few of them have also increased their savings in bank. However, the percentage of members of SHGs who procured assets is less (see table 7.4).

a) *Productive assets*: About 10% of the members of the sample SHGs purchased cows followed by sheep/ goats (7%), poultry and other livestock (4%). Very few households (0.6%) of the members bought land. About 6% of the members bought motorcycle and nearly 1% of the members bought auto.

b) *Household articles*: Small number of households purchased mobiles (17%) and television sets (8%) from the credit availed through SHGs. Further a tiny percentage of members of SHGs bought furniture (1%), followed by LPG connection or fridge (1%) and other small articles like grinders, radios and vessels (1.5).

c) *Permanent assets*: About 9% of the members of the sample SHGs expended their loan amount on housing, either for new construction of the house or for repair (5%) or for construction of toilets (2%). Few women procured gold and another 1% of the members bought machinery or bullock carts. About 1% of the members started saving in bank after joining SHG.

Table-7.4: Assets Created with Full or Partial Fund Support of SHGs (% of Mem.)

S. No	Particulars	Bihar (N= 1808)	Odisha (N= 1775)	Total (N= 3581)	
1	Livestock	Cows	10	10	10
		Sheep/goat	9	5	7
		Poultry & Others	3	4	4
2	Vehicles	Cycle/Bike	6	7	6
		Auto /Taxi/ Others	1	1	1
3	Recreation	Radio/TR	1	.5	1
		TV	9	7	8
		Mobile	23	11	17
4	HH articles	Vessels /others	1	2	2
		Furniture	1	1	1
		LPG/Fridge	1	.5	1
5	Housing	New /repair/ toilets	12	6	9
6	Saving	Bank	1	2	1
7	Fixed asset	Gold/silver	.5	1	1
		Land	1	1	1
8	Machinery	Machinery	.5	1	1
		Bullocks	.5	1	.5

The above discussion reveals that the SHGs have not utilized much of the credit for procuring productive assets and might have used for consumption &/ social functions &/ for repaying old loans of high interest rates.

7.2 Women empowerment

a) *Household Support*: The study team has collected the details of household members' cooperation to understand the kind of support extended to the SHG women from their household members compared to the beginning of group. The data in table- 7.5 shows that majority of the SHGs reported that the household members are cooperative towards the women in attending the group meetings (96%), paying the loan installment (81%) and to work outside the village (55%).

However 42% of the SHG members are not allowed to go outside the village and 18% of the members face non cooperation in repaying the loan installment. It is understood that the support from family members, in majority of the cases could be due to the realization of the men folk on the benefits of SHG movement.

Table-7.5: Family Support to SHG activities (% of SHGs)

Sl. No.	Particulars	To attend SHG meetings	To repay loan installments	SHG work outside the village
1	Cooperative	96	81	55
2	Indifferent	4	18	42
3	Put hurdles	0	1	3
	Total	100	100	100

b) *Access to food, health and education:* The study team has collected data on the social aspects of the women in terms of their access to food, health and entertainment.

Table-7.6: Access to Food, Health, Education

S. No	Particulars	Bihar		Odisha		Total	
		F	%	F	%	F	%
1	3 meals a day	123	85	137	95	260	90
2	Need based medical support	112	78	101	70	213	74
3	ANM visit to family / village	85	59	110	76	195	68
4	Listening/ watching Radio/ TV	61	42	108	75	169	59

The data in table 7.6 shows that about 90% of the members of the SHGs reported that they get three meals a day. Regarding medical support, 74% of the members reported that they get the support based on the need, while 68% reported that the ANM visits their families regularly. However the percentage of SHGs reported regular visit of the ANM is comparatively less in Bihar (59%) than in Odisha (76%), which explains the situation of the level of access to the public health system in the sample states.

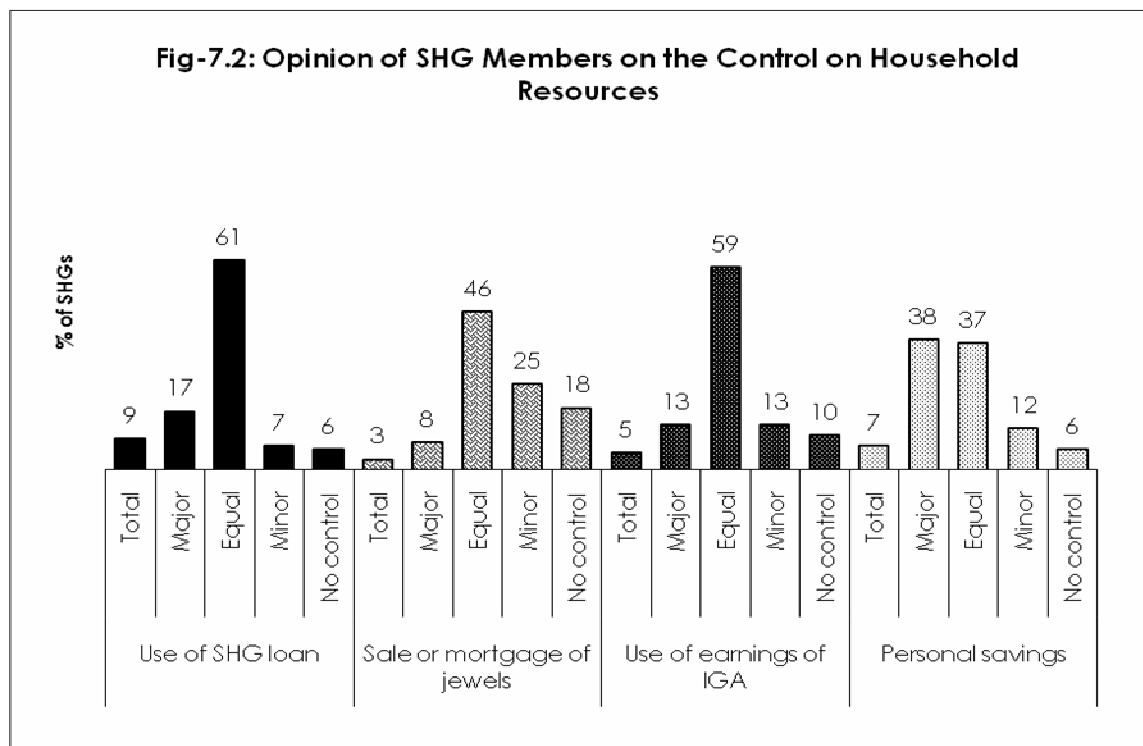
c) *Access to family income:* To know the SHG women's access to family income, the study team has collected information on sale of household produce and repayment of hand loans by using a four point scale – i) do solely, ii) major and iii) equal and iv) minor role.

Table-7.7: Access to Family Income

S. No.	Opinion	Sale of HH produce (%)	Repayment of hand loans (%)
1	Do solely	10	8
2	Major	7	19
3	Equal	60	54
4	Minor	19	10
5	No access	4	9
	Total	100	100

The data in table 7.7 shows that in both the cases, majority of the SHGs have reported equal access to family income in terms of sale of household produce (60%) and repayment of hand loans (54%). About 17% of the women opinioned that they have sole or major responsibility, while 23% have minor or no access to the sale of HH produce. In case of repayment of hand loans, 17% of the women opinioned that they have major or sole role while 19% reported minor or no access in repayment of the hand loans. Though majority reported that they have equal role, a good percentage of SHGs reported minor or no role which is a concern.

d) *Control on resources:* The data on control on resources/ assets in fig 7.2 shows that majority of the members of the SHGs have reported that the women have equal control on the use of SHG loan (61%), use of earnings of IGA (59%) and sale or mortgage of jewellery (46%). Further, majority of the members of the SHGs reported that they have major control on personal savings (39%). However, small percentage of SHGs reported minor and no access in case of use of SHG loan (13%), sale or mortgage of jewellery (43%), use of earnings of IGA (23%) and personal savings (18%). It reveals the less control of women on household resources.



e) *Mobility:* The study team has collected information on whose support that the SHG women would take to attend work at different places, by using a three point scale – i) go alone ii) family members and iii) with others. The data in table 7.8 shows that, majority of the SHGs said that women 'go alone' (48%) to SHG work outside the village; though about a good percentage of SHGs reported that they go either with the support of other members in the group (36%) or family members (16%). In case of mobility to government offices at block level, majority of them either go with other members (51%) followed by family members (36%). Only 13% of the members of the SHGs 'go alone'. Regarding the visit to PHC, majority of the members go with family

members (76%) followed by 'go alone' (13%) and with other members in the group (11%). The above discussion reveals that still women depend on others to move out of their village as they might be restricted by the household members.

S. No.	Particulars	Work outside the village (%)	Govt offices at block level (%)	PHC / Hospital (%)
1	Go alone	48	13	13
2	With family mem.	16	36	76
3	With others	36	51	11
Total		100	100	100

f) *Decision Making*: To assess the changes in the role of women in decision making, the study team has collected data on the kind of role played by the women while taking decisions on the purchase/sale of household assets, promotion of family savings, children education/marriage and casting of own vote by using a four point scale – i) decide solely, ii) major role, iii) equal role and iv) minor role.

S. No.	Particulars	Purchase/sale of assets	Family savings	Children's education / Marriage	Casting of own vote
1	Decide solely	5	6	3	18
2	Major	8	16	18	27
3	Equal	68	66	71	18
4	Minor	11	8	2	19
5	No role	8	4	6	18
Total		100	100	100	100

The data in table 7.9 shows that majority of the SHGs have mentioned that the women have played 'equal' role while taking decisions on purchase of /sale of assets (68%), promotion of family savings (66%), children's marriage/education (71%). This is because of mobilization of loans to meet the household credit needs by the women. Where as in the case of casting of own votes, many SHGs reported that the members played major role (27%) followed by do solely (18%), equal (18%) and no role 19%). Further, 19% of SHGS reported that the members played minor role.

g) *Governance*: To assess the participation of SHG women in political office, the study team has gathered information of the SHG members, who have contested for political offices, selected as representatives for CBOs, campaigned for a candidate and campaigned against injustice.

The data in table 7.10 shows that majority of the SHGs have reported that no group member had contested for any political office (92%), selected for CBOs (86%), campaigned for a candidate (93%) and campaigned against injustice (78%). Few SHGs have reported that one of their members (8%) have contested in political office, while a small percentage of them (3%) contested with their own interest (3%). However, 5% of the members of the SHGs contested with the interest of the family (3%) and others' pressure (2%).

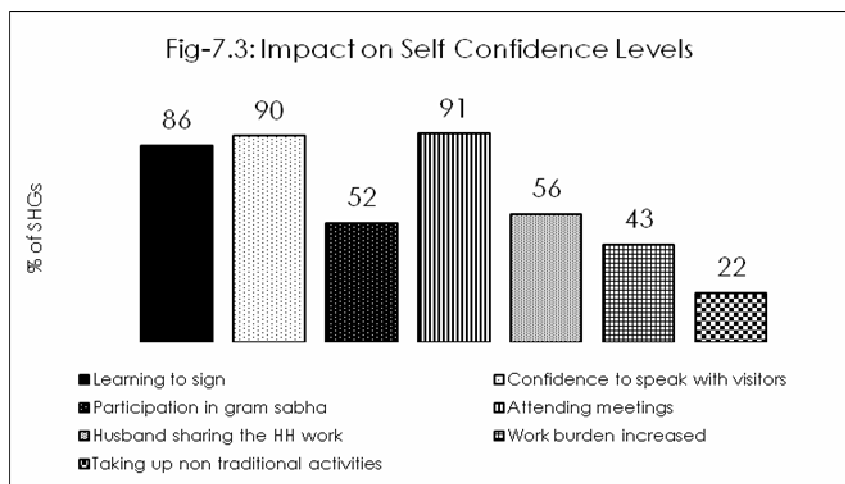
Table-7.10: Opinion of SHGs on Member Participation (% of SHGs)

S. No	Particulars	Contested in any political office	Selected as member of CBO	Campaigned for a candidate	Campaigned against injustice
1	Not participated	92	86	93	78
2	With own will	3	5	2	3
3	Family interest	3	6	5	18
4	Other's pressure	2	3	0	1
	Total	100	100	100	100

About 14% of the members of the SHGs were selected as members of CBOs, of which only a small percent (5%) of them involved with their own will and many of them (9%) involved either with the interest of their family members (6%) or due to others pressure (3%). A small percentage of members of the sample SHGs campaigned for candidates of political office. Little more than one-fourth of SHGs have reported that they have participated in campaigns against injustice of which majority of them campaigned with the interest of the family members (18%), while only 3% of them campaigned with their own interest. Hence it is understood that the impact of SHGs in terms of political participation and governance is poor. It could be due to lack of capabilities of the women and the fear of women or the restrictions of the family members for the women in entering the public life as the world is no more a safe place for women.

h) Gender Discrimination: To know the changes in gender discrimination, the study team has collected the information regarding i) equality between the boy and girl child in providing schooling and ii) different etiquette to various social categories. The data shows that majority of the SHGs reported that both the boys and girls of their children studying in the same school. It shows that there is no discrimination between boy and girl child. About 13% of SHGs have reported different etiquettes to various social categories.

i) Self confidence: To know the self confidence levels of SHG women, the study team has collected information on those actions that indicates the self confidence levels of an individual such as i) learning to sign, ii) confidence to speak to the visitors, iii) participating in Gram Sabha iv) attending meetings outside the village, v) husband sharing the household work, vi) work burden on women increased and vii) women taking up non-traditional activities.



The fig 7.3 shows that the women in majority of the SHGs (86%) reported that women members who can sign have increased. About 90% of SHGs reported that the confidence to speak with the visitors has increased after joining SHGs. Majority of the SHGs have reported that, now, women are freely participating in Gram Sabhas (52%) and attending meetings within and outside the village (91%). Further, 56% of the women reported that their household work burden is shared by their husbands and 22% of them started taking up non-traditional activities. The above discussion validates the fact that the confidence levels of SHGs/ women have gone up when compared to at the time of SHG formation.

To sum up, as a result of group activity, many changes have taken place at all levels. There is an increase in the availability of the credit sources to fetch the credit needs of the women. At institutional levels the response towards the SHG women is good in Panchayat and PDS shops, though the women opinioned that the officials are not cooperative in case of Tahasildar/BDO office and banks. At village level, importance is given to the women-folk. It is found that the women's participation in addressing village issues as their involvement in addressing the village issues is poor as they formed into groups mostly to avail financial benefits.

At household and individual levels, as a result of group activity, many women of the SHGs opinioned that they have improved their habit of saving and their household members started cooperating with them in allowing them to attend group meetings and helping them in repaying the loan. However, very few members procured assets with credit availed through SHGs.

Caselet-1: Collective Campaign against Liquor by Allahrusha SHG of Muzaffarpur

An SHG group named Allahrusha is situated in the village Mathurapur of Mushari Block in Muzaffarpur district. It is a 12 member group. Majority of them are from minority community and live in small thatched houses with little or virtually no facilities like road, electricity and drinking water. Though, they are from a big village, the hamlet which they reside has poor health and hygiene facilities. Besides all these basic problems, the women, aged and the children of the hamlet also face the severe problem with their alcoholic husbands or male members, as cheap liquor is sold within the hamlet. These men after drinking the liquor create nuisance in the hamlet by fighting with their family members or neighbors. Also the men spend all their earnings in buying the liquor, which results in ill health and malnourishment of the entire families.

The issue became highly chronic as few of the families suffer every day. Hence, when the individual issues of the members were discussed in the group meeting, few of the members shared their problem of having drunkard husbands. So, the members of the group counseled the husbands' of the victims, but it was of no use. When the women failed in their efforts by counseling, they again discussed and understood that the root cause of the problem is the easy availability of liquor within their hamlet. As a result, the women of the group approached the other women of other groups and met the Panchayat Mukhiya of that village and discussed the issue with him for a solution. The Panchayat Mukhiya only gave assurance and no work was done to solve this problem.

Hence, the women protested in front of the Block office. When the owner of the wine shop was quizzed, he showed his license for running the shop and said that he will not close the shop. As a result, in order to reduce the intensity of the issue, the women requested the owner of the wine shop, not to provide space for their men to drink in his shop, but only to sell the liquor. The shop owner agreed to the demands of the women for few days but continued to provide space for the men to drink in the shop itself after few days. The women got fed up with the problem and hence protested for many days, until the stop was moved to the far-off place.

Caselet-2: Installation of Hand Pump by Group Fund

The group named Vivek is in Sarmastpur village of Sakra block in Muzaffarpur district. The village has severe scarcity of water and the women have to walk many miles to fetch water. Hence the members of the Vivek group identified the problem and discussed the problem in the meeting. As a result, in order to sort out the issue they discussed with the other women in their neighborhood, who belongs to different groups and mobilized Rs. 20,000 for buying a hand pump. After collecting the amount, they bought a hand pump and many households in the village now have the availability of water in their vicinity.

Caselet-3: Income Generation of SHG Member Through Internal Loan

Madhu Devi belongs to Kadi panchayat of Kadi village of Gaya district. She is the president for Lalti Mukyamanthri Nari Shakthi SHG. Her husband Shyam Kishore Vishwa Karma is a black smith and has a small shop. The whole family has 6 members and her husband is the only one person, who had the responsibility to look after them. She tried to support him and searched for opportunities. After joining the group, she has find out the way to solve her economic problem. Hence in 2010, she took a loan amount of Rs. 5000 from her SHG and bought a machine. She earlier stitched the clothes of the neighbors, but later decided to stitch blankets. Many people in her neighborhood and her group members laughed at her and even her husband was also not happy with her decision. But she was determined with her decision and within no time she started earning Rs. 50 per day but later when her business picked up she earned Rs. 100 by spending very less time in stitching and more time in paying attention to her family. Now the family has no severe financial problems and the quarrels with her husband have reduced. She even supported her husband in joining their eldest daughter in a private coaching center for higher studies. She stands as an inspiration in her locality, though the loan amount was very small. She has optimally utilized her credit by taking a right step, which has fetched her with regular income.

Caselet-4: Advocacy for MGNREGA

Bayasi is one of the most backward blocks with tribal population in Purnina district. The organisation, named Jeevika works in the block and promoted many SHGs. One of them is Sita SHG from Chonch village. The group was formed in 2012 with 15 members, though it has 12 members at present as the dropouts did not find the group beneficial to cater their needs.

The SHG members, in one of their group meeting discussed about various problems at village and individual level. They have understood that the majority of them face the problem of unemployment as the MGNREGS was not implemented as per the rules and many of them do not have job cards. Hence, they have decided to address the issue and discussed the issue with the women of other groups. All the members of the group along with the other women met Mukhia. The Muhiya promised them to provide job but even after 6 months, there was no progress in issuing the job cards and the conduction of gram sabha. Hence, the women went on hunger strike in front of the block office and demanded for immediate issue of job cards and provision of work. As a result, most of the women, job cards and the shelf of works for the village were discussed and sanctioned. They have also worked in the last financial year.

Caselet-5: Financial Support for the Member's Daughter Marriage

Shabri Jeevika Swang Sahayta Samuh was formed in 2010 in Pokhara village of Baysi block of Purnia district under Jeevika programme. All the 11 members of the group are from minority community. One among them is Md. Shamsheer Khan, who is very poor and was not in a position to get her daughter married as it is very difficult for

her and her husband to arrange money for the ceremony. Hence in one of the group meeting, Shamsher Khan discussed about her daughters marriage and her financial problem. By listening to her problem, the other members of the group came to a consensus of supporting their group member by mobilizing funds from the members of their group and from other group members. Hence, they discussed with the other members of the groups and mobilized Rs. 40,000 from other SHG women and Rs. 10,000 from their group members. Shamsher Khan thanked everyone and happily supported her husband in arranging money for the wedding ceremony. After this initiative, the non SHG women in the locality understood the importance of being the part of the SHG movement and formed into groups.

Caselet-6: SHG member secured food for their children from SHG

This is the story of a poor household of Sunitha Devi and Vinod Das of Gaya district of Khand village of Bihar district. Sunitha Devi belongs to Sita Mukhyamantri Nari Shakti Samuh and her husband is a laborer. They have five children. Due to severe drought in the village, they couldn't find any work both within the village and in the town. The family starved for many days for not having work. Hence, Sunitha took Rs. 10,000 of ICF as capital for income generation activity and decided to buy a buffalo as they have the knowledge of rearing a buffalo and the village has good market potentiality for selling milk. But the amount was insufficient to buy a hybrid buffalo, and Sunitha Devi does not want to take loan from moneylenders as the rate of interest is very high.

Sunitha and her group members then understood the importance of associating with federation. Hence they paid Rs. 110 and became a member in the federation after taking the decision in the group meeting. They have also asked for loan and within 15 days they received loan from federation. Sunitha Devi now bought a buffalo and the family is on the track of prosperity.

Case-7: Poor repayment

Gurudev is an SHG in Purnia district of Bihar. The group has current loans from bank and federation besides internal loan, but defaulted to all the three credit sources from which the members have taken. 11 members of the group have taken internal loan and defaulted with an amount of Rs. 63,860. The group has also defaulted to bank and federation loan with Rs. 14,461 and Rs. 12,000 respectively and 8 members of the group defaulted in repaying the bank loan, while 9 of them defaulted to federation loan. The main reasons for poor repayment as reported by the members are drought and less availability of work. It was also observed that the group was promoted by the government and the maximum time spent to form the group by the promoter is just one month. This indicates the poor understanding of the concept of 'Self Help' by the members. Another reason could be the poor attendance of the members to the meetings as the average attendance of the members to the weekly meetings is only five members per meeting.

Chapter – 9

CONCLUSIONS & WAY FORWARD

The broad objective of the present study is to understand quality and sustainability of SHGs and the kind of impact in terms of social and economic empowerment. The specific objectives are: i) to ascertain the quality of SHGs including SGSY groups promoted by various SHPIs and comparison thereof; ii) to assess SHGs' ability to effectively use their savings and access credit under the SHG bank linkage programme, repayment rate and default management; iii) to know the role of SHGs in helping entrepreneurial members to better manage risks, shocks, disasters and conflicts; iv) to evaluate factors preventing the SHGs to reach its optimum quality through understanding gaps; v) to assess the impact of SHGs, social and economic empowerment of women; and vi) to come up with recommendations to improve the quality, self-management and sustainability of SHGs and their federations.

To address the above objectives, the study has covered 288 SHGs in 72 villages of 24 blocks of 8 districts of 2 states - Bihar (4) and Odisha (4). Besides, the study teams have interacted with 10 SHPIs and 24 Bank officials in both the states. Data collection tools were developed and fieldwork was carried out during November – December, 2013.

8.1 Summary & Conclusions

The government, NGOs, community and the federations are the SHG promoters in the states. However, Govt. is the major promoter of sample SHGs in Bihar whereas NGOs played a predominant role in Odisha. Caste homogeneity is found in majority of the SHGs. The SHGs in Odisha are older when compared to Bihar. The SHGs are moderate in size, mostly between 10 and 15 members. The incidence of dropouts is a concern in both Bihar and Odisha. The age of SHGs and the incidence of dropouts are positively correlated. The groups have adopted two-pronged approach in replacing the dropouts and / or enrolling new members.

Monthly savings are common in Bihar as well as in Odisha. Per member savings per month is higher in Odisha compared to Bihar as the SHGs in Odisha are older. There are two types of savings – compulsory and special savings for education and health. Many SHGs (51%) increased their monthly savings over a period primarily to get large volume of loan from banks and group funds by increasing group corpus.

Monthly meetings are common. Regularity of meetings and member attendance in meetings is comparatively better in Bihar compared to Odisha. The meeting agenda mostly confined to financial aspects. Most of the SHGs are maintaining the set of books prescribed for SHGs. But the books are not up-to-date because of low capacity building training and handholding for the book writers and only a third of the SHGs pay honorarium to the book writers. Leadership rotation in Bihar SHGs is a big concern when compared to Odisha.

The sample SHGs were graded as A, B & C by administering the Critical Rating Index (CRI) tool developed by NABARD. Majority of the groups are 'A' in Bihar and 'B' grade in Odisha, demonstrating that Bihar SHGs are of better quality compared to

Odisha SHGs. There is a clear distinction in the grades of SHGs between states (Bihar: A-56%, B-24%, C-20%; Odisha: A-24%, B-52%, C-24%).

At present, about one-third of SHGs don't have any loan outstanding with group funds as the i) banks not allowing withdrawals during loan period, ii) distribute group funds along with bank loan to provide large loans to members, iii) continuous deposition of savings to get large loan, iv) groups decided not lend internal funds to avoid default based on past experience.

The SHGs have mobilized large amount of savings from the members; however, the SHGs in Odisha have a much higher savings almost twice as much as what the average of savings is for Bihar SHGs. The major portion of the group funds are the savings of the members in SHGs. Some of the SHGs have the practice of distribution of total or a portion of their savings/ group funds primarily due to poor SHG bank linkage programme.

The sample SHGs accessed grants and funds from DRDA, federations, banks and NGO-MFIs; but small percentage of SHGs accessed credit from external agencies in both the states. The average loan of banks, federations and NGOs to SHGs is two to three times high in Odisha when compared to Bihar because of more number of old SHGs with repeat linkages in Odisha. Low percentage of SHGs have loan outstanding with banks in both the states.

The loan repayment rate from SHGs to banks is a big concern. There is a moderate repayment rate from SHGs to banks. There is a significant difference in loan repayment rates between the states, grades of SHGs, type of banks, SHG membership in federation, access to credit agencies, social categories of SHGs. The repayment rate from SHGs to federations is good compared to banks. The percentage of SHGs reported default of loans from internal funds, bank and federations is 2-3 times high in Bihar when compared to Odisha. A small percentage of the members of SHGs were enrolled with the insurance programmes such as AABY and JBY. The SHGs have reported significant changes at individual, household, group and community levels.

Study on quality and sustainability of SHGs in the states of Bihar and Odisha has several useful findings. An attempt is made to draw certain conclusions and to make specific recommendations to make the SHG movement strong, vibrant and sustainable in the States of Bihar and Odisha:

- Based on the sample study, it can be concluded that the SHGs in Bihar are of better quality as 56% of them are A grade groups and another 24% are B grade SHGs. On the other hand only 26% of the SHGs in Odisha are A grade and 52% of SHGs are B grade. With regard to access to bank linkage and impact, the SHGs in Odisha seems to have fared better as compared to Bihar SHGs. Some of the major reasons for these significant differences between Odisha and Bihar are: 1) SHGs in Odisha are older and limited investments have been made in the capacity building of the SHGs and SHG federations as there was limited external funding from agencies like DFID and the World Bank which was confined to select districts of the States; 2) following the mission mode, Government of Odisha under the umbrella of Mission Shakti

facilitated the formation of a large number of SHGs and their federations in the state moving towards saturation; 3) In Bihar the SHG movement has not achieved significant scale and in the past couple of years BRLPS-Jeevika is moving towards universalizing the SHG system in Bihar with support from the World Bank and NRLM; 4) SHG Bank linkage achieved significant scale in Odisha in spite of the quality of SHGs being moderate and it is still to gain full momentum in Bihar as it evident from the NABARD data; 5) Significant capacity building investments have been made in Bihar at the SHG level focusing on member education and building SHG federations through a bottom up approach, where as in Odisha the capacity building efforts at the SHG level have been limited; and 6) transition from SGSY to NRLM over a prolonged period resulted in a higher NPA in Odisha compared to much lower NPA of SHG Bank linkage in Bihar.

- It is significant to note that in Odisha the women membership in SHG contributed to their increased participation in Gram Sabhas and their spouses taking much greater responsibility for household chores
- It is interesting to note that Odisha women reported a significant increase in their burden after having taken SHG membership, availed loans and their utilization for appropriate purposes.

8.2 Recommendations

Based on the data from both quantitative and qualitative study, the following specific recommendations can be made:

- Odisha SHG movement achieved significant scale. However there are issues of quality, repayment of bank loans and effective functioning of the SHG federation system. State Rural Livelihood Mission has to focus on consolidation of the movement before scaling up.
- In the state of Odisha, strengthening the SHGs that have already been formed must be the most important priority. As the NPA reached an unacceptable 18% in the SHG Bank linkage program, a serious effort is needed to ensure that all SHGs that have borrowed from Bank repay their loans. If the defaulting SHGs donot repay their loans to the banks, these banks will not give loans to any other eligible SHG in that village which has a defaulting SHG. In addition to capacity building, the certain innovations like "bank mitra/saathi" need to be introduced.
- While the SHG federations in the form of Panchayat Level Federations (PLFs) and Block Level Federations (BLFs) exist in Odisha, the PLFs are very weak and do not have role clarity and resource to support member SHGs. Reorganizing these PLFs into Village Organizations (VOs) and strengthening them must be taken up on a priority basis.
- NRLM has been strongly advocating for "**pancha sutras**" to ensure that all the existing SHGs follow the best practices. Mission Shakti and SRLM in Odisha need to work towards supporting the existing SHGs to become stronger, follow pancha sutra and become NRLM compliant.

- Bihar seems to be following a systematic approach to SHG promotion and facilitation of SHG Bank linkage. Care must be taken to ensure that during the scale up period this approach is not given up. While scaling up to saturate is important, for sustainability ensuring quality in the promotional process is equally important and BRLPS-Jeevika will have to follow non-negotiables.
- In both Odisha and Bihar, concrete efforts are required to optimally utilize funds, both own funds and bank loans. The idle funds are unacceptably high in both the states. Bankers need to be sensitized to allow SHGs to withdraw their own funds and lend to members to meet their needs. Specific focus on financial literacy and increased savings is required at the SHG level. It ought to be done in a campaign mode.
- One of the important indicators of good quality SHGs and SHG federations is the accounting, bookkeeping and financial management at each level. As majority of the SHG book writers are not paid and not trained, a system of high quality training and payment of reasonable honorarium to the SHG book keeper must be facilitated and instituted.
- In both the states, need to build social capital in the form of SHG trainers, book keepers, SHG auditors, raters, livelihood support works, bank mitras, bima mitras, etc.
- Both the state governments can organize state level workshops to discuss the findings and recommendations of this study and develop detailed action plan to further strengthen the movement.

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