Status of Matured SHGs – Jharkhand, Rajasthan, Tamil Nadu and West Bengal

Submitted to:
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Executive Summary
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The 2012-13 report titled “Status of Microfinance in India” by NABARD mentions that the Self Help Group – Bank Linkage Programme (SHG-BLP) has moved far ahead from linking a pilot of 500 SHGs of rural poor two decades ago to more than 8 million groups a year ago. The total savings corpus has increased from a few thousands of Indian Rupees in the early years to a whopping Rs 27,000 crore. The bank credit to a credit outstanding of Rs 40,000 crore and disbursements Rs 20,000 crore during 2012-13. The geographical spread of the movement has also been quite impressive and it has now spreading to even the most remote corners of India. Over 95 million poor rural households are now part of this world’s largest micro credit initiative. The SHG-BLP lays emphasis on regular savings by the members and the savings corpus being used to lend among them as needs arise, later by linking the groups with banks for availing credit.

The scale of SHGs also offers challenges on the basis of age of the SHGs – new or mature, location of the SHGs – North East and the supporting agencies – MFI, State Government Agencies and NGO/SHPIs. NABARD has identified following themes:

1. Impact & Sustainability of SHG BLP in India
2. Status of Matured SHGs
3. Status, progress and challenges to SHG-BLP in NE states – Way forward for Microfinance
4. Comparative study on Livelihood models for SHGs

NABARD proposed to conduct sponsored projects on the mentioned themes and invited proposals. Institute of Rural Management Anand (IRMA) was assigned to conduct research on the second theme titled “Status of Matured SHGs”. This is final report of the said project.

This study is about matured SHGs; SHGs of age three years or more. The matured SHGs studied in this research are located in Jharkhand, Rajasthan, Tamil Nadu and West Bengal. In
every state two districts were selected on the basis of socio-economic factors and level of urbanization. The highest ranking and lowest rankings districts according to the socio-economic factors were selected for the study. In each district SHG of 3-5 years, 5-7 years and 7-12 years were surveyed; 30, 15 and 12 respectively from each group. Focus Group Discussion (FGD) and interviews were also conducted. The quantitative data was analyzed through statistical analysis and qualitative data through interpretive analysis.

The report is divided into ten chapters. The first chapter is titled as “Introduction” and it includes section on Term of Reference (ToR) of the study, methodology and approach of the study. Chapter 2 to Chapter 10 is based on the main themes of the ToR. In the following sections of this chapter main findings have been included till theme of Chapter 9. The last section is from Chapter 10 that is based on the findings reported from Chapter 2 to Chapter 9.

**Functioning of SHGs**

1. Regular meetings help to keep SHG active and together.
2. Consensus is common mode of decision making in the SHGs.
3. On an average the saving amount is around Rs 100/per month per member. The main reason for low saving amount is lack of affordability.
4. The book keeping is an important activity and generally done by the office bearers of the SHG. However, lack of training has affected the quality of book keeping and capacity building.
5. SHGs do not offer loan to non-members as it increases risk of non-payment.
6. The bank accounts are maintained by the office bearers of the SHGs. However, they do not have adequate understanding of the difference between term loan account and CC limit account. The bankers offer term loan instead of CC limit and thus increase the cost of loan.
7. The leadership in the SHGs is permanent unless there are local norms of discouraging common leaders at SHG and cluster level.
8. The low amount of saving is not related to lack of trust but it is lack of affordability. There is an element of lack of trust in low loan amount however the major reason is lack of opportunity.

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<th>Trends and Pattern of Credit Flow</th>
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<td>1. Commercial banks are major source of credit linkage for the SHGs.</td>
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<td>2. The time taken by the banks to disburse loan from the date of application is very long. In many cases it exceeds even two years. The quantum of loan is inadequate.</td>
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<td>3. The repayment rate is better and there is a tendency to repay loan.</td>
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<td>4. Lack of understanding of the local needs of SHGs by the banks and lack of market linkage are major reasons for default and NPA.</td>
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<td>5. The SHGs manage credit risk by constant observation of the use of money taken on loan.</td>
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<td>6. The impact of credit linkage and repeat loan is positive.</td>
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<td>7. The repeat loan ratio is low because the bankers are not confident that SHGs will repay loan, SHG members are discouraged by the banking norms and lack of handholding support.</td>
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<th>Livelihood Activities</th>
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<td>1. At SHG level 90% of the respondents said that members make investment in individual enterprise. Collective enterprise at SHG level is rare.</td>
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<td>2. The ecosystem of training and marketing at the SHG level is not adequate for collective enterprise.</td>
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<td>3. Many of the collective enterprise at SHG level are not actually collective enterprise. They are outfits created to take benefit of government schemes in which services are provided only by the SHG according to the state policy.</td>
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<td>4. There was consensus that SHG has helped members to increase income.</td>
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<td>5. Apart from direct economic benefit the SHG member also get indirect benefit of</td>
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improvement in quality of life.

6. SHG members have obtained many social benefits. Their prestige in family and society has increased. Their social status has also improved.

7. SHG members do not know about producer companies and cooperative.

8. SRLMs at cluster level are promoting producer companies. NGOs are also promoting producer companies. However, at this stage the examples are limited.

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### Hand Holding of SHGs

1. There are many handholding agencies. Some handhold SHGs directly and some do indirect handholding. Some of the handholding institutions are, SHPI, NGOs, PACS, DRDA and state government departments.

2. The handholding is done in various forms, such as, SHG formation, providing training of book keeping, bank linkage, credit linkage, skill training, offering input material, providing equipment, providing information about government schemes, and forward linkage.

3. There is demand for skill training.

4. Skill training facilities are inadequate and the existing facilities are located far away from the villages.

5. Training centers that are located in villages operate according to the working time of women and also offer job after training are more popular.

6. There is high demand for training of cloth stitching and running a beauty parlor.

7. There is less demand of backward linkage but high demand of forward linkage. Examples of existing forward linkage indicate that they are unfavorable to the SHGs; both with government and private agencies.

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### Community Development

1. The matured SHGs create a significant impact on community development by educating their children, participating in *gram sabha*, interfering in domestic violence cases,
protesting against alcoholism and working on women health and sanitation issues.

2. Animator of the group is responsible for liaisoning wherever there is provision of animator else the president or any of the office bearers of the SHG do liaisoning work. The animator works better because of the institutional support and the liaisioning is incentivized.

Use of Technology

1. The use of technology at the SHG level is almost absent in the three states of North India. However, in Tamil Nadu there are evidences of use of smart mobiles and computers at SHG level.

2. In Dharmapuri digitalization of SHG project has commenced at pilot level. Book keeping is done on mobile phones. In Kanyakumari also local NGO is working on project that would implement mobile phone based book keeping.

Dormancy and Sustainability Issues

1. Only 20% of the surveyed SHGs mentioned that they were dormant for some time. They perceive dormancy as negative.

2. The main reasons for dormancy is lack of understanding among members, absence of handholding, discouraging banking system and absence of market linkage.

3. Dormancy can be eliminated by proper handholding, effective banking system and market linkage.

4. In spite of problems the prospects of sustainability of SHG is high because it offers alternative and additional livelihood, offers goods at a competitive price, and there is demand of SHG products.

MFI's vis a vis SHG Bank Linkage

1. MFI's charge high interest rate.

2. SHG created a platform for the MFI.
3. The MFIs worked to overcome the shortcomings of banks that helped it in developing clientele.
4. The MFIs offer loan within one week and the MFI official completes all the paperwork. The loan is offered and EMI is collected at the village.
5. Unlike SHG leader MFI’s leader in the village is paid wages that motivates her.

**Recommendations, Strategies and Policy Takeaways**

### On Functioning of SHGs

1. Group meetings should be mandatory; at least once a month.
2. Rotation of leadership should be given higher marks during rating of the SHG.
3. Bookkeeping training should be given to all the members and role of bookkeeping should also be rotated. More number of bookkeepers in a SHG should be rated highly.
4. The lead bank should make arrangement for regular locational training of financial issues; at least twice in a year in every village under its jurisdiction.

### On Credit Flow

1. Banks should create a vertical for SHGs and every branch should employ one staff exclusively for SHG.
2. The bank linkage system should be made accountable for the turnaround time.
3. The SHGs and their members should be given unique number for traceability. Adhar Card may be one of the tools through which it can be implemented.
4. Banks should offer only CC Limit loans. Banks circumventing this should be made accountable.
5. The CC limit should never be less than five times of saving amount as proposed by the RBI.
### Livelihood activities

1. At SHG level both individual and collective enterprise should be welcomed.
2. The idea of collective enterprise should only be emphasized at cluster level.
3. The state governments should offer help to the collective enterprise; registered or unregistered.

### Handholding of SHGs

1. Handholding of SHGs should be continued till they form sustainable clusters. The handholding institution should also indicate the exit strategy and provide SHGs sustainability plan during the initial stages of transition.
2. The handholding cost should be within a specified percentage of the actual disbursement of loan made to the SHGs.
3. The handholding should necessarily include training and market linkage.
4. The handholding institutions in a panchayat should be limited to two and the SHGs should be allowed to choose and migrate.

### Community Development

1. SHGs should be engaged in community development initiatives, for example, community awareness, women health, construction work. However, it should be monitored that benefit in not accrued to only one member of the SHG.

### Use of Technology

1. Digitalization of SHGs should be done on priority.
2. Training on usage of technology should be offered to all the SHGs.
3. SHGs using more technology, for example, mobile banking, internet banking should be rated high.
**Dormancy and Sustainability Issues**

1. Dormant SHGs should be identified and revived after understanding their problem.
2. SHG offer alternate and additional source of income and has a high probability of sustainability if proper handholding and adequate market linkage is provided.

**MFIs vis a vis SHG Bank Linkage**

1. The amount of loan distributed by MFIs indicates the loss of opportunity for the banks. This has happened because the SHG Bank linkage has not worked up to the expectations. The banks should create a structure to venture into the market opened up by the MFIs.
2. MFIs should be regulated through regulatory body and laws.
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<td>ToR</td>
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<td></td>
</tr>
<tr>
<td>TNSRLM</td>
<td>Tamil Nadu State Rural Livelihood Mission</td>
<td></td>
</tr>
<tr>
<td>VPRC</td>
<td>Village Poverty Reduction Committee</td>
<td></td>
</tr>
</tbody>
</table>
Chapter One

Introduction
Chapter 1: Introduction

1.1

The 2012-13 report titled “Status of Microfinance in India” by NABARD mentions that the Self Help Group – Bank Linkage Programme (SHG-BLP) has moved far ahead from linking a pilot of 500 SHGs of rural poor two decades ago to more than 8 million groups a year ago. The total savings corpus has increased from a few thousands of Indian Rupees in the early years to a whopping Rs 27,000 crore. The bank credit to a credit outstanding of Rs 40,000 crore and disbursements Rs 20,000 crore during 2012-13. The geographical spread of the movement has also been quite impressive and it has now spreading to even the most remote corners of India. Over 95 million poor rural households are now part of this world’s largest micro credit initiative. The SHG-BLP lays emphasis on regular savings by the members and the savings corpus being used to lend among them as needs arise, later by linking the groups with banks for availing credit.

The scale of SHGs also offers challenges on the basis of age of the SHGs – new or mature, location of the SHGs – North East and the supporting agencies – MFI, State Government Agencies and NGO/SHPIs. NABARD has identified following themes:

1. Impact & Sustainability of SHG BLP in India
2. Status of Matured SHGs
3. Status, progress and challenges to SHG-BLP in NE states – Way forward for Microfinance
4. Comparative study on Livelihood models for SHGs

NABARD proposed to conduct sponsored projects on the mentioned themes and invited proposals. Institute of Rural Management Anand (IRMA) was assigned to conduct research on the second theme “Status of Matured SHGs”. This is final report of the said project.
1.2 Institute of Rural Management Anand (IRMA)

The Institute of Rural Management Anand (IRMA) established in 1979 as an autonomous Society and Trust. IRMA is a pioneering academic institution in rural management education and research. It is committed to pursuing excellence along with creativity and integrity. The unique strength of IRMA lies in its ability to integrate issues of development and management in all its endeavors.

IRMA’s mission is to promote the sustainable, eco-friendly, and equitable socio-economic development of rural people through professional management. IRMA conducts a variety of programmes and activities. The major ones include the Postgraduate Programme in Rural Management (PRM), Doctoral Programme called Fellow Programme in Rural Management (FPRM), Management Development Programmes (MDPs) for upgrading skills of middle and senior-level in-service personnel of the government, NGOs, and cooperatives; and research and consulting services for various developmental agencies. IRMA has conducted so far over 800 training programmes in varied skill areas with an enrolment of over 16000 professionals. Over the years, faculty members of IRMA have completed about 700 research and consultancy assignments.

1.3 Objective, Term of Reference and Impact Indicators

A. Objective of the Study

The study would analyze the antecedents of mature SHGs; SHGs which are more than three years old in West Bengal, Tamil Nadu, Jharkhand and
B. Terms of Reference (ToR)

The ToR of the study would be as follows:

i. Functioning of SHGs: Conduct of regular meetings, decision making process, patterns of savings, book keeping, internal and external lending, maintenance of bank accounts, rotation of leadership, does mutual trust levels decline when savings and loan size increases, etc.

ii. Trends and pattern of credit flow: Credit received by SHGs from different financial institutions; timeliness & adequacy of credit flow; repayment pattern and behavior; default and NPAs if any and reasons thereof; managing credit risks, impact of credit linkages & repeat loan, why repeat loan ratio is low, etc.

iii. Livelihood activities: Nature, pattern and suitability of livelihood activities of SHG members; income effect and social effects of livelihood activities; institutional developments like JLG / Producers group/ company/ cooperatives to undertake any economic activity;

iv. Hand holding of SHGs: Nature and extent of hand holding by SHPIs, banks, MFIs, State Govt, etc.; capacity building, skill development of SHG members & stakeholders; skill gaps; availability, timeliness and adequacy of backward and forward linkages.

v. Community development: Role of matured SHGs in community development – social empowerment, literacy, sanitation, health, etc.; liaison with govt. departments, service providers, civil society organizations, PRIs, etc.
vi. **Use of technology** based services like mobile banking, online banking, POS, KCC, GCC, ATMs, internet, computerized book keeping, etc. by SHG members.

vii. **Dormancy and sustainability issues**: Nature and extent of dormancy in SHGs, reasons for dormancy, incidence of dormancy, scope for revival of dormant SHGs, the problems and prospects towards sustainability of SHGs.

viii. MFIs vis a vis SHG Bank Linkage – the problems and prospects


1.4 **Literature Survey**

The genesis of the term Self Help Group (SHG) is social banking (Thapa 1993). This concept emerged from the “Western headquarters of development circuit and has obvious connotation of self-help (as opposed to dependence) (Sanyal 2014, 11).” Mohammad Yunus through his successful women-centric lending model has created a perception that SHGs are invariably for women. His concept of microcredit to women has found plenty of support among the American policy-makers because of the successful feminist movement of the late 1960s in which women’s consciousness raising groups played a very important role (Sanyal 2014). Nobel peace prize award to Grameen Bank and Muhammad Yunus further created a positive picture of microcredit. Some of the success stories of SHG groups were highlighted by the western writers, refer *Half the Sky* authored by Nicolas D Kristof and Sheryl WuDunn, which was retold by popular night show hosted by Oprah Winfrey highlighted success of the SHG model. Policy makers argue that they are addressing poverty through the SHG by providing women microcredit to start entrepreneurial activity. The larger idea is to utilize social relationships for finances.
Sanyal (2014, 20) contends that “microcredit’s [peer-group lending] model combines features that have allowed microcredit to prove almost magically effective in ensuring high repayment rates despite mixed reports on economic gains achieved by borrowers from credit.” The borrower uses social collateral (social relationship) for obtaining credit whereas the lender uses social shame to mitigate risk against the default. Since the amount of credit to an individual is small group based lending helps the lender to save operational cost. The groups are neighborhood-based and the members self-select into group the monitoring cost also reduces. Thus, the idea of joint-liability lending becomes the basis of this model. A member will get loan if the collective financial behavior of other members is satisfactory.

Several studies has been conducted on SHGs. The studies by academics are broadly classified on the basis of area of study, economics and anthropology. The economists examine claims of poverty alleviation due to microcredit (Bateman and Chang 2008, Menon 2003, Morduch 1998, 1999). The anthropologists studied how microcredit affected social changes, for example gender dynamics in borrower’s household (Rahman 1999, 2001). Both quantitative and qualitative methods have been used in the study (Schuler, Hashemi and Badal 1998). Pitt, Khandeker, and Cartwright (2006) conducted quantitative study to study microcredit and women empowerment. Kabeer (1998) studied gender and livelihood through qualitative study.

There are many studies conducted by many researchers and institutions to understand the influence of SHGs on the poor households in India. These studies have been conducted at national and state level. Mohindra (2003) in his study on influence of SHG on women’s health in Kerala found that the women’s health improves. He argued that SHGs increases autonomy of women and their role in decision making increases. This improves her access to food available with the household. Voluntary Operation in Community & Environment (2008) in its report on success and failure of SHG’s in India reported that first generation
micro enterprises are benefited by SHGs. Reddy and Reddy (2012) studied quality and sustainability of SHGs in eight states, viz. Andhra Pradesh, Assam, Bihar, Gujarat, Karnataka, Maharashtra and West Bengal. The study concludes that “there is a need for much greater efforts to enhance the quality of the SHG movement in the country.” Center of Finance (no date), Jaipur conducted study to study loan default by SHGs in Rajasthan. The study reports that RRBs and cooperatives have huge NPAs under general and SGSY categories. The report identifies absence of capacity building on group concept and book keeping as important reasons for NPAs in Rajasthan. NABARD every year publishes a report titled “Status of Microfinance in India”, which is considered to be a comprehensive document on SHGs in India. However, the emphasis of this report in to make sense of SHGs on the basis of primary data collected through field work.

1.5 Methodology and Approach

Consultative approach was adopted to conduct the study.

A. Methodology: Both quantitative and qualitative methods were adopted for the study.

Quantitative Study: In quantitative study survey questionnaire was prepared. A pilot study was conducted in Barmer to finalize the questionnaire. This helped to refine usage of words and understanding time required to complete one survey. In spite of pilot testing problems were faced because the scale of the study was huge. Moreover, there is huge amount of variation in the architecture and operation of the SHGs in the four states.

Stratified sampling was done on the basis of age of SHGs; 3 - 5 years, 5- 7 years and more than 7 years old. In each category 30, 15 and 12 SHGs respectively were selected in each selected district. However, during the field work it was found that there were multiple agencies that were handholding the SHGs, for example, NABARD, Zila Parishad,
Department of Child and Women Welfare, State Rural Livelihood Mission, Banks, Farmer’s Club, and NGOs. Further sampling of SHGs according to handholding institutions was not done.

In each state survey was conducted in two districts, one ‘developed’ and another ‘less developed’ in socio-economic terms.

Map No 1.1: Rajasthan

The selected districts according to socio-economic ranking were Kota and Jaisalmer. However, it was brought to our notice about low number of mature SHGs in the Jaisalmer district. Barmer was selected instead of Jaisalmer. The two districts studied are:
The two districts studied are:

a. Dhanbad: Baghmarra, Tundi, Baliapur, Govindpur, and Nirsa blocks

b. Garhwa: Garhwa, and Meral blocks.
The two districts studied are:

a. Kanyakumari: Killiyoor, and Kuranthancode blocks

b. Dharmapuri: Nallampalli and Karimangalam blocks
The two districts studied are:

a. Hugli (or Hooghly) : Balagarh, Dhaniakhali, Chinsurah – Mogra and Polba-Dadpur blocks

b. Uttar Dinajpur : Raiganj, Karandighi and Islampur blocks

The maps in Maps 1.1, 1.2, 1.3 and 1.4 indicate the districts in the states of Rajasthan, Jharkhand, Tamil Nadu and West Bengal. The districts...
selected for the study have also been indicated. In West Bengal and Tamil Nadu the top ranking districts, Kolkata and Chennai respectively were replaced with second ranking districts as the top ranking districts have a very high level of urbanization.

In all the districts DDMs of NABARD were interviewed to understand the status of SHGs in the district. The DDMs also helped in identifying the SHPI, if any, in the district. In districts in which NABARD was not directly involved in promoting SHGs it helped in contacting NGOs or organization engaged in promotion of SHGs. The DDMs also helped in contacting LDMs and banks officials.

The field visit in all the four states was conducted by the principal researcher along with research associate (RA) hired by the institute. The RA for Rajasthan and Jharkhand had worked on another project of NABARD in which study of SHG was one of the items of the Term of Reference (ToR). The RA conducted survey along with the principal investigator for initial five days and later on he conducted survey independently. This model was adopted in all the four states except Tamil Nadu where principal investigator conducted survey with help of a translator. The RA of West Bengal was native of the state. The sampling plan followed is mentioned in Table 1.1.

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Project Districts</th>
<th>No of Districts</th>
<th>SHG 3-5 Year</th>
<th>SHG 5-7 Year</th>
<th>SHG More than 7 Year Old</th>
<th>Total SHGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>West Bengal</td>
<td>2</td>
<td>30</td>
<td>15</td>
<td>12</td>
<td>114</td>
</tr>
<tr>
<td>2</td>
<td>Tamil Nadu</td>
<td>2</td>
<td>30</td>
<td>15</td>
<td>12</td>
<td>114</td>
</tr>
<tr>
<td>3</td>
<td>Jharkhand</td>
<td>2</td>
<td>30</td>
<td>15</td>
<td>12</td>
<td>114</td>
</tr>
<tr>
<td>4</td>
<td>Rajasthan</td>
<td>2</td>
<td>30</td>
<td>15</td>
<td>12</td>
<td>114</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>4</strong></td>
<td><strong>30</strong></td>
<td><strong>15</strong></td>
<td><strong>12</strong></td>
<td><strong>456</strong></td>
</tr>
</tbody>
</table>
Some of the challenges faced during the study were following:

1. Change in group composition: There were cases in which the office bearer of SHG remained same but the members changed over the period of time for some reasons or other, for example, inactive member and marriage. The age of SHG was decided on the basis of the period of association of the SHG official with the group.

2. Change in promoting institutions: In many cases groups promoted during SGSY have now joined NRLM. Similarly, SHGs promoted by state government’s departments and NGOs have joined NRLM. The age of SHG was decided on the basis of existence of SHG in the ecosystem.

3. Dissolution of groups by distributing corpus: There were also cases in which the members shared corpus at the end of three years and group was formed afresh. The dissolution of group was only to distribute corpus. The president of the SHG remained same. The age of SHG was decided on the basis of association of the president of the group.

4. Change of leader of the SHG for leadership at cluster level: In West Bengal there were many cases in which the office bearer was new as the previous leader resigned from the post to hold leadership position at the cluster level. In such cases the survey was implemented to the previous leader.

The respondent of the survey was either any one of the office bearers or previous office bearers, preferably, the president, secretary or treasurer. 95% of the SHG respondents were office bearers. The questionnaire was implemented on the office bearers because they were
book keepers of the SHG documents. Generally, they were associated with their SHG for a longer period compared to other members and they had more information about SHG compared to the members.

**Qualitative Study:** Two Focus Group Discussion (FGD) in each category of the SHGs in each district of the state; total 48. Interviews with 4 Bank or Funding agency official, 4 State Govt officials, 4 Federation level officials and 4 NGO/SHPI officials in a state; total 64. Multiple case study, one case in each category, total 12 cases were studied to describe the quantitative findings. The principal investigator collected qualitative data through FGDs and interviews.

### Table 1.2: Schedule of Fieldwork Conducted by the Faculty

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Period</th>
<th>State</th>
<th>District</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>13th May - 16th May 2016</td>
<td>Rajasthan</td>
<td>Barmer</td>
<td>Pilot Study</td>
</tr>
<tr>
<td>2</td>
<td>18th May - 25th May 2016</td>
<td>Rajasthan</td>
<td>Kota and Barmer</td>
<td>Field Work</td>
</tr>
<tr>
<td>3</td>
<td>31st May - 11th June 2016</td>
<td>Jharkhand</td>
<td>Garhwa and Dhanbad</td>
<td>Field Work</td>
</tr>
<tr>
<td>4</td>
<td>6th July to 11th July 2016</td>
<td>West Bengal</td>
<td>Hooghly</td>
<td>Field Work</td>
</tr>
<tr>
<td>5</td>
<td>15th July - 19th July 2016</td>
<td>Tamil Nadu</td>
<td>Dharmapuri</td>
<td>Field Work</td>
</tr>
<tr>
<td>6</td>
<td>23rd July - 29th July 2016</td>
<td>West Bengal</td>
<td>Uttar Dinajpur and Hooghly</td>
<td>Field Work</td>
</tr>
<tr>
<td>7</td>
<td>30th August - 6th September 2016</td>
<td>Tamil Nadu</td>
<td>Dharmapuri and Kanyakumari</td>
<td>Field Work</td>
</tr>
</tbody>
</table>

The schedule in Table 1.2 includes field work conducted by the principal investigator. It does not include survey work conducted by the RAs.
Analysis: The survey data was coded and codes were entered in .xls file and statistical analysis was conducted. Highlights noted during the interviews were expanded that became part of the qualitative data, which was analyzed through interpretive analysis.

Personal Note: The fieldwork took more than planned time as some of the districts offered logistical problems. To get a better understanding of the problem of the underperforming districts we went to the blocks far away from the district headquarter. As many of the SHGs were not active meeting respondents was difficult. This was once again a challenge in districts low on socio-economic gradation.

1.5 Caveat

• For secondary data the author has relied on the respective sources providing the data.
• This study is commissioned by NABARD though the report does not necessarily reflect the views of the sponsoring agency.
• Author is not responsible for misinterpretation of results contained in this report.
Chapter Two

Functioning of SHGs
2 Functioning of SHGs

2.1 This chapter addresses item number (i) of the ToR that is:

Conduct of regular meetings, decision making process, patterns of savings, book keeping, internal and external lending, maintenance of bank accounts, rotation of leadership, does mutual trust levels decline when savings and loan size increases, etc.

2.2 This chapter is based on:

1. Primary data
   a. Survey
   b. Interview with the SHG representatives, SRLM, NABARD, LDM, NGO, state government, and bank official
   c. Field observation

2.3 Conduct of Regular Meetings

Fig 2.1: Meeting in One Month (State)
(All figures are in percentage)
The popular norm among SHGs is to conduct at least one meeting in a month. Among SHGs under SRLM and in some NGO promoted SHGs there is a norm of conducting four meetings in a month. The meeting day is also the day of collection of saving amount, loan disbursement and collection of loan installment. SRLM officials mentioned that conducting weekly meeting is mandatory and it is one of the conditions of the Panch Shatra, five comamments. They argued that regular meetings keep the group active and decreases the burden of collecting saving amount. In 71% cases every member participated in meeting. No group reported collection of penalty from the absentees. They said that absentees take prior permission for absence.

In almost all the cases it was noticed that the meeting started with singing either SHG anthem or religious Bhajan. The SHGs promoted by SRLM sang anthem provided by the officials, NGO promoted SHGs sang songs provided by respective NGOs. In many cases SHGs sang religious songs according to their choice. It was mentioned that singing together invokes a sense of togetherness and also brings seriousness during the meeting.

![Fig 2.2: Meetings in One Month (SHG Age)](image)

(All figures are in percentage)

<table>
<thead>
<tr>
<th>Year</th>
<th>Jharkhand</th>
<th>Rajasthan</th>
<th>West Bengal</th>
<th>Tamil Nadu</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 to 5</td>
<td>17</td>
<td>30</td>
<td>44</td>
<td>43</td>
</tr>
<tr>
<td>5 to 12</td>
<td>68</td>
<td>37</td>
<td>44</td>
<td>57</td>
</tr>
<tr>
<td>One time</td>
<td>68</td>
<td>37</td>
<td>44</td>
<td>57</td>
</tr>
<tr>
<td>Two time</td>
<td>17</td>
<td>37</td>
<td>44</td>
<td>43</td>
</tr>
<tr>
<td>Three time</td>
<td>68</td>
<td>37</td>
<td>44</td>
<td>57</td>
</tr>
<tr>
<td>Four time</td>
<td>17</td>
<td>37</td>
<td>44</td>
<td>43</td>
</tr>
</tbody>
</table>

It was observed that the more active groups sang with more energy and every member
remembered the song. The average number of meeting in groups following *Panchsutra* norms was higher compared to other groups. More number of meetings was also reported as inconvenient by many groups. First, they argued that every meeting has to be formalised through MoM, which has to be written down. Secondly, collecting everybody at one place is a challenge. There was general agreement that meeting should be held only once in a month unless there is some urgent work, such as of disbursement of loan.

The influence of age of SHG on frequency meeting was not observed (refer Fig 2.2). The difference in numbers of meetings is primarily because of hand holding institutions. If SRLM is hand holding institution the number of meetings increase to four. In Tamil Nadu SHG hand held by NGOs reported norm of four meetings in a month.

4 Decision making Process

The SHGs decide through consensus. Only on rare occasions decisions are taken through voting. Some SHGs in West Bengal (refer Fig 2.3) reported that they take decisions through voting. The respondents argued that decision through voting affects relationship and offers scope for politics. During interviews it was found that the president has a larger say in the decision making process. The members said that the president knows more about the day to day affairs and hence they believed that the president will not take decision that will affect the overall health of the group. Thus, leadership of the SHG has an important role in the success of SHGs. Evidence of change in leadership is low, as reported in Section 2.9.
The survey findings suggest that SHGs are formed on the basis of friendship or BPL criteria. None of the groups reported that basis of formation was caste or religion.

The said response might be because of social desirability as many groups were found
consisting of members only from one caste group. They were residents of same locality and element of friendship in the same caste may not be discounted. Moreover, the settlement in villages in India is also in accordance to caste affiliation. The older groups of SGSY period reported that formation of group was on the basis of BPL, which is in accordance to the SGSY guidelines.

Fig 2.5: Basis of SHG Formation (State)  
(all figures in percentage)

Fig 2.6: Basis of SHG Formation (SHG Age)  
(All figures are percentage)
From Fig 2.6 it appears that newer groups are formed on the basis of friendship. However, formation of older SHGs was also affected by the BPL norm.

2.5 Pattern of Saving

The average monthly saving varies from Rs 75/- to Rs 250/-. The reason for low monthly saving is low affordability; 96% of the respondents said that saving amount is decided by the affordability of all the members of the group. In many cases the women reported that saving money is women’s money. They contended that women have limited opportunities to earn money and hence they cannot afford to deposit more money into the saving account. When asked whether any one member can deposit more money if she can afford the respondents argued that it will contradict the norm of equality.

The average monthly saving is higher in the economically poorer districts, for example, Garhwa, Uttar Dinajpur, Dharampuri and Barmer, in comparison to the economically richer districts. Incidentally, the poorer districts also have poor credit linkage rate and
respondents complained about the poor service quality of the banks. For example, the women in Garhwa said papers submitted to the bank is often reported as misplaced and bank demands fresh application every time there is change of manager. An official of the local NGO, Jagriti Mahila Mandal, that was working as an SHPI contended that they submitted loan application form four times.

Fig 2.8: Average Monthly Saving (SHG Age)  
(All figures are in Rupees)

Fig 2.9: Average Number of Times Loan Availed (District)
20% of the SHGs studied in Garwah could not get credit linkage even after three years. The situation of bank linkage was found poor in Barmer and Uttar Dinajpur also. However, there were also cases, for example in Uttar Dinajpur women said that they do not take loan from banks because they do not want to pay interest.

There are some observations on pattern of saving:

1. Women believe that saving money is their money.
2. Not all SHGs use saving money for internal loan. This was evident in Rajasthan.
3. In Uttar Dinajpur some of the SHGs reported that they should use saving money for internal loan and they refuse to take loan from banks.
4. The interest rate offered on saving is too less and in many cases no interest is paid, for example, in Barmer district the PACS were not paying any interest on the deposit.
5. In many cases the RBI guideline of offering loan equal to five times the saving amount was not being followed.
6. In Kota it was observed that some groups dissolve the group every three years and distribute money among the members. They said that banks do not offer loan on savings but SHG helps women to save some money.
7. In Hooghly district of West Bengal old groups since SGSY period have saved large amount of money over the years that has helped them to take loan from banks, make timely repayment and avail benefits of the interest subvention. They informed that this brings down loan interest rate substantially. They added that many people are ready to pay money and get membership of these older SHGs for taking benefits of low interest rate on loan. In Karimangalam district also groups that were formed during IVDP period, around 30 years back by NGO with same name were observed. These groups have also save large corpus that makes the groups self-reliant.
2.6 Book Keeping

Book keeping is one of the most important activities of the SHG. The quality of book keeping indicates the health of a SHG. The officials of SHG were able to do book keeping in most of the cases. However, there are also cases in which animator is also book keeper. The animator is also member of the SHG or in some cases she is employed by the cluster level organisation or the hand holding organization.

**Fig 2.10: Book Keeping is Done by (State)**

(All figures are in percentage)

<table>
<thead>
<tr>
<th>State</th>
<th>SHG member</th>
<th>SHG member's relative</th>
<th>Other (NGO or other org.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jharkhand</td>
<td>53</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>42</td>
<td>22</td>
<td>35</td>
</tr>
<tr>
<td>West Bengal</td>
<td>98</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>55</td>
<td>0</td>
<td>45</td>
</tr>
</tbody>
</table>

The older SHGs informed that book keeping was one of the basic training during the SGSY and they received it. In the average number of book keeping training provided in
Jharkhand, Rajasthan and West Bengal were 0.7, 0.7 and 1.4 respectively. In West Bengal and Jharkhand there was a general complaint that no training was provided after the completion of the SGSY scheme. The SHGs promoted by NGOs identify one member as an animator from the group who is trained to do book keeping. The SHGs promoted by Pudu Vaazhvu Project (PVP) in Tamil Nadu also has an animator who maintains the book. She is also paid honorarium for book keeping. The activities of book keeping are:

1. Financial book keeping: In this the group account and individual member’s account, both saving and credit, is maintained by the animator.

2. Book keeping related to governance: In this book on group meeting attendance, minutes of meeting, and resolution is maintained. This also includes taking signature of the guests and visitors.

The frequency of book keeping training to the members was low or almost nil. This was across groups promoted by SRLM, state government departments, NGOs and SHPIs. The SHG members replied that they were ignorant about the book keeping issues and rely on the book keeper. They argued that they prefer SHG president to be book keeper as they joined the group based on the relationship with the president.
The book keeping is done in pre-structured record book by the SHGs promoted by State Rural Livelihood Mission. The books are provided by the SRLM. Some NGOs also provide pre-structured record books to SHGs for free.

### 2.7 Internal and External Lending

In more than 90% of the cases the SHGs responded that they do not lend money to non-members. The remaining, around 10%, respondents who mentioned that they offer loan to outsiders also added qualifier that they do this in extreme conditions. One respondent mentioned that a woman in the village who was not member of the group was hospitalised and she needed money for medication. She was offered loan. Generally, the SHGs avoid offering loan outside the group. They argued that offering loan to outsider increases risk on the group. They also mentioned that there is an informal norm of not lending money to the outsiders and they follow it. The non members also follow it by not asking for loans from SHGs in which they are not member.

The SHGs promoted by SRLM and some of the NGOs also follow SHPIs instruction of not lending money to the non-members. The distribution of money lending to the outsiders has been mentioned in the Figure 2.12. Among the four states SHGs in Jharkhand reported highest percentage of cases of external lending. However, the number is too small to attribute any reason for external lending by the SHGs of Jharkhand.
2.8 Maintenance of Bank Accounts

Maintenace of bank account is one of the important issues of success of SHGs. In 86% cases saving account is maintained in commercial banks. Large number of saving account is also maintained in cooperative banks. In 84% cases it was reported that all the members of SHG were also having individual bank account. The bank account of the group is maintained by the SHG officials or the book keeper. It was observed that some SHGs have a norm of allocating duty of depositing money into the SHG’s account to the members on a rotational basis. This was observed in locations that was far away from the bank. The respondents also argued that this arrangement helps members to acclimatize with the banking norms.

It was observed that there were two accounts of SHG; saving account and loan account. 11% of the SHGs were having only saving account whereas 89% of the SHGs were having both accounts. Generally, both accounts are with one bank. However, there were cases in Dharmapuri in which saving account was in one bank and loan account in some other bank. The LDM of the area acknowledged that he was aware of such cases but
expressed his inability to do anything. It was reported that many SHGs do not repay loan to previous banks, generally government banks, and take loan from another bank.

The book keepers were generally not conversant with the details of bank account, for example, additional charges on the services provided by the bank, existence of interest subsidy. In many cases, especially in Jharkhand and Rajasthan the book keeper was not aware why SHG has taken loan from the bank when amount in the saving account was more than the loan amount. Instead of using saving amount for internal lending they were taking loan from the bank. They were paying more interest to the bank and receiving less interest on their saving account.

The book keepers were not aware of the swift facility in which, especially those groups that did not use saving money for internal lending, saving amount is converted into fixed deposit that avails higher rate of interest. It was noticed that wherever bank was proactive, for example Hooghly district in West Bengal, the book keepers were more confident and they knew banking processes better.

Another important issue that was observed was ignorance about term loan and CC limit facility. The SHGs of Hooghly district of West Bengal were exceptions. In all other districts the loans were either issued as term loan or CC limit was operated as term loan, which is against the spirit of the RBI guideline. The bank officials argued that SHG members are unable to understand the concept of CC limit and it was easier for them to understand the term loan concept. SHG groups of Hooghly argued that they know how to make use of CC limit accounts. All the surveyed groups of Hooghly reported that their account is CC limit account. They said that CC limit account is beneficial for the SHG as it:

1. Offers SHG to choose to withdraw according to their need.
2. The term loan is forced on the SHG and they have to distribute the amount to all
the members even if there is no need. Thus, they end up paying more interest.

3. The CC limit account offers control to the SHG whereas term loan offers control to the bank.

During the survey we noticed from the loan pass book that in 65% cases the account was CC limit account. However, during the interview with SHG members and the bank officials it was observed that the banks did not follow the norms of CC limit account and operate it as term loan account, for example, the groups were asked to withdraw the entire amount allocated for CC limit and they were asked to repay equal monthly installments within a tenure, generally, one year or 15 months. The bank officials on conditions on anonymity contended that maintaining term loan account is much easier than CC limit account. They also argued that the newer norm of regular renewal of CC limit account is also not helping the cause as in absence of renewal application CC limit account becomes an NPA. The details of CC Limit account is mentioned in the Figure 2.13.

Fig 2.13 indicates high percentage of CC Limit accounts in both districts of West Bengal and one district of Tamil Nadu. In Kota and Uttar Dinajpur the percentage is higher but the operation of loan account was similar to a term loan account. The figure may vary according to the type of handholding institutions, for example, the NGOs in
Tamil Nadu ensured that the loan is of CC limit type. However, in Dharampuri it was observed that NGOs partnered with private bank to offer term loan on a commission basis.

2.9 Rotation of Leadership

In 84% cases the post of president was reported as permanent. This was noticed across the age group of the SHG. The SHG was identified by its president. In Rajasthan SHGs are offered preference in implementing government schemes. In some cases only SHGs are engaged, for example, Kaleva scheme in which a postpartum woman is offered food for three days in the hospital after delivery of child. It was observed that the president was the only beneficiary of the scheme. The members of the SHG were having notional presence.

Even SHGs that reported change in leadership the change was exchange of position among the existing office bearers. In West Bengal the change of leaders at SHG level occurred because the state government formulated a rule that leaders of SHGs cannot become leaders at cluster level. Leadership was restricted to only one opportunity. This
made many leaders of SHG resign from their post and become ordinary member so that they can become eligible for becoming leaders at the cluster level. In Tamil Nadu SHGs supported by NGOs reported change in leadership at regular interval. The leadership norms across all the four states and across age groups of the SHGs is same.

2.10 Issue of Trust

The question that ToR suggested in this section is “does mutual trust levels decline when savings and loan size increases?” The question was probed by splitting the question into two parts, a) decline in trust when saving increases, and b) decline of trust when loan size increases.

a) Trust and saving amount: The SHGs did not report trust as a factor on the monthly saving account. 96% of the SHGs reported that the main reason for small amount of monthly saving is affordability. The respondents argued that they find it difficult to save amount for the monthly saving installment. No variation across states and the age group of SHG was observed.
b) Trust and loan amount: 28% of the SHGs reported that they do not take higher amount as loan as they are not convinced that the member will be able to return the loan. They fear that the group will suffer if one member fails to return money. However, 66% reported that the major reason for small loan amount is lack of enough business opportunity. The details are mentioned in the Figure 2.16.

Under regulatory and group norms the maximum response was from the SHGs from Kanyakumari district promoted by an NGO. The respondents informed that the NGO monitored loan amount according to the need of the SHG. The NGO officials informed that they do not encourage large loan amounts as they conduct due diligence before recommending SHGs to apply for loan. They said that cases of non-payment of loan by the SHGs hand held by them will affect their credibility. The percentage of respondents from other who offered reason of regulatory norms for small loan is insignificant. State wise and SHG’s age details have been mentioned in the Figure 2.17. The average percentage of lack of trust in West Bengal and Tamil Nadu remains unexplained.
## 2.11 Conclusion

1. Regular meetings help to keep SHG active and together.
2. Consensus is common mode of decision making in the SHGs.
3. On an average the saving amount is around Rs 100/ per member per month. The main reason for low saving amount is lack of affordability.
4. The book keeping is an important activity and generally done by the office bearers of the SHG. However, lack of training has affected the quality of book keeping and capacity building.
5. SHGs do not offer loan to non-members as it increases risk of non-payment.
6. The bank accounts are maintained by the office bearers of the SHGs. However, they do not have adequate understanding of the difference between term loan account and CC limit account. The bankers either offer term loan or operate CC limit loan as term loan that increases the cost of loan.
7. The leadership in the SHGs is permanent unless there are local norms of discouraging common leaders at SHG and cluster level.
8. The low amount of saving is not related to lack of trust but it is lack of affordability. There is an element of lack of trust in low loan amount however the major reason is lack of opportunity.
Chapter Three

Trends and Patterns of Credit Flow
<table>
<thead>
<tr>
<th>3</th>
<th>Trends and Patterns of Credit Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>This chapter addresses item number (ii) of the ToR that is:</td>
</tr>
<tr>
<td></td>
<td>Credit received by SHGs from different financial institutions; timeliness &amp; adequacy of credit flow; repayment pattern and behavior; default and NPAs if any and reasons thereof; managing credit risks, impact of credit linkages &amp; repeat loan, why repeat loan ratio is low, etc.</td>
</tr>
<tr>
<td>3.2</td>
<td>This chapter is based on:</td>
</tr>
<tr>
<td></td>
<td>1. Primary data</td>
</tr>
<tr>
<td></td>
<td>a. Survey</td>
</tr>
<tr>
<td></td>
<td>b. Interview with the SHG representatives, SRLM, NABARD, LDM, NGO, state government, and bank officials</td>
</tr>
<tr>
<td></td>
<td>c. Field observation</td>
</tr>
<tr>
<td>3.3</td>
<td>Credit Received by SHGs from Different Financial Institutions</td>
</tr>
<tr>
<td></td>
<td>There was a larger consensus among the groups that credit linkage is related to success of the group. 91% of the respondents contended that loan helped them. Many respondents argued that delay in credit linkage discourage group members that often lead to dormancy and in worst case dissolution of the group. It was mentioned that there is no meaning in forming group and spending time in group meeting if credit linkage is not there. The saving amount is not enough to offer loan to start any business venture. At the best it can be utilized for consumption.</td>
</tr>
<tr>
<td></td>
<td>84% SHGs reported that they received loan from commercial banks. The choice to choose financial institutions for loans is limited as lead bank of the district decides</td>
</tr>
</tbody>
</table>
geographical area of operation of the banks. Cooperative banks come next in disbursement of loans to SHGs. However, in some districts cooperative banks have a larger share in offering credit facility to the SHGs.

Many SHGs complained that banks open saving account and offer sanction letter for loan but they never disburse loan. An SHPI official in Dhanbad reported that out of every 100 SHGs formed in the district only five actually receive loan. He mentioned that issue of sanction letter is construed as credit linkage offered to the SHG. The record of credit linkage in the government reports do not distinguish between sanctioned loan and disbursed loan.

### 3.4 Timeliness & Adequacy of Credit Flow

The SHGs complained that they do not receive loan on time. The SHGs surveyed were of age more than 3 years and yet 49% of the SHGs have received loan only once. Only 22% SHGs received loan three or more than three times. The limited cases of three or more than three loans are primarily from Hooghly, Kanyakumari and in Dharmapuri districts. In Kanyakumari and Dharmapuri only SHGs promoted by NGOs received loan thrice or more. The SRLM official in Rajasthan reported that it takes lot of time and energy to obtain credit linkage. SRLM staff of Dharmapuri also repeated similar sentiments. The average number of times loan availed in

![Fig 3.1: Number of Times Loan Availed](image)

- One time 49%
- Two time 29%
- Three time 14%
- Above three time 8%
depicted in the Figure 3.1 and 3.2. There were many groups which received credit linkage for the first time after three years of group formation. They reported that bank officials adopt multiple ways to discourage credit facility. It has been reported earlier also how an NGO in Garhwa submitted loan form four times to the same branch without success. Every time the bank reported that documents were lost. Rajasthan SRLM official informed that it has made arrangement of Bank Sakhi who is a SHG member and works as a link between SHGs and the bank is often discouraged by the bank officials by not providing basic amenities, such as chair. The handholding institutions informed that delay in credit linkage or poor treatment by the bank officials often perceived as poor service quality of the handholding institutions.
The LDM and bank officials mentioned that SGSY has created lot of NPA and they are not comfortable in offering loan to the SHGs in absence of enumeration of the SHGs. They argued that same member is present in many SHGs. They also cited cases in which the SHGs break after availing credit facility. The LDM also mentioned that there is no provision in the MIS that segregates SHGs promoted through various schemes and there is no statistics to confirm which SHGs have better credit record. It was observed that the

**Fig 3.4: Problems Faced by the SHGs at Bank**
(All figures are in percentage)

- Too much Paper Work: Jharkhand 19, Rajasthan 29, West Bengal 28, Tamil Nadu 48
- Lack of Guidance from Bank: Jharkhand 17, Rajasthan 20, West Bengal 15, Tamil Nadu 21
- Made to Visit Many Times: Jharkhand 9, Rajasthan 9, West Bengal 1, Tamil Nadu 21
- Made to Wait: Jharkhand 36, Rajasthan 34, West Bengal 30, Tamil Nadu 19
- Other: Jharkhand 7, Rajasthan 7, West Bengal 16, Tamil Nadu 0

**Fig 3.5: Average Ticket Size of Loan**
(In Rs/annum)

- Dhanbad: 80800
- Garhwa: 57000
- Barmer: 69000
- Kota: 77000
- Hooghly: 110000
- Uttar Dinapur: 57000
- Kanyakumari: 96000
- Dharmapuri: 108000
present MIS is catered more to the bank needs, for example, NPA data is available for respective banks but not according to the schemes under which credit linkage was made. The MIS of the bank does not distinguish whether the SHG was hand held by SRLM or DRDA. There is a need to make MIS scheme centric and SHPI centric.

After waiting for many years the amount of loan received according to the banking norms as informed by the respondents appeared inadequate, for example, the first disbursement is of rupees one lakh (in many cases it is only rupees fifty thousand). If there are fifteen members in the SHG on an average per person loan amount is around six thousand rupees that is too low. This is not helping the cause of SHGs but on contrary is helping the MFIs to use the SHG as launching platform. The women mentioned that the SHG movement informed women about taking loan and it removed fear of taking loan. Women also realized that they can take loan for small business activity, earn money and return loan. Since government banks do not offer loan on time and the processing time is too long and cumbersome the MFI filled the void. MFIs offer services at the doorstep. Women said that MFIs charge higher interest but they do not make them run. The MFI officials come to the village; completes all the paper work and also comes to the village to disburse loan and collect loan installment.

3.5 Repayment Pattern and Behavior

SHGs reported that they repay loan regularly. Timely repayment of loan is one of the five commandments of the SRLM. The SRLM staffs mentioned that risk of lending money to SHGs is least and argued that recovery rate is 96%. During joint meeting with the LDMs and bank officials SRLM officials claimed that they will take care of any bad loan.

1 The 2015 Bharat Microfinance Report mentions that MFI’s credit business size is Rs 48,882 crores and credit linkage of SHGs through bank is only Rs 43,000 crores.
SHGs in Hooghly reported that banks are happy with their loan repayment and they encourage them to take loan. In one case a group of tribal women who were landless formed SHG and collectively conducted potato farming by taking land on rent. They earned good profit and each member of the SHG now owns land after working together for last six years.

The SHG members mentioned that they give priority to return loan within the stipulated schedule. The government bank officials informed that returning loan to the government banks is last priority of the SHGs. In Dharmapuri district the government banks informed that SHGs do not return money. However, in the same district NGOs act as link between private banks and SHGs. The NGO charges 2% commission on the loan disbursed by the bank from the banks. The NGO ensures repayment of loan. It informed that the repayment rate is very high. The government banks need to study and understand why SHGs repay loan to the private banks but decline to repay loan the government banks.

### 3.6 Default and NPAs if any and reasons thereof

None of the SHGs reported that they defaulted and they refused to answer question on default. So I asked what do they think are the possible reasons for the SHGs to default? They responded that SHGs default because of many reasons. Some of the reasons mentioned are as follows:

1. Difference within the group: SHGs said that due to various reasons the relationship among the group members becomes bad that leads to payment default. They emphasized that regular meetings help to resolve differences.
2. Genuine problem: The women said that on many occasions the member who takes loan falls sick or somebody in the family falls sick that decreases the earning potential and subsequently reduces surplus to repay loan.
3. Banking processes: SHGs mentioned that on many occasions the bank officials
do not accept refund in part, for example, if 18 people are there in the group who have collectively taken loan the bank does not accept repayment amount if it does not include repayment amount of all the 18 persons. This leads to conversion of the entire amount into NPA even if majority of the members express desire to repay.

4. Loan without proper planning: Respondents of SGSY period SHGs informed that during SGSY period loan to SHGs was disbursed without taking into cognizance about the capacity and capability of the SHGs. Loan was disbursed without understanding the need of SHGs that eventually turned into NPA.

5. Poor Infrastructure: Women complained that women do their best to make their business enterprise successful but poor infrastructure fails them. In Kota many traditional weavers of Kota Doria Sari formed SHGs to break away from the clutches of the traders. However, they failed as the local weaving center established by the government is equipped with loom that is different from the conventional looms; the dying equipment is uneconomical for small scale production. The women also find it difficult to sell the produce to the market as they have no idea about marketing. As inventory piled up they needed money to buy raw material. They were unable to return money to the bank. Once again they started working for the traders. One of the important reasons for the success of SHGs in Hooghly district is availability of market nearby; Kolkata. Moreover, they produce potato that is not a niche product like sari. There is a need to develop infrastructure according to the products being produced by the SHGs.

6. Poor relationship between bank and SHGs: In Hooghly districts women attributed their success to the local branch manager of the cooperative bank. They said that the branch manager conducts meeting with them regularly, discuss problem and offers solution. In the district loans are offered in CC limit form in letter and spirit. 60% of the SHGs of the district mentioned that CC limit has been raised three times or more in last six years. The same was not true in
any of the other districts studied. 42% of the SHGs reported that banks
discourage loan directly. It also discourages loan indirectly by making them
wait, 30% SHGs reported this, and making them visit bank branch too many
times, 10% SHGs reported this.

7. Term Loan: Banks insist on term loan or if they offer CC limit loan they operate
it like term loan. This increases the cost of loan and in many cases as mentioned
earlier the members are forced to take loan on unfavorable conditions. Many
women reported that this leads to default by a member and entire group suffers.

3.7 Managing Credit Risks

This issue was studied from the SHGs perspective on how they took care of credit risk.
The women said that during meeting the application of loan is discussed. They refer to
the past record of the applicant. In case it is first application then they check whether the
money requested has been invested in accordance to the application or not. The women
argued that all the members live in same locality they know whether money is being
utilized properly or not.

Many SHGs said that in case the member uses money for agricultural work or for
personal consumption they take joint undertaking from the member and her husband.
It was asked what they do in case any member refuses to return money. The women said
that they go together to the said member’s house and try to understand why she is unable
to return money. In case her reasons are genuine they offer her more time. In case if they
are not convinced they explain her about the consequences on the group.
3.8 Impact of Credit Linkages & Repeat Loan

91% of the respondents mentioned that credit linkage has helped them. The women used loan both for consumption purpose and for business venture. However, the highest percentage of loan amount was used for agricultural purpose. On most of the occasions the loan used in agriculture was through the husband or the head of the household. The impact of credit linkage has happened at both economic and social level. Details of social impact have been reported in Chapter 6.

Wherever credit linkage has worked as per design the benefits can be observed. This is irrespective of the fact how loan was

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Fig 3.6: Did Loan Help You?

- Yes 91%
- No 9%

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Fig 3.7: Reasons for taking loans

- Business 17%
- House 18%
- Medical 14%
- Agriculture 24%
- Marriage 8%
- Cattle, goat purchase 19%

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Fig 3.8: Use of Loan (State)

(All figures are in percentage)

<table>
<thead>
<tr>
<th></th>
<th>Jharkhand</th>
<th>Rajasthan</th>
<th>West Bengal</th>
<th>Tamil Nadu</th>
</tr>
</thead>
<tbody>
<tr>
<td>House</td>
<td>20%</td>
<td>22%</td>
<td>21%</td>
<td>6%</td>
</tr>
<tr>
<td>Medical</td>
<td>8%</td>
<td>9%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>14%</td>
<td>19%</td>
<td>38%</td>
<td>52%</td>
</tr>
<tr>
<td>Marriage</td>
<td>11%</td>
<td>5%</td>
<td>7%</td>
<td>19%</td>
</tr>
<tr>
<td>Cattle, goat purchase</td>
<td>19%</td>
<td>24%</td>
<td>11%</td>
<td>0%</td>
</tr>
<tr>
<td>Business</td>
<td>20%</td>
<td>22%</td>
<td>15%</td>
<td>16%</td>
</tr>
</tbody>
</table>
utilized. In 40% of the cases loan was utilized for consumption purpose, either to construct house, for medical purpose and marriage. These might not have created economic capital but helped in creating social capital, for example, many women mentioned that they constructed toilet by taking loan. The women argued that loan from SHG have reduced dependence on the local mahajan saving the family from bankruptcy. Small ventures, such as buying sewing machine for commercial work or opening retail shop have been clubbed under business in the Figure 3.7.

It asked how much was their income before joining SHG and what is their present monthly income to understand the economic impact. Many respondents answered that they do not have any idea about monthly income. 229 respondents mentioned their monthly income. There was 73% increase in the monthly income. Segregation of data by numbers of years in which the income increased but increase in income was reported by the SHG members.

Credit linkage has helped 19% of the SHG women to buy cattle or small ruminants. In Dharmapuri women reported that they purchased cow from the loan money and they earn money by selling milk. Similarly, in Barmer women reported that they purchased goat and sheep from the loan money. In North Dinajpur with small amount of money women scaled up Jhal-Mudhi (puffed rice) business.

The number of repeat loans is low. There are only 22% instances of three or more than three loans (refer Section 3.4). However, in the cases where repeat loan has been offered women have scaled up or planning to scale up business, for example, in Hooghly district one SHG group reported that it is planning to form a producer company and buy mango orchards on lease. Similarly, a member of SHG reported that she is planning to expand her horticulture business and offer tree sampling to the local Panchayats for planting trees under MNREGA works.
3.9 Why Repeat Loan Ratio is Low?

The reasons for low repeat loan ratio are as follows:

1. Low confidence level of the bankers: LDM and bank managers reported that offering loan to SHGs is creating NPA. They mentioned NPA statistics of the past to support their claim. They argued that they do not trust SHGs because they are no mechanism to trace the members of the SHGs. They reported that one woman is often member of many other SHGs. Even though there is a matrix developed by NABARD to rate the SHGs they do not acknowledge rating provided. In many cases the banker offer credit for the first time equal to the saving amount and do not allow SHGs to withdraw money from the saving account. As soon as loan money is paid back the bankers do not offer loan for the second time. The banker mentioned that they took risk by offering loan for the first time and they avoid taking risk once again.

2. Cumbersome banking norms: SHGs reported that the banking norms discourage SHGs to apply for loan. The bank managers demand same documents again and again. In some cases bank manager asks all the member of the group should physically come to the branch for approval of application. They are asked to repeat the process again and again. SHGs contended that to collect all the members of the group is a challenge as most of them are busy with work. Going to branch many times also leads to loss of the wages.

3. Policy related issues: SHGs developed by SHPI did not get credit linkage after the first linkage because the final installment of SHG handholding is paid to the SHPI after the first loan is disbursed. It was observed that the SHPI stopped handholding after receiving its payment. The SHG that was being handheld did not get loan thereafter.

4. Lack of opportunity and capacity: SHGs reported that in absence of market linkage and training discourages them from taking up business ventures. In Tamil Nadu SHGs have put up small units to prepare mats from the cotton waste
generated at Tirupur. They wanted to scale up but are not sure about the market. They said they keep unit closed and operate it only when they receive order, mainly from some selected NGOs. There is no one in the group to do marketing. Similarly, in Garhwa women produced handicraft material and pickles but they do not have avenues to sell it except handing over the produce to the hand holding NGO. The SHGs of Kota also complained that market linkage restricted to one or two fairs in a year is not enough. Many SHGs contended that individual members can earn money if they are trained in cloth stitching.

5. Change in business practices: In Barmer it was noticed that women who were earlier member of SHGs and producing embroidery changed their work after receiving initial benefit. From bank loan they purchased sewing machine and started stitching clothes for the neighbours and stopped embroidery work, which was poorly paid; as less as Rs20/- for one day of work (italics is for emphasis). The leader of the SHG owns two sewing machines and now earns Rs 300/- per day.

3.10 Conclusion

1. Commercial banks are the major source of credit linkage for the SHGs.
2. The time taken by the banks to disburse loan from the date of application is long. In many cases it exceeds even two years. The quantum of loan is inadequate.
3. The repayment rate is better and there is a tendency to repay loan.
4. Lack of understanding of the local needs of SHGs by the banks and lack of market linkage are major reasons for default and NPA.
5. The SHGs manage credit risk by constant observation of the use of money taken on loan.
6. The impact of credit linkage and repeat loan is positive.
7. The repeat loan ratio is low because the bankers are not confident that SHGs will repay loan. SHG members are discouraged by the banking norms and lack of handholding support.
Chapter Four

Livelihood Activities
4 Livelihood Activities

4.1 This chapter addresses item number (iii) of the ToR that is:

Nature, pattern and suitability of livelihood activities of SHG members; income effect and social effects of livelihood activities; institutional developments like JLG / Producers group/ company/ cooperatives to undertake any economic activity;

4.2 This chapter is based on:

1. Primary data
   a. Survey
   b. Interview with the SHG representatives, SRLM, NABARD, LDM, state government, and bank official
   c. Field observation

4.3 Nature, pattern and suitability of livelihood activities of SHG members

90% of the investment in business initiative of SHG members is at individual level. In only 10% cases all members of SHG initiate a collective enterprise. The SHG members said that working as a collective is complex and complicated. They argued that business interest of member varies. They also argued that a collective enterprise need more capital and common skills. They said that in collective

Fig 4.1: Type of Investment

- Individual investment 90%
- Group investment 10%
enterprise one has to be very sure about market and at the same time more professionalism is required. The women need to give more time in collective enterprise compared to individual enterprise. In Kota women working as Kota Doria Sari weavers argued that women weave in the spare time. They cannot work in factory like situation.

Fig 4.2: Type of Investment (State)

<table>
<thead>
<tr>
<th>State</th>
<th>Group Investment</th>
<th>Individual Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jharkhand</td>
<td>16%</td>
<td>84%</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>7%</td>
<td>93%</td>
</tr>
<tr>
<td>West Bengal</td>
<td>5%</td>
<td>95%</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>11%</td>
<td>89%</td>
</tr>
</tbody>
</table>

Fig 4.3: Type of Investment (SHG Age)
(all figures in percentage)

<table>
<thead>
<tr>
<th>State</th>
<th>3 to 5 Year</th>
<th>5 to 12 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jharkhand</td>
<td>10</td>
<td>23</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>West Bengal</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>9</td>
<td>13</td>
</tr>
</tbody>
</table>
This was one of the main reasons of unsuccess of government’s weaving center. Individual enterprise offer more scope of freedom to the women. The SRLM officials and NGOs working with SHGs argued that the objective is to provide livelihood opportunity to women individually or collectively. Fig 4.3 indicates that there is no difference if age of SHG is compared.

The individual based enterprise is also supported by the fact that 90% women felt that they themselves were responsible for the enterprise. 65% women said that the basis of their business enterprise is traditional knowledge. In a question to understand who provided marketing help 90% of the women said that they do marketing themselves. Thus, the present ecosystem does not offer enough support for collective enterprise.

**Fig 4.4: Who Supports Livelihood Initiative?**

- Self: 90%
- NGO: 4%
- For Profit Companies: 1%
- Govt.: 5%

**Fig 4.5: Livelihood Initiative Factors**

- Traditioonal Knowledge: 65%
- Availability of market: 3%
- Availability of finance: 22%
- From suggestion: 2%
- Training: 8%
- Govt. policy: 0%
Among the 10% respondents who claimed that the SHG is into collective enterprise though it was found in many cases collective enterprise was only to get benefit from the state policy. In Rajasthan, state government has a policy in which schemes are operated only through the SHGs or preference is given to SHGs, for example, providing food to post-natal mothers in government hospitals, public distribution shops (PDS). There were case in which groups owned PDS but only president of the group operated the shop. The other members were offered token amount every year to keep them in good humor. The same was true for the SHG distributing food in the public hospitals. The president of such groups claimed that the members do not have capability to undertake the activities and they have assigned the responsibility to operate the enterprise to the president.

In some of the other collective enterprise it was working as manual worker in government scheme. In Uttar Dinajpur it was observed that SHG were preparing food for the mid day meal scheme under the state government’s policy in which preparation of mid-day meal is allocated only to the SHGs. The SHGs reported that they work only as workers and school provides ingredients to prepare food. They said that one group gets opportunity once in year as the work has been allocated to many groups. One day
only two or three members can work. The members distribute days in the month accordingly. Similarly, in Hooghly district responsibility of cleaning of Primary Health Center (PHC) has been assigned to SHGs. The SHGs complained that the state government is allocating work that nobody else is doing. Thus, the idea of convergence should be used judiciously.

It was observed that collective enterprise at SHG level, for example, in Hooghly district, one SHG of tribal women was doing farming collectively, SHGs in Kota were working on handicraft. In these groups the vocation was common and distribution of resources was equal. All women in farmer’s SHG worked on the field and they did not take their wages. In the handicraft group members worked at time according to their choice. In both groups benefit was distributed equally among all the women. No discrimination was made in accordance to the hours spent by women on the field or hours spent on making one handicraft item.

There were many collective enterprises at the cluster level and the same have been described in the section 4.5.

4.4 Income Effect and Social Effects of Livelihood Activities

In the Section 3.8 it has been reported that income increased by 73% after joining SHG. This increase has happened over minimum four years. It is difficult to calculate exact year on year increase of income and the distribution of income across the four states or in the two districts within the state. However, there was a larger acknowledgement from the respondents that income level increased after they became members of the SHG. There were also some investments that did not provide any direct economic benefit but improved the quality of life either by providing rest or entertainment. Some of the benefits lead to indirect economic benefits that are difficult to calculate, for example, in Barmer women reported that they constructed water tank to collect rain water. This led
to saving of time from walking long distance with animals to the water source, which helped women to take more rest or work in agricultural fields for a longer period.

Women contended that livelihood activities has a perceivable social impact. 68% of women mentioned that livelihood venture increased their recognition in the family, the basic unit of society. Women said that previously they were not allowed to go out for SHG meeting as the family members and relatives perceived it as wastage of time. The opinion changed after receipt of loan and running a business venture or helping husband or head of the household in agricultural activity or in any other vocation. The successful business ventures are often quoted as examples in the locality. This increased social prestige of the women entrepreneur. In Hooghly district one SHG member became widow and she had no option but to work as agriculture worker. It was tough as wages are low and seasonality of work. She was unable to save fee for children’s education. She received loan through SHG and opened a snacks and sweet shop along with her elderly mother-in-law. Now she earns enough money and is planning to engage a worker.

Women reported that instances of domestic violence has decreased. They argued that the SHG meetings empower them and they feel that they have power of collective. They also argued that men of the house started sharing responsibilities of women once they started earning money.

It has been reported in section 2.4 that 56% of the SHGs were formed on the basis of Social Prestige.
friendship. In many groups members belong to various castes and religion. It offers an opportunity to them to work together that creates a better understanding among the caste groups. Success in livelihood venture also takes care of the social segregation issues.

**4.5 Institutional developments like JLG / Producers group/ company/ cooperatives to undertake any economic activity;**

The institutional development among SHGs has taken place through the idea of clustering at various levels. The concept of clustering is being implemented by the SRLM in its SHGs. The norms and architecture of clustering in various states change but the emphasis is to form cluster, from hamlet level till the block level. The idea of clustering is practiced by NGOs also though the structure differs. The clustering of the NGO SHGs is based on the authority span of the NGO official. In West Bengal the SHGs under PACS do not follow cluster approach. Similarly, SHGs promoted by the state departments of the Rajasthan Government do not follow cluster approach. SHGs promoted by SHPIs also did not offer evidences of clustering.

Only 20% of the SHGs reported that they were aware of cooperative. Awareness about producer company is negligible. This indicates that interest to form cooperative or producer company is low. It also indicate why majority of SHG members are keen in individual enterprise. The collective enterprise was observed at the cluster formed by SRLM. These collective enterprises cut across SHGs. In Tamil Nadu the SRLM has a concept of Common Livelihood Group (CLG) in which

![Fig 4.8: Awareness About Collectives](chart.png)
members from various SHGs work on a collective enterprise. In Nallampalli block of Dharmapuri CLGs process tamarind. There are also producer companies of tamarind in Dharmapuri in which SHG members are its members. In West Bengal cluster at block level work as event managers, cook and serve food during marriage and parties. Another cluster level cooperative company in West Bengal prepare products for Mother Dairy. Even though examples of producer company and cooperative are limited there are evidences of collective enterprise. NGOs in Dharmapuri and Kanyakumari also informed that they have initiated process of registering producer companies.

4.6 Conclusion

1. At SHG level 90% of the respondents said that members make investment in individual enterprise. Collective enterprise at SHG level is rare.
2. The ecosystem of training and marketing at the SHG level is not adequate for collective enterprise.
3. Many of the collective enterprise at SHG level are not actually collective enterprise. They are outfits created to take benefit of government schemes in which services are allocated only to the SHGs according to the state policy.
4. There was consensus that SHG has helped members to increase income.
5. Apart from direct economic benefit the SHG member also received indirect benefit of improvement in quality of life.
6. SHG members have obtained many social benefits. Their prestige in family and society has increased. Their social status has also improved.
7. SHG members do not know about producer companies and cooperative.
8. SRLMs at cluster level are promoting producer companies. NGOs are also promoting producer companies. However, at this stage the examples are limited.
Chapter Five

Handholding SHGs
### 5 Handholding SHGs

#### 5.1
This chapter addresses item number (iv) of the ToR that is:

> Nature and extent of hand holding by SHPIs, banks, MFIs, State Govt, etc.; capacity building, skill development of SHG members & stakeholders; skill gaps; availability, timeliness and adequacy of backward and forward linkages.

#### 5.2
This chapter is based on:

1. Primary data
   a. Survey
   b. Interview with the SHG representatives, SRLM, NABARD, LDM, NGO, state government, and bank official
   d. Field observation

#### 5.3 Nature and Extent of Hand Holding by SHPIs, Banks, MFIs, State Govt, etc

Some of the organisations that provided handholding to SHGs are SHPI of NABARD, NGOs, SRLM and various departments of the state government. Only in Hooghly district examples of cooperative banks providing handholding support were observed. This handholding was done by the PACS. In West Bengal Farmer’s Club also provided handholding support to the SHGs. There was no instance of MFIs handholding SHGs.

The SHPIs supported by NABARD were studied in Barmer district in Rajasthan, Garhwa and Dhanbad district in Jharkhand, Uttar Dinajpur and Hooghly districts in West Bengal and Dharmpuri and Kanyakumari districts in Tamil Nadu. The SHPI scheme of NABARD had concluded but SHGs developed by the former SHPIs were surveyed. According to the SHPI scheme NABARD made stage-wise payment to NGOs.
identified as SHPI for handholding SHGs. The stages of handholding were formation of SHGs, saving linkage and credit linkage. SHPIs also provided training on book keeping and in many cases the SHPIs also offered skill related training. The negative aspect of the SHPI handholding to SHG was inability to sustain itself after the SHPI made an exit. The SHGs in SHPI scheme were unable to become self-reliant as on many occasions the SHPI officials did the entire book keeping work and they also arranged meeting. After the first credit the SHPI role ended. The SHGs became dormant after the exit of the SHPI. In many cases the term of SHPI ended without getting even first linkage to the SHGs. The structure of SHPI engagement was also responsible for poor performance. In Dhanbad the anchor NGO official informed that it was asked to lead many other smaller NGOs in which many did not complete their responsibility that finally affected the SHG handholding work.

DRDA department of state government is another department that provided handholding to many SHGs under SGSY scheme. The handholding of SGSY period SHGs was about book keeping. DRDA also provided skill related training but such instances were very
less. The women said that the DRDA training occurred at the district head-quarters, which was not a preferred location for women. The main benefit from the DRDA was subsidy. DRDA in the Hooghly district has provided space for selling SHG’s goods in its building.

SRLM is providing handholding support to the SHGs in many ways. In Tamil Nadu the architecture of SRLM is deep down till the village level. SRLM paid employees are there till the village level. Fund is released to the Village Poverty Reduction Committee (VPRC) that distributes money to the SHGs. The book keepers are paid monthly wages. TNSRLM has constructed separate offices in the panchayat. They have identified trainers at community level and animators in each group. The animators are trained to maintain book. SRLM also has a provision to train SHG members at RSETI. The instances of locational training were not observed. SRLM also assist SHGs to get bank linkage. However, SHGs associated with SRLM in Karimangalam were very few because the SHG’s preferred local NGO named IVDP. Officials of IVDP informed that they were handholding SHGs from the time government scheme Integrated Rural Development Programme (IRDP) was launched in the late 1970s.

The NGOs also provide training and bank linkage. In Dharmapuri and Kanyakumari the NGOs provided training to use technology for book keeping on mobile phones. They also provided skill related training. In Kanyakumari the NGO was operating saving scheme for the SHG members that would offer benefits in the old age. This strengthens the bond between NGO and SHG. Unlike SHPI of NABARD many NGOs do not handhold on a project mode. The relationship is longer. In Dharmapuri there are SHGs that are associated with 30 years with NGO. This has offered challenge to the TNSRLM as it is unable to convince SHGs of the area to join it, as mentioned earlier.

In all the various types of handholding market linkage is one that is almost absent. In the
graph one can see that women have acknowledged handholding of training and credit linkage but not market linkage. NABARD official mentioned that SHG members are sponsored to participate in fairs, state government officials also said that fairs are conducted in the state capital and even in districts fairs are held. The women said that they want market linkage on daily basis. Fairs are not enough to sustain the business of SHGs.

5.4 Capacity Building, Skill Development of SHG Members & Stakeholders

The women were offered three option and they were asked to rank the three according to the significance in making their business enterprise successful. 64% felt that training and skill development is the most important aspect and 35% felt that market linkage is the most important aspect for the success of the enterprise.

The SHGs were not doing business that needed input material. For example, the SHGs in Uttar Dinajpur were keen to sell puffed rice that is prepared from rice, which is available locally. Similarly, in Dharmapuri the SHGs were engaged in the business of tamarind processing. The tamarind is available locally and hence they did not sought support to get input material. Even in Kota the weavers mentioned that credit linkage helps them to buy input material the challenge is to sell the produce to the consumers. They demanded training on marketing and business processes.

The SHGs expressed desire for training and they thought that they can earn money if skills such as tailoring, beauty parlor and handicraft making were provided to them. Tailoring and beauty parlor training are the most sought skills. Women said that cloth stitching cost has gone up and there is enough demand in the hamlet for stitching. They
also mentioned how state government provided school dress to the children and they should be trained to stitch so that they can get benefit of the scheme. In Kanyakumari a local NGO constructed and gave the building to SHG women for training of tailoring work. It was observed that the center not only trains women but also provides job work for stitching clothes for the local brands of Kochi. Women contended that demand to look good has increased over the years and beauty parlors are in demand. In absence of local beauty parlor the women and girls go to the town. The beauty parlors can also earn money during festivals and marriage seasons.

In spite of these clearly spelt demand for skill training the avenues for training are inadequate. Even in SRLM that includes training as a dimension in its framework the avenues of skill training are less and insufficient. There is no formal arrangement to provide skill training at the village level. RSETIs are in the district headquarter and its capacity is inadequate to cater one district. TNSRLM official mentioned that they arrange skill training through private agencies. However, most of the training that SRLM provides is about book keeping and SHG operation.

The lack of locational training also affects the participation of women who cannot go out of the village. The training period also affects participation. The women demanded that they should be trained in the free time, after they complete the household works. The tailoring center of NGO in Kanyakumari was successful because women came to the center at their will. The in-charge of the center who was also trainer was from the same village and the timing of the center was in accordance to the daily life cycle of the locality. Moreover, the women in the center not only received training but they were also earning during the training and they knew that after training they will get job work from the center. The training institutes of SRLM and the state government agencies do not have similar arrangements.
## 5.5 Skill Gaps

In section 4.3 it is mentioned that 65% women rely on their traditional knowledge to conduct business. It indicates that enough training has not been provided. With change of time the traditional knowledge may not offer the best way to conduct business. For example, SRI plantation of paddy is considered better in comparison to the traditional paddy plantation. There are many other examples that indicate that the traditional knowledge should be supplemented with training.

SHG women said that the avenues and opportunities of training is less and in the limited training opportunities there is gap between supply and demand. They argued that the government departments provide training without taking their opinion. Some of the training are useless as there is no market for such vocations.

## 5.6 Availability, Timeliness and Adequacy of Backward and Forward Linkages

The SHGs mentioned that backward linkage is not a problem as most of the raw materials that they need in the existing ventures are available locally. Forward linkage is a challenge. As it was mentioned earlier how women making mats from cotton waste are unable to run the unit at full capacity in absence of forward linkage. They do not know how much mats they should prepare. During festivals they receive lot of order and they work over time. This increases the cost of production. On other days the machines are idle and women workers do not get job.

There are also cases in which attempts of forward linkages at their level turned out to be exploitative. In Kota weavers mentioned that a multi-national online firm approached them for saris and other dress material under traditional dresses vertical. The conditions imposed by the firm were too tough. The payment terms were highly biased towards the
firm. Similarly, in Barmer many NGOs work as mask of merchants. It was observed that these NGOs form women groups of artisans and get work done at a very low rate. The women receive abysmally low wages. In Dharmapuri I came across cases in which private dairy companies offer loan to buy cattle at a higher rate of interest on milk buy back condition. They pay lower price for the milk.

Even the state government agencies create exploitative condition by creating forward linkage, for example, cooking food in mid-day meal scheme or cleaning of PHC, that are economically unviable otherwise.

One important aspect about SHGs is that it is vulnerable. The women in SHGs are poor, less literate and lack training on business matters. They also very little option and lack leverage during negotiation. Hence, it is important that linkages should be negotiated by institutions that are empathetic towards SHGs or the clusters of SHGs.

5.7 Conclusion

1. There are many handholding agencies. Some handhold SHGs directly and some do indirect handholding. Some of the handholding institutions are, SHPI of NABARD, NGOs, PACS, DRDA and state government departments.
2. The handholding is done in various forms, such as, SHG formation, providing training of book keeping, bank linkage, credit linkage, skill training, offering input material, providing equipment, providing information about government schemes, and forward linkage.
3. There is demand for skill training.
4. Skill training facilities are inadequate and the existing facilities are located far away from the villages.
5. Training centers that are located in villages operate according to the working time of women and also offer job after training are more popular.
6. There is high demand for training of cloth stitching and running a beauty parlor.
7. There is less demand of backward linkage but high demand for forward linkage.
8. Examples of existing forward linkage indicate that they are unfavorable to the SHGs; both with government and private agencies.
Chapter Six

Community Development
## Community Development

### 6.1
This chapter addresses item number (v) of the ToR that is:

Role of matured SHGs in community development – social empowerment, literacy, sanitation, health, etc.; liaison with govt. departments, service providers, civil society organizations, PRIs, etc.

### 6.2
This chapter is based on:

1. Primary data
   a. Survey
   b. Interview with the SHG representatives, SRLM, NABARD, LDM, NGO, state government, and bank official
   c. Field observation

### 6.3
**Role of Matured SHGs in Community Development**

There was general consensus that SHG plays an important role in community development. As mentioned earlier Section 4.4, the women also discuss community development issues during the meeting. 97% women confirmed that during meeting they discuss social issues. In Tamil Nadu SHG members said that alcoholism is a big problem in rural Tamil Nadu. It leads to penury and in extreme cases death of the head of the household that leaves women under huge economic and social burden. Domestic violence is another fall out of alcoholism. The women said they conducted dharna in front of a liquor shop after discussing it in the group meeting. SHG women also discuss about education, health and sanitation issues in the SHG. Even though only 39% of the respondents were literate 99% of the respondents mentioned that they send their children to school.

90% of the women mentioned that they were aware about the sanitation issues but only 35%
of them constructed toilet. Those who did not construct toilet said that they want to but cannot construct because of high cost. The subsidy provided was reported as too low.

The women discuss health issues but only 10% of the group said that they conduct health awareness campaign at the community level. They also informed that issues of sanitation and women health are discussed in the meeting. It was reported that SHGs in Tamil Nadu and West Bengal are producing affordable sanitary napkins.

All the respondents said that they cast vote during election. However, only 37% said that they participate in gram sabha regularly. The reasons for low participation in gram sabha is very low participation in Rajasthan and Jharkhand. There was also a general response that the participation has increased as previously participation rate of women was almost zero. Only 5% of the SHG members are PRI representatives. 91% women said that access to government officials has increased. Women informed that after participating in SHGs the level of fear and shyness has decreased. Moreover, the government at village level is trying to take welfare schemes to the poor through SHGs. This forces government officials to be in regular touch with the SHGs.

6.4 Liaisoning Activity

In the SHGs promoted by SRLM and also by NGOs there is provision of animator. A member of the group is identified as animator. She is responsible for liasoning with the government officials or banks. These animators are paid by the SHGs but they are construed as extension of SRLM or NGO. They report directly to the officials of the SRLM or NGO. It was observed that the animators were better informed and many of them were articulate. In Tamil Nadu the community workers of PVP were provided with Amma Mobiles; smart mobile phones. This ease the liasoning in majority of groups the president or any of the officials of SHG conducts liasoning work. In case the SHG are not supported by any institution for liasoning the possibility of it becoming dormant is high. Presidents reported
that after three or four rounds of visit to the banks without success leads to discouragement and stops further attempt to liason. The animator are paid and it is their duty to liason. They are also supported by superiors. In case of presidents, loss of money and time leads to discouragement.

6.5 Conclusion

1. The matured SHGs create a significant impact on community development by educating their children, participating in *gram sabha*, interfering in domestic violence cases, protesting against alcoholism and working on women health and sanitation issues.

2. Animator of the group is responsible for liasoning wherever there is provision of animator else the president or any of the office bearers of the SHG do liasoning work. The animator works better because of the institutional support and the liasoning is incentivized.
Chapter Seven

Use of Technology
### 7 Use of Technology

#### 7.1
This chapter addresses item number (vi) of the ToR that is:

Basic services like mobile banking, online banking, POS, KCC, GCC, ATMs, internet, computerized book keeping, etc. by SHG members.

#### 7.2
This chapter is based on:

1. Primary data
   a. Survey
   b. Interview with the SHG representatives, SRLM, NABARD, LDM, NGO, state government, and bank official
   c. Field observation

#### 7.3
Mobile Banking, Online Banking, POS, KCC, GCC, ATMs, internet, computerized book keeping, etc. by SHG members

To understand the usage of technology questions were asked what type of mobile did they used, whether they have heard about mobile banking, internet banking, whether they have withdrawn money from ATM, whether they have e-mail IDs, whether they have heard of KCC and access to computer. In Rajasthan, Dhanbad and West Bengal the usage of technology was almost absent. Data from Tamil Nadu have not been included purposefully as at panchayat level the SRLM and PVP offices contained computer. The animators and community worker of PVP were provided with “Amma Mobile”, a smartphone and the expenses of its operation was paid by the state. Even in Nallampalli the SHGs working with local NGO were using mobile phones for book keeping. The NGO official demonstrated how entry of saving amount, payment of loan EMI and the meeting resolution was uploaded on the mobile and the SHG members received updates.
on their mobile phones in real time. NABARD official informed that Dharampuri is one of the districts identified for pilot project on digitalisation of SHGs. An agency that has developed Apps has been identified to share the technology. In Kanyakumari the NGO reported that they were also working to implement mobile book keeping at SHG level and tabs at cluster level. Evidence of use of mobile phones for book keeping was not observed in any of the three states of North India.

84% of the SHGs in three states of Jharkhand, Rajasthan, and West Bengal reported that all the members of the SHG also have a bank account (refer Fig 7.1). The respondents were asked how many of they have withdrawn money from the ATM? Only 15% responded that they withdraw money regularly from ATMs. This is one indication that use of technology is low in the three states. Only 26.5% of the respondents said that they know how to send SMS. 39% respondents
said that they only know how to read SMS. Awareness of social media, such as, YouTube, Facebook and Twitter was almost found absent. Some women, only half percent, said that they use WhatsApp.

**Fig 7.3: Able to Read SMS**

![Bar Chart](image)

In Tamil Nadu and even in Kota district of Rajasthan in which SRLM has started working in some of the blocks the presence of computer in the cluster had made women aware about computers. At cluster office of SRLM there is a data entry operator who uploads all SHGs data of the cluster on computer. The usage of computer at SHG level in three states of North India is absent. The SHGs reported ignorance about KCC and POS. None of them have heard about general credit card (GCC). In Tamil Nadu the leaders of the SHGs of PVP were aware of smart mobile phone usage as animators are provided smart mobile phone from the PVP office.

### 7.4 Conclusion

1. The use of technology at the SHG level is almost absent in the three states of North India. However, in Tamil Nadu there are evidences of use of smart mobiles and computers at SHG level.
2. In Dharmapuri digitalization of SHG project has commenced at pilot level. Book keeping is done on mobile phones. In Kanyakumari also local NGO is working on project that would implement mobile phone based book keeping.
Chapter Eight

Dormancy and Sustainability Issues
## Dormancy and Sustainability Issues

### 8.1
This chapter addresses item number (vii) of the ToR that is:

Nature and extent of dormancy in SHGs, reasons for dormancy, incidence of dormancy, scope for revival of dormant SHGs, the problems and prospects towards sustainability of SHGs.

### 8.2
This chapter is based on:

1. Primary data
   a. Survey
   b. Interview with the SHG representatives, SRLM, NABARD, LDM, NGO, state government, and bank official
   c. Interview with consumers
   d. Field observation

### 8.3 Incidence, Nature, Extent, Reasons for Dormancy

Only 20% of the SHGs informed that they underwent though short phase of dormancy. The emphasised that dormancy was for a very short period but they were unable to inform the time period of dormancy. Initially, all of them said that their SHG was never dormant. They construed dormancy as a negative feature and were reluctant to discuss about it. After some request and probing they shared their information about dormancy of their group. Some of the reasons mentioned are:

1. No one came for meeting and saving amount was not being deposited
2. Illiteracy
3. Lack of coordination among members
4. The handholding institution, an NGO, stopped supporting
5. Non repayment of loan
6. Too much distance from the bank
7. Members located far away
8. Bank did not offer loan for the second time

**Fig 8.1: Dormancy Reported by SHG**
*(all figures in percentage)*

<table>
<thead>
<tr>
<th>Location</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dhanbad</td>
<td>35</td>
</tr>
<tr>
<td>Garhwa</td>
<td>21</td>
</tr>
<tr>
<td>Barmer</td>
<td>37</td>
</tr>
<tr>
<td>Kota</td>
<td>11</td>
</tr>
<tr>
<td>Hooghly</td>
<td>10</td>
</tr>
<tr>
<td>Uttar Dinajpur</td>
<td>25</td>
</tr>
<tr>
<td>Kanyakumari</td>
<td>5</td>
</tr>
<tr>
<td>Dharmapuri</td>
<td>15</td>
</tr>
</tbody>
</table>

Most of the SHGs reported that dormancy was due to absence of handholding as members stopped coming to the meeting without presence of NGO staff. Due to illiteracy they were unable to maintain books and complete the formalities of banking. The distance of bank tested the coordination among group members as every member was asked to go to the bank on rotation. The members did not find enough value and they refused to participate.

### 8.4 Scope for Revival of Dormant SHGs

None of the SHGs surveyed were dormant. As mentioned in Section 8.3 that there was reluctance in discussing dormancy of their group so it was asked why other SHGs become dormant. Almost every SHG answered this question. Some of the popular
answers provided are as follows:

1. Lack of regular meeting and coordination among members
2. Absence of credit linkage: The general purpose of SHG formation is to get loan from bank. In case if it is delayed activities such as regular meeting and saving are not encouraging enough to keep members motivated.
3. Absence of handholding: There is nobody to guide and tell them what they should do with money and to provide them training. The women said that staff of handholding agency helps in coordination among member in case of differences.
4. Absence of confidence to run the SHG: This is primarily due to illiteracy that makes member develop mistrust as they fail to understand what is happening to their money.
5. Lack of work and income source: The women said that in absence of market they do not know what to do with loan. By not investing money in business venture they miss opportunity of income and work.

The official of department of women and child welfare official of Rajasthan government mentioned that many of SHGs developed by the department became dormant as loan was denied and fund to provide logistical support to the department staff decreased. Many of the SHGs developed by the department were coopted by the Rajasthan SRLM. On the basis of possible reasons for dormancy mentioned by the SHGs offering handholding to SHGs can change their status from dormant to active.

### 8.5 Problems and Prospects towards Sustainability of SHGs

During FGD and interviews following problems for sustainability of SHGs were noted:

1. Handholding: It works both ways. On one side it does not allow SHGs to develop capacity and become independent. On the other side the existing capacity of the SHGs is so low that without handholding SHG cannot sustain
itself. The illiteracy is not helping either. The handholding organisations helps in creating a bridge between the SHGs and multiple organisations.

2. Financial Linkage: The banking system pose hinderance to the sustainability of SHGs as mentioned in the Section 8.4 that delay in credit linkage discourages group members. SHGs in all the states reported that the bank managers do not treat them well. The banks should be more proactive and should appoint one staff in every branch who takes care of the SHGs. The banking norms should be SHG friendly. While reviewing saving passbooks of SHGs it was observed that many SHGs were keeping thousands of rupees in saving account and they do not withdraw money. These SHGs are incurring loss on bank interest earning. The bank official should inform them about recurring fixed deposit if the SHGs are not keen on taking out money. In many cases the bank offer loan less than the amount in the saving account, which is unfair.

3. Market linkage: This is one factor that questions the sustainability of SHGs. There should be attempt to create both physical and digital market places for the SHGs. Marketing outreach is another important aspect that is required to make SHGs sustainable. The SHG members should be trained on branding and promotion. They should also be trained about how to take care of consumers and make sense of demand assessment.

The prospects of sustainability of SHGs are encouraging. The reasons are as follows:

1. Alternate and Additional livelihood opportunity: The SHGs provide livelihood opportunity to the members who are landless and poor. SHG also provides livelihood opportunity in the lean seasons of agriculture. It decreases the load on farming and provide alternative livelihood to the poor. In Section 3.8 the SHG members have confirmed about increase in income after joining SHG. This proves that SHGs have provided alternate livelihood opportunity. For many women SHG is also additional source of income apart from their usual livelihood.
2. **Cheaper price of production:** The produce of SHGs is cheaper in price because the house of the SHG member is factory or place of production. There is saving on the rent. The women are workers and they work according to the free time available to them. There is no recruitment and exit cost. The input material used is locally produced that also helps to bring down price. Many big firms cannot compete with SHGs and off late have also included SHGs into their business model.

3. **Demand of SHG products:** In Barmer an NGO working with local artisans by forming SHGs to produce bed sheets, pillow cover, sari and dress material informed that there is lot of demand of products. Similarly, NGO of Garhwa mentioned that pickles produced by the SHGs are in demand. It was brought to our notice by some consumers who argued that they buy only hand made goods. Some consumers also said that they buy SHG products because of its quality and also as an opportunity to connect with the women in villages.

### 8.6 Conclusion

1. Only 20% of the surveyed SHGs mentioned that they were dormant for some time. They perceive dormancy as negative.

2. The main reasons for dormancy is lack of understanding among members, absence of handholding, discouraging banking system and absence of market linkage.

3. Dormancy can be eliminated by proper handholding, effective banking system and market linkage.

4. In spite of problems the prospects of sustainability of SHG is high because it offers alternative and additional livelihood, offers goods at a competitive price, and there is demand of SHG products.

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Chapter Nine

MFI versus SHG Bank Linkage
9  **MFIs vis a vis SHG Bank Linkage**

9.1 This chapter addresses item number (viii) of the ToR that is:

MFIs vis a vis SHG Bank Linkage – the problems and prospects.

9.2 This chapter is based on:

1. Primary data
   a. Survey
   b. Interview with the SHG representatives, SRLM, NABARD, LDM, NGO, state government, and bank official
   c. Field observation

The methodological emphasis of this chapter is qualitative because respondents were not comfortable to speak about their transaction with the MFIs. It appeared that the larger perception of engaging with the MFIs is negative. The respondents during the pilot study informed that it is not socially desirable to divulge information about their association with the MFIs.

9.3 **MFI versus SHG Bank Linkage**

The growth of MFIs in India recorded in the last 17 years have been recorded as phenomenal by the Bharat Microfinance Report 2016\(^3\). It mentions that the quantum of credit made available by MFIs was Rs 60,000 crores in 2016. The report also mentions that the loan portfolio of SHGs through SHG bank linkage programme was Rs 57,119 crores in the same year. The SHG-Bank linkage programme commenced in 1992-93\(^4\).

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\(^4\) Refer [https://www.nabard.org/content.aspx?id=477](https://www.nabard.org/content.aspx?id=477)
ICRA in its 2016 report on microfinance contends that the annualised growth in the sector will be 30-35\%\(^5\). However, the numbers suggest that the rate of growth of MFIs will be higher compared to the SHG-Bank linkage.

SHG respondents informed that MFI offer loan at high interest. They were not aware of the term MFI. In their register MFIs are known as organizations that collect money every week. MFIs do not follow SHG model in the classical definition of SHG. However, the processes of compulsory attending meeting and monthly payment of loan are similar. The size of the group of MFIs ranges between 30-40. There is a leader of every group. The leader is paid wages and incentive for collection of loan money. The meeting is held at leader’s house and it is conducted by the representative, generally a man\(^6\), of MFI. Unlike SHG meeting that is conducted on ground and every body sits of the ground in the MFI’s meeting the representative of MFI sits on chair and the women sit on the ground, which symbolises power asymmetry.

Many women said that SHG members take loan from MFIs but they expressed ignorance about the details. Invariably, they said that they do not take loan from the MFIs. They argued that SHGs created a platform for MFIs. The MFIs made in road by working on the unsatisfactory service quality of the banking system. MFI’s representatives go to the house of the borrower to offer loan. During the visit they also complete the paper work. It was informed that MFIs complete the entire paper work quickly and disburse money within a week. The banks take long time. The women have to go to the bank, some times multiple rounds for same loan. The bank branch is often located at a distance. SHG women said that after joining SHG they got idea of taking


\(^6\) The Bharat Microfinance Report 2016 mentions that only 15% of the total employees of the MFIs that largely deal with women are women. However, it does not indicate what percentage of women employees are field staff?
loan and repaying it. They also knew their ability to take loan and repay it. The initial benefit provided by the first loan from SHG also inspired to take more loan. In absence of loan from the banks the members took loan from the MFIs. Officials of NGOs and the banks also opined similar views in their analysis for the growth of MFIs. The bank officials further added that their operations are regulated and there are multiple levels of check and balances which is absent in the case of MFIs, which also resort to questionable methods to collect loan.\(^7\)

### 9.4 Conclusion

1. MFIs have overtaken SHG-Bank linkage in loan offering and are growing faster in absence of MFI specific regulations.
2. MFIs charge high interest rate. Their loan collection techniques are questionable.
3. The service quality of banks in providing credit facility to the SHGs was reported as unsatisfactory by the respondents.
4. SHG created a platform for the MFIs.
5. The MFIs worked to overcome the short comings of banks that helped it in developing clientele.
6. The MFIs offer loan within one week and the MFI official completes all the paper work. The loan is offered and EMI is collected at the village.
7. Unlike SHG leader MFI’s leader in the village is paid wages that motivates her.
8. The percentage of women field staff in MFIs is almost negligible even though the loan is offered only to the women.

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\(^7\) Refer [https://thewire.in/18937/why-microfinance-is-becoming-a-bad-word-all-over-again/](https://thewire.in/18937/why-microfinance-is-becoming-a-bad-word-all-over-again/)
Chapter Ten

Recommendations, Strategy, Policy

Take Away
# 10 Recommendations, Strategies and Policy Takeaways

## 10.1 This chapter is based on the findings reported in Chapter -2 to Chapter-9.

## 10.2 On Functioning of SHGs

1. Group meetings should be mandatory; at least once a month.
2. Rotation of leadership should be given higher marks during rating of the SHG.
3. Book keeping training should be given to all the members and role of book keeping should also be rotated. More number of book keepers in a SHG should be rated highly.
4. The lead bank should make arrangement for regular locational training of financial issues; at least twice in a year in every village under its jurisdiction.

## 10.3 On Credit Flow

1. Banks should create a vertical for SHGs and every branch should employ one staff exclusively for SHG.
2. The bank linkage system should be made accountable for the turnaround time.
3. The SHGs and their members should be given unique number for traceability. Adhar Card may be one of the tools through which it can be implemented.
4. Banks should offer only CC limit loan. Banks circumventing this should be made accountable.
5. The CC limit should never be less than five times of saving amount as proposed by the RBI.

## 10.4 Livelihood activities

1. At SHG level both individual and collective enterprise should be welcomed.
2. The idea of collective enterprise should only be emphasized at cluster level.

3. The state governments should offer help to the collective enterprise; registered or unregistered.

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<tr>
<th>10.5 Handholding of SHGs</th>
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<tbody>
<tr>
<td>1. Handholding of SHGs should be continued till they form sustainable clusters. The handholding institution should also indicate the exit strategy and provide SHGs sustainability plan during the initial stages of transition.</td>
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<tr>
<td>2. The handholding cost should be within a specified percentage of the actual disbursement of loan made to the SHGs.</td>
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<td>3. The handholding should necessarily include training and market linkage.</td>
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<td>4. The handholding institutions in a panchayat should be limited to two and the SHGs should be allowed to choose and migrate.</td>
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<th>10.6 Community Development</th>
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<tr>
<td>1. SHGs should be engaged in community development initiatives, for example, community awareness, women health, construction work. However, it should be monitored that benefit in not accrued to only one member of the SHG.</td>
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<th>10.7 Use of Technology</th>
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<tr>
<td>1. Digitalization of SHGs should be done on priority.</td>
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<td>2. Training on usage of technology should be offered to all the SHGs.</td>
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<td>3. SHGs using more technology, for example, mobile banking, internet banking should be rated high.</td>
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<th>10.8 Dormancy and Sustainability Issues</th>
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<td>1. Dormant SHGs should be identified and revived after understanding their</td>
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2. SHG offer alternate and additional source of income and has a high probability of sustainability if proper handholding and adequate market linkage is provided.

10.9 MFIs vis a vis SHG Bank Linkage

1. The amount of loan distributed by MFIs indicates the loss of opportunity for the banks. This has happened because the SHG Bank linkage has not worked up to the expectations. The banks should create a structure to venture into the market opened up by the MFIs.

2. MFIs should be regulated through regulatory body and laws.
Appendix – A

Matured SHG Questionnaire

Date : State: Rajasthan / Jharkhand / West Bengal / Tamil Nadu

Village Name____________ Taluka/Block _______________________Dist. _______________

1) Name of SHG group : ________________________________________


3) What are official posts of the SHG? 1. President 2. Secretary 3. Treasurer 4. Members

4) Designation of the Respondent: ______________________

5) For how long respondent is in this position: _______________________________

6) Name of the respondent:__________________________________________ (with consent)

7) Number of members in the SHG : _____

8) Registration Year : ________________________

9) SHG starting Year : ________________________

10) Basis of the group’s formation : A) Caste B) Religion C) Friendship D) APL E) BPL

11) Bank Linkage: A) Saving B) Credit C) Both

12) Bank’s Name:

13) Name of Promoter: (for example State Govt – mention specific programme, such a m-power in Barmer, or NABARD) _________________________________________________________

14) Name of Handholding organisation (NGO): _______________________________

15) Number of Years Handholding provided:_______________________________

5. Other _______________

17) Monthly Saving : ( per member ) ___________________________

18) Total saving amount of the SHG (till 30th April 2016):

19) Savings is maintained in (mention name): 1. Bank _____________ 2. Non-Banking institutions _____________ 3. SHG Office/Member _______________

20) How many members of SHG have an active bank account:

21) Number of times loan availed from the lending institution: ________________

22) Total Amount of lending availed so far (30th April 2016): ________________

23) Key activity: A) Revolving Credit  B) Business Activity

24) Since how long business activity is being performed:

25) Type of business activity:

26) Volume of Business (amount per annum):


A ) Functioning of SHG

1) How many times do you conduct meeting in one month?  1) One  2) Two  3) three  4) Four  5. N.A.

2) Do all members regularly attend meeting?  1) YES  2) No

3) What is penalty for not attending meeting: ________________

4) Which type of decision making process do you have?

1) Consensus  2) By Voting  3) Other (Mention)

5) Who maintains SHG’s book?  1) SHG Member _____________  2) SHG member’s relative
3) Others (NGO, Federation, mention) __________

6) How many book keeping trainings were provided to you?

7) Who provided book keeping training?

8) What rate of interest/month do you charge from members? A) 1% B) 1.5% C) 2%

9) What rate of interest/month do you charge from non-members? 1. No loan 2. ______


11) Do you offer loan to member in 1. Cash 2. Through Cheque 3. In kind

12) What is the maximum amount of loan that you offer to member?


14) The post of president: 1. Changes every ______ year 2. Permanent 3. Other ______

B) Trends and Pattern of Credit Flow:

1) Which organizations provided loan to your SHG? ____________________

2) Is bank loan helpful? 1. No 2. Yes

3) For what reason women take loan? 1) House 2) Medical 3) Agriculture 4) Marriage 5) for cattle purchase 6) Business 7) Other ____________

4) How much time did it take to receive loan? ____________


6) Did you receive loan according to your requirement? 1) YES 2) NO.

If No, what reason did lending agency provide? ______________
7) Are all the terms of re-payment acceptable: 1) YES  2) NO

8) Which term and condition should not be in there?

__________________________________________________________________________

9) What type of credit linkage do you prefer? 1. CC Limit  2. Term Loan  3. No idea

10) What rate of interest do you pay per annum?  A) 12%   B) 12.5%   C) _______   4. No idea


12) How many times have you taken loan from Bank? 1. Once  2. Twice  3. Thrice  4. ______

13) Reasons for less number of repeat loan? 1. Discouraged by Banks  2. Absence of market linkage  3. Fear of default by members  4. Other ______

14) What is the maximum number of time that your member has taken loan?

15) What is the minimum number of time that your member has taken loan?

16) What do you check before offering loan to members?

17) If any SHG member does not repay her loan amount what action do you take?  

__________________________________________________________________________

18) Why do SHGs default loan?  

____________________________________________________________________________

C) Livelihood activities:


5) Tell story about it: ______________________________________________________________
______________________________________________________________

6) What was the monthly income before the livelihood activities undertaken?

7) What is the monthly income after the livelihood intervention?

8) What did you purchase in last one year?

9) The loan amount is used for 1. Group investment  2. Individual investment

10) Are you aware of collectives, such as 1. Producer Company 2. Cooperative 3. No idea

11) Is your SHG part of 1. Producer Company 2. Cooperative 3. No

D) Hand holding of SHGs :

1) Which organization provides you technical support? ________________________________
______________________________________________________________

2) Does it provide anything to enhance your capability: 1) Training  2) Information on ___
3) Input material  4) Market Linkage  5) Financial Linkage  6 ) Other__________________________


4) How many trainings have you received so far?

5) What training have you received so far?

6) Which training was most beneficial to you?

7) Which training could have been avoided?

8) What training do you think should be necessarily offered to SHGs?


    Providing input material 3. Providing market linkage  (Select only one)

**E) Community development.**

1) Do you also discuss social issues in the meeting? 1. Yes  2. No

2) Do you discuss government schemes in the meeting? 1. Yes 2. No

3) Do members of SHG regularly participate in gramsabha? 1)YES  2) NO

4) How many members of the SHG are literate?

5) Do you send children in the family to school? 1)YES  2) NO

6) Do you cast your vote in election as per your wish? 1)YES  2) NO

7) Are you aware about sanitation?  1)YES  2) NO

   If yes, which type of efforts do you take? ____________________________________________

   _______________________________________________________________________________

8) How many SHG members have toilet in their house? 1)YES  2) NO

9) Does your SHG conduct any health awareness campaign in the village? 1)YES  2) NO

10) Approximately what percentage of houses have toilet in the village?____________________

11) How many members from your SHG are in grampanchayat __________

12) Has access to government official increased through SHG? 1)YES  2) NO

13) Do you think SHGs have increased access to  1. government services 2. Services provided by

    NGOs  3. PRI services  4. Services provided by companies  5. No change
14) Who is authorized for liaisoning?  1) President    2) Secretary    3) All members

F) Use of technology

1) Are you aware of:  1) Mobile banking    2) On line banking    3) ATM    4) Internet    5) Facebook    6) Whatsapp    7) Youtube    8) Twitter    9) SMS    10) N.A.


3) Do you own  1. Ordinary Mobile    2. Smart phone    3) N.A.


6) Do you have any e-mail ID?  1) YES    2) N.A.


9) Have you operated computer  1. Some times    2. Regularly    3. Never

10) How many members use credit cards?  1)__________    2) NO

11) How many members use Kishan Credit Card?  1)__________    2) NO

12) If you know computing, would it be possible to do book keeping on computer?  1 Yes    2. No

G) Dormancy and sustainability issues:

1) Was your SHG dormant at any point of time  1 Yes    2 No

2) If Yes, describe ____________________________

3) What according to you makes SHGs dormant ____________________________

4) What according to you should make SHGs more active ____________________________
5) What changes banks should make to make SHGs more successful

6) What changes NGO should make to make SHGs more successful

7) What changes government should make to make SHGs more successful
Focus Group Discussion Schedule

Date:     State:  Rajasthan / Jharkhand / West Bengal / Tamil Nadu

Village Name____________ Taluka/Block _______________________ Dist. _______________

Name of SHG:                                       Number of participants in the FGD:

Duration of the FGD:

Topics:

A. Introduction
   a. Please tell me about your SHG (addressed to the SHG leader)
   b. How was it formed?
   c. Please tell me about yourself (Who are you? Tell me if you hold an official position? Since how long you are associated with the SHG?)

B. Functioning of SHG
   a. Tell me about the monthly meetings (how many times, who conducts it and its significance)
   b. How are leadership roles decided?

C. Trends and pattern of credit flow:
   a. How do you save money for the SHG?
   b. How do you mitigate risk of nonpayment of loan?

D. Livelihood activities
   a. What livelihood activities are preferred?
   b. Why is individual livelihood activities preferred over collective activities?

E. Hand holding of SHGs
   a. What is your expectation from the hand holding institutions?
F. Community development
   a. Discuss how SHG has helped community development citing stories

G. Use of technology
   a. How would technology help SHG operation?

H. Dormancy and sustainability issues
   a. What makes SHGs dormant?
   b. Do you think SHGs will do well?

I. MFIs
   a. Tell me about the MFIs
      i. How do they operate
      ii. Why have they become popular
      iii. Would you prefer loan from MFI or from SHGs? Please explain.
Appendix C

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