SHG-Bank Linkage Programme for Rural Poor - An Impact Assessment

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Preface

Congruity with human nature enhances the relevance and utility of human development initiatives. The core of SHG-bank linkage in India has been built around an important aspect of human nature - the feeling of self worth. Over the last ten years, it has come to symbolize an enduring relationship between the financially deprived and the formal financial system, forged through a socially relevant tool known as Self Help Groups (SHGs). An amazingly large number of formal and non-formal bodies have partnered with NABARD in this unique process of socio-economic engineering. What had started off in 1992 as a modest pilot testing of linking around 500 SHGs with branches of half a dozen banks across the country with the help of a few NGOs, today involves about 20,000 rural outlets of more than 440 banks, with an advance portfolio of more than Rs.1, 200 crore ($ 240 m.) in microFinance lending to SHGs. Financial services have reached the doorsteps of over 8 million very poor people, through 500,000 SHGs, hand-held by over 2,000 development partners. A brief history of the microFinance initiatives in India will help place the present study report in perspective.

The Background

The high level of dependence of the informal sector on non-institutional sources continued despite a rapid growth of banking network in India in the last five decades. The rural financial system at present functions through an impressively large network of more than 150,000 retail outlets. Despite such phenomenal expansion of the outreach of the formal banking structure, the All India Debt and Investment Survey (GoI), 1981, gave indications that the share of non-institutional agencies (informal sector) in the outstanding cash dues of the rural households was quite high at 38%. It was also seen that households in the lower asset groups were more dependent on the non-institutional credit agencies.

The main hurdle faced by banks in financing the very poor seemed to be the comparatively high transaction cost in reaching out to a large number of people who required very small doses of credit at frequent intervals. The same held true of the costs involved in providing savings facilities to the small, scattered savers in the rural areas. Feelings were mutual among the very small savers and borrowers in the rural areas as well, as they tended to view banking as an institutional set up for the elite; even if they tried to reach the bank branch the long distances and loss of earnings on being away from work while visiting bank branch were hurdles and they were never sure whether they would get any service or not if they did approach the branch. The levels of mutual inconvenience and discomfort made the poor look at banking as an almost inaccessible service, and the banks felt that banking with the very poor was not a 'bankable' proposition.

Role of NABARD

It is in this background that NABARD conducted studies in the mid-eighties that brought out the simple fact that the most important and immediate banking needs of the poor households, in the order of their priority were:

- Opportunities to keep safe their occasional small surpluses in the form of thrift
- Access to consumption loans to meet emergent needs and
- Hassle-free access to financial services and products, including loans for micro-enterprises

Viewed against this demand, there were serious limitations on the supply side, as the existing products and services of the banking system were largely meant for a different type of customer segment. In trying to fulfil the credit needs of the poor for financial services, the banks had to contend with regulated interest rates, high transaction costs and high cost of mobilization of funds.

In cases where credit was made available to the poor through special programmes, absence of an integrated savings component and something to fall back upon in case of any adversity was leading to poor repayment performance. The problem was further confounded, as the users were unable to distinguish between the State support (grants/reliefs) and bank credit as the rural and agricultural banking system was getting identified with the State. The political expediency for 'removing poverty at a stroke' was putting resources for running micro enterprises in the hands of the poor without nurturing them to handle such resources. The high cost of appraisal and monitoring led many banks to jettison those systems in the context of low-value advances, aggravating the already vitiated repayment climate further.

Based on the studies mentioned above and the results of action research conducted, NABARD developed the Self Help Group [SHG][1] - bank linkage approach as the core strategy that could be used by the banking system in India for increasing their outreach to the poor. The strategy involved forming SHGs[1] of the poor, encouraging them to pool their thrift regularly and using the pooled thrift to make small interest bearing loans to members, and in the process learning the nuances of financial discipline. Bank credit to such SHGs followed. NABARD saw the

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[1] A SHG is a group of about 20 people from a homogeneous class, who come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use this pooled resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial intermediation including prioritization of needs, setting terms and conditions and accounts keeping. This gradually builds financial discipline & credit history for themselves, as the money involved in the lending operations is their own hard earned money saved over time with great difficulty. This is 'warm money.' They also learn to handle resources of a size that is much beyond their individual capacities. The SHG members begin to appreciate that resources are limited and have a cost. Once the groups show this

promotion and bank linking of SHGs not merely as a credit programme but as part of an overall arrangement for providing financial services to the poor in a sustainable manner leading to empowerment of the members of these SHGs.

Fine-tuning Future Strategy

The corporate mission for microFinance set by NABARD envisages reaching banking services to one-third of the very poor of the country, i.e., a population of about 100 million rural poor through one million SHGs by the year 2007-08. The banking system has already reached microFinance services to 40 million poor through SHGs, reinforcing this commitment. NABARD and its partners are all set to traverse the path beyond the mid-mark. This is the right time to fine-tune the strategies for the future, based on the experiences of the past.

The overall strategy adopted by NABARD relies on two main planks: (i) expanding the range of formal and informal agencies that can work as SHG promoting institutions, and (ii) building up capacities of the increasing number of stakeholders. The key to all such initiatives has been training and capacity building of various stakeholders including the SHG members themselves, the range of which is growing at a fast pace. The series of studies undertaken now are oriented in this direction, and are

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mature financial behaviour, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. *The bank loans are given without any collateral and at market interest rates.* Banks find it easier to lend money to the groups as the members have developed a credit history. 'Cold (outside) money' gets added to the own 'warm money' in the hands of the groups, which have become structures, which are able to enforce credit discipline among the members. The members have experienced the benefits of credit discipline by being able to save & borrow regularly without many hassles. The groups continue to decide the terms of loans to their own members. *The peer pressure ensures timely repayments & replaces the "collateral" for the bank loans.*

expected to help NABARD and its partners in this process of fine-tuning their future strategies.

The Present Study Series

These studies provide multi-perspective evaluation of the SHG-bank linkage programme from academics, consultants and practitioners of microFinance from India and abroad. What is germane to all these studies is the rapid growth of SHG-bank linkage into the largest microFinance initiative in the world in terms of its outreach and the need to closely look at the different critical issues related to it. The studies cover the overall programme and its impact, document the different steps taken so far, and evaluate the need and scope for fresh initiatives. These studies were commissioned by NABARD, with financial assistance from the SDC, GTZ, and IFAD. The focus of the five studies is:

- A review of the progress and impact of the overall strategy for scaling up the SHG Bank Linkage Programme over the last decade (by Dr. Erhard Kropp, formerly Senior Economist, GTZ, and Consultant)
- Role and scope of NGOs and non-NGO agencies as SHPI (by Mr. Malcolm Harper, formerly Professor, Cranfield School of Management)
- Study on commercial aspects of impact of SHG-bank linkage programme on bank branches (by Dr. Hans Dieter Seibel, Professor, Cologne University, Germany)
- Evaluation of SHG Bank Linkage Programme based on the economic indicators on the members of SHGs (by NABARD)
- Impact of SHG Bank Linkage Programme on Social Indicators and Empowerment of the members (by Mr. Aloysius Fernandez, Executive Director, MYRADA, India)

In addition, an independent study on 'The role of Self-Help Groups and the Bank Linkage Scheme in Preventing Rural Emergencies' by Ms. Kim Wilson, microFinance Advisor, Catholic Relief Services, Kolkata has also been made available to us. The findings of these studies will be deliberated upon in detail during a seminar organized by NABARD in collaboration with the SDC, GTZ and IFAD on 25 and 26 November 2002 at New Delhi. The seminar would be attended by key stakeholders like banks, NGOs, and government agencies, international agencies like the World Bank, GTZ, SDC, IFAD, ADB, representatives from some developing countries, as also some acknowledged experts on microFinance.

I am sure that the learning points emerging out of the deliberations of the wide range of participants would help NABARD and its development partners to fine-tune their strategy and approach for the next few years.

Y. C. Nanda
Chairman
NABARD

Mumbai
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EXECUTIVE SUMMARY

The present study attempts to assess the impact of micro finance channelised through SHG Bank Linkage programme implemented by NABARD since 1992 in Eastern areas (Orissa, Jharkhand & Chattisgarh) of the country. The study is based on primary details collected from 115 members in 60 SHGs. The socio-economic conditions of the members were compared between pre and post SHG situations to quantify the impact. The reference period of the study was 2001-02. The study findings concluded that SHG Bank Linkage Programme has made significant contribution to social and economic improvement of the member households of SHGs.

Major Findings

- Structure and conduct of SHGs especially with reference to size, homogeneity, conduct and attendance of meetings, record keeping, etc., was broadly in conformity with the guideline of the programme.
- The SC/ST and backward class constituted 83 per cent of the total sample and coverage of this social group has shown increasing trend during the recent years.
- While there was no change in asset structure in 52 per cent of the sample households, about 45 per cent of them registered increase in assets between pre and post SHG situations. The increase in value of assets that included livestock and consumer durable was from Rs.4,498 to Rs.5,827 registering an increase of 30 per cent after joining the group.
- Varied saving products that are suitable for the rural poor were made available for the SHG members that facilitated increased rate of saving among them. Mean annual savings were increased from Rs.952 to Rs.1863 registering two fold increase.

- Institutional credit deepening and widening among the rural poor were achieved to a greater extent. The average loan per member during post SHG situation was Rs.5122, which were about 123 per cent more than the pre SHG situation. Availing loans from moneylenders and other informal sources with higher interest rate was significantly reduced due to SHG intervention. The average interest paid by the members from different sources was reduced from 81 per cent to 31 per cent.

- There is perceptible change in the loaning pattern. Consumption oriented loans were replaced by production oriented loans during post SHG situations which was mainly due to SHGs and training provided under the SBL programme.

- Recovery performance of loans from members to SHGs worked out to 95 per cent where as it was 86.6 per cent from SHGs to banks. The overall repayment percentage improved from 86 per cent to 95 per cent between pre and post SHG situations with an perceptible increase in repayment of loans from banks by 22 percentage points.

- The average annual net income per sample household was increased to Rs. 15184 which was about 23 per cent more than the pre SHG situations. The incremental income was contributed mainly from farm activities (54%) followed by non farm activities (36%).

- Employment per sample household increased by 34 per cent from 303 to 405 person days between pre and post-SHG situations.

- There was remarkable improvement in social empowerment of SHG members in terms of self-confidence, involvement in decision-making, better communication, etc.

- NGO promoted groups edge over BANK promoted groups on targeting more weaker sections spreading SBL programme more in inaccessible areas, improvement in assets, savings, income and employment generations, capacity building and human resource development, etc. SHPI groups performed relatively more in institutional loan repayment. There is greater scope for BANK groups for improving the conduct of SHGs and capacity building of its members.
- Sustainability of SHGs was well established through the better performance of older groups than the recently formed groups in terms of increased value of assets and saving rate, better access of institutional loans, higher rate of repayment of loans, elimination of informal sources and impressive social empowerment.
- For greater acceleration of rate of economic empowerment, future strategy must focus more and more on training and capacity building of members besides ensuring adequate linkage supports.
- SHGs' role may further be enhanced through its involvement in developmental programmes implemented in the areas.
- While expanding the programme for wider coverage, efforts also need to be focused on strengthening the existing groups and institutional building such as federal structures.

I. Introduction

Micro-Finance has, in recent times, come to be recognised and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor, with focus on empowering women. Experiences of different anti-poverty and other welfare programmes within the country and else where have shown that the key to its success lies in the participation of community based organisations at the grassroots level. People's participation in credit delivery, recovery and linking of formal credit institutions to borrowers through the intermediation of Self Help Groups (SHGs) have been recognised as a supplementary mechanism for providing credit support to the rural poor.

NABARD has pioneered the concept and implemented the SHG Bank Linkage programme since 1992 for providing easy access of institutional credit to rural poor. Since one decade of the programme implementation has elapsed, there is an imperative need for putting in place a system of evaluating the impact of the programme and provide continuous feed back on the magnitude of benefits accruing to the people. A study conducted by NABARD during 2000 reported many positive impact of participation of rural poor in the programme. There have been perceptible and wholesome changes in the living standards of the SHG members in terms of increase in savings, borrowing capacity, income-generating activities, income levels and savings.

The corporate mission set by NABARD for reaching micro Finance services to the very poor envisages coverage of one third of the rural poor of the country, i.e., a population of about 100 million through one million SHGs by the year 2007-08. In order to have uniform coverage across the regions, NABARD has devised region specific strategies and interventions. Accordingly, special focus was given to the North Eastern Region (NER) and backward areas like Kalahandi-Bolangir-Koraput (KBK) region in Orissa by encouraging small NGOs and micro Finance agencies for enhancing the coverage of SHG bank linkage. As a result there was rapid progress in the programme in the eastern areas of the country and significant achievements mainly in terms of groups linked with banks and providing credit support to SHGs. With a view to studying the impact of micro Finance channelised through this programme in areas where growth has been rapid during recent years, the present study was conducted by Department of Economic Analysis and Research (DEAR) of NABARD covering states of Orissa, Jharkhand and Chhattisgarh.

II. Objectives and Methodology

The overall objective of the study was to measure the impact of micro Finance through SHG Bank Linkage programme on the SHG member households. The specific objectives of the study were:

i) to study the structure, conduct and performance of SHGs promoted under the programme;

ii) to quantify the changes in savings and borrowing pattern among group members due to the programme;

iii) to study the impact of the programme on level and composition of income as well as employment of the group member households and

iv) to assess the changes in the social conditions of member households due to their association with SHGs.

Multistage random sampling method was adopted for selecting the sample members. In the first stage, one district from each of the states of Orissa, Chhattisgarh and Jharkhand, representing maximum number of SHGs linked with the banks were selected purposively. In the second stage, 60 SHGs linked with the banks as on 31 March 2001 in the selected districts were chosen at random for the study. SHGs having completed one year of bank linkage were selected for the study assuming that the benefits from the SHG bank linkage programme would have fairly well stabilised. In the final stage, a sample of 115 SHG members was selected at random from the three selected districts. The distribution of sample SHGs and members were proportionate to the number of SHGs linked as at the end of March 2001 (Table 2.1).

Table 2.1: Sample Frame for the Study

Selected States	Selected Districts	No. of SHGs (as at end March 2001)	SHGs selected	SHG Members Selected
Orissa	Kalahandi	2812	30	57
Chhattisgarh	Rajnandgaon	1336	15	28
Jharkhand	Hazaribagh	1541	15	30
Total		5689	60	115

In order to assess the economic and social impact of the programme over SHGs of different ages, the sample SHGs were post-stratified into three categories, i.e., (i) up to 2 years, (ii) 3 to 4 years and (iii) 5 years and above. With a view to analysing the differences in impact of the programme under two different models, the sample SHGs were also post-stratified as (i) NGO promoted groups and (ii) BANK promoted groups* (Table 2.2).

Table 2.2 Stratification of the Sample according to Model and Age of SHGs

Category	No. of Sample SHGs	Percentage	No. of Sample SHGs Members	Percentage
NGO groups	38	63	74	64
BANK- groups	22	37	41	36
Total	60	100	115	100
Up to 2 years	25	42	46	40
3 to 4 years	24	40	47	41
5 years& above	11	18	22	19
Total	60	100	115	100

The study is based on primary data collected from the SHG members with the help of structured questionnaires. In order to assess the impact of the programme "before and after" approach was followed. Different methods like verifying the consistency of the data collected from the primary sources using repeated questions and assessing the validity of the information with the field workers or the NGOs was attempted to get a reliable pre-SHG situation information. The field study was conducted during July -

* Hereafter, the NGO promoted groups are termed as NGO groups and BANK promoted groups are termed as BANK groups.

August 2002. The reference year for the study was 2001-02 and all economic parameters for both pre and post SHG situatians were valued at reference year.

Data on various economic aspects like asset structure, net income, savings, loaning and investment patterns, employment patterns and social aspects such as improvements in self confidence, communication skills, behavioural changes, etc., were collected to assess the impact of the programme. Impact is measured as the difference in the magnitude of a given parameter between pre and post SHG situations. The impact on income, savings and borrowings was decomposed into two effects-one emanating from the spread of income generating / borrowing / saving activities to larger cross section of member households and the other originating due to increase in the level of income / borrowing / saving per member household.

III. Structure, Conduct and Performance of SHGs

(i) Structure

About 97 per cent of the sample SHGs were women groups. NGOs and their representatives promoted about 63 per cent whereas about 28 per cent of the groups were promoted by banks. Local leaders and other rural social workers/ volunteers were also involved in the group formation that constituted about 8 per cent of the sample groups. The number of members varied from 10 to 20, average being 14. The average size of different groups remained the same among NGO promoted and BANK-promoted groups. However, recently formed groups (upto 2 years) were having an average of 13 members while older groups of 3 to 4 years and 5 years and above were having 14 and 15 members respectively.

Homogeneity in the standard of living was the major criterion (58%) for forming the groups followed by the proximity of stay (23%) and activity (17%). Homogeneity in standard of living is the major criterion followed by both models (Table 3.1). Older groups of 5 years and above were formed mostly on the criteria of proximity of stay (45%) and activity (36 %). BANK groups gave thrust on homogeneity (59 %) followed by activity (27 %) and proximity of stay (14%).

Table 3.1 Criteria for SHG Formation- Model-wise and SHG Age-wise

(percentages)

Criterion	Models		SHG Age (years)			Overall
	NGO groups	BANK groups	Up to 2	3-4	5 & above	
Activity	10.5	27.3	8.0	16.7	36.4	16.7
Homogeneity	57.9	59.1	72.0	62.5	18.2	58.3
Proximity of Stay	28.9	13.6	16.0	20.8	45.4	23.3
Miscellaneous	2.7	0.0	4.0	0.0	0.0	1.7
Total	100.0	(38)	100.0	(22)	100.0	(25)
	100.0	(24)	100.0	(11)	100.0	(60)

Figures in parentheses indicate total number of sample groups

(ii) Conduct of Meetings

SHGs have to function in a democratic manner. Regular meeting of group members is one of the activities of the SHGs, that ensures effective participation of members. In these meetings, they undertake financial transactions of both collection of savings and disbursement of loans. Meetings are also an occasion for the members to discus their common problems and other issues that need to be sorted out through the intervention of the group or other members. Meetings on monthly basis were observed to be the common phenomena (65 %) followed by fortnightly (16%) and weekly meetings (8 %). In case of about 1 per cent of SHGs, conduct of meetings was observed to be irregular. These groups did not meet regularly nor did they follow democratic norms. A major reason for irregular meetings was scant attendance, reasons being reported were (i) preoccupation with household activities, (ii) perceiving SHG meeting as a wastage of time, (iii) difficulty in adhering to fixed time schedule and (iv) inconvenience in date and time. This resulted in loss of cohesion in the group and could later on end up in disintegration. However, a few groups were observed to be particular in collecting their savings, recoveries and disbursing loans in an informal manner.

Meeting on monthly basis was observed to be more prevalent in the NGO groups (68%) as compared to BANK-groups (59 %). Monthly meetings were also common in older groups of 3 years and above as compared to recently formed groups. The groups with irregular conduct of meetings and transactions were dominant (24%) in recently formed groups. As regards the fixing of meetings, about 50 per cent of groups had a fixed date and timing while others had flexibility in their schedule of meetings suiting to the convenience of the members. About 38 per cent of the groups were conducting meetings at the residence of the office bearers, while 42 per cent of SHGs were conducting meetings in a common place like Panchayat Office, Anganwadi residence, village community halls, members' residence, etc. About 20 percent of the groups had no place to conduct meetings, and conducted the meetings either on village roads or under the shade of village trees, etc. This calls for strengthening village infrastructure in terms of providing at least one-room community halls where these groups can meet and transact their business.

The study reported that in about 93 per cent of the groups, either Secretary or President or both jointly organized the meetings without the involvement of NGO animator. The NGO animator or village worker organized meetings in case of only 3 per cent of the groups. SHG members in turn basis also organized meetings (3% of the groups). Compulsory attendance of members in the meetings is one of the pre-requisites for the smooth functioning of the group. It is one of the indicators that ensures the active participation of members in the business of the group in a democratic manner. The level of attendance was more than 90 per cent in case of about 58 per cent of SHGs and it was less than 70 per cent in about 7 per cent of SHGs. The higher percentage of attendance could be attributed to imposing penalty or fine for late attendance or absence in the meetings. About 67 per cent of groups imposed penalty or fine for late attendance or absenteeism in the meetings. However, there were provisions in almost all SHGs of waiving the penalty or fine for genuine reasons like sickness, urgency of work, etc.

(iii) Savings

Savings formed one of the main products in the programme. The amount of savings per member during a given period varied across the groups depending on their capacity to save and age of SHG. The sample SHGs saved from the low level of Rs. 5 to a high of Rs. 150 per member per month. Majority of SHGs (48%) saved Rs. 10 to 20 per member per month. About 23 per cent of SHGs reported increase in savings rate over a period of time. The percentage of SHGs with increased savings rate over time was more among BANK groups (36%) as compared to NGO groups (16%). Only 2 SHGs reported flexibility in their savings rate and it varied from a minimum of Rs.10 per member per month to Rs.100 per member per month. In addition to the regular monthly savings, a few groups were reported to have collected extra savings to be utilized for different purposes like education for children, to finance meals (bala bhojan) for needy children, marriage of daughter, etc. About 10 per cent of SHGs had jointly formed the 'Vidyadayini Balika Sangh of the girlchild', which adopted needy children and took care of their education, books, dresses, etc.

The sources of funds for the sample SHG are presented in Table 3.2. The proportion of savings to total resources was relatively higher for BANK groups (35.7%) as compared to NGO groups (30.5%). The bank loan constituted a major share of the resources with SHGs (62.3%) followed by savings by the groups (32.1%) and interest received on loan (2.6%). Similar trend was observed among different models and age groups. The percentage share of savings to bank loan was worked out to only 51.5 per cent indicating dependence of the SHGs on external sources for lending operations. The share is higher for BANK- groups which indicated banks' stress in forming tangible collateral for their lending operations. It is also higher for older groups indicating their self-reliance.

Table 3.2 Mobilisation of Resources by Sample SHGs-Model wise and SHG Age-wise

(percentages)

Purpose	Models		SHG Age (years)			Overall
	NGO groups	BANK groups	Up to 2	3-4	5 & above	
Savings	30.5	35.7	34.8	28.3	34.5	32.1
NGO contributions	0.9	0.0	0.3	0.4	1.1	0.6
Bank loan	62.9	60.7	62.3	67.8	55.8	62.3
Fine	0.2	0.1	0.2	0.3	0.1	0.2
Interest	2.3	3.5	2.1	3.0	2.6	2.6
Others	3.2	0.0	0.3	0.2	5.9	2.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
	(56830)	(42992)	(30861)	(52048)	(98608)	(51755)
Ratio of Savings to Bank Loan	48.4	58.7	55.7	41.6	61.8	51.5

Figures in parentheses are absolute figures in rupees.

(iv) Loaning Operations

The purpose of loan availed by the sample members were classified into two categories for the purpose of the study. The income generating purposes include purchase of inputs for agriculture, petty trade and other non-farm activities. Loan for consumption purposes, settlement of old debts from money lenders and loans for contingency purposes such as medical expenditure and other social functions like, marriage and funeral ceremonies, etc., were classified under non-income generating purposes. The average loan size for the groups surveyed was worked out to Rs.32,685 of which 72 per cent was for income generating purpose and the remaining 28 per cent was for consumption and other social functions and contingencies. The size of loan was reported to be more for NGO groups (Rs.36,069) as compared to BANK- groups (26,910). The share of loans for income generating purposes was also significantly higher for NGO groups (76 %) as compared to BANK- groups (61 %). Similarly, older SHGs reported a higher share of loans used for income generating purposes as compared to recently formed SHGs. (Table 3.3).

Table 3.3 Composition of Loan Portfolio of SHGs-Model and SHG Age-wise

(Rs.)

Year/Purpose	Models		SHG Age (years)			Overall
	NGO groups	BANK groups	Up to 2	3-4	5 & above	
Income Generating	27492	16490	13015	25729	42236	23458
Purpose	(76.2)	(61.3)	(65.5)	(72.9)	(75.4)	(71.8)
Non-Income	8577	10420	6859	9583	13773	9227
Generating purpose	(23.8)	(38.7)	(34.5)	(27.1)	(24.6)	(28.2)
Total	36069	26910	19874	35312	56009	32685
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Figures in parentheses are percentages to total.

Various indicators of the performance of loan by the SHGs are presented in Table 3.4. About 78 per cent of the members have availed loan, which indicated that loans were well distributed among the SHG members. The percentage of members availing loan was higher for BANK-groups (86 %) as compared to NGO groups (72%). The groups were charging different interest rates for the corpus of funds mobilized through savings and bank loan. The average interest rate charged on the loan out of the group savings was reported at 2.56 per cent per month. BANK-groups charged higher interest (2.68%) as compared to NGO groups (2.50%). On bank loan SHGs charged an interest of 2.49 per cent. In this case also, BANK- groups charged higher interest (2.77%) compared to NGO groups (2.32%). Older SHGs had charged lower interest as compared to recently formed SHGs.

About 60 per cent of the SHGs had gone for bank loan more than once. The percentage of SHGs availing loan more than once is higher for BANK- groups (72.7%) compared to NGO groups (52.6%). Loan repayment was considerably satisfactory as 83.3 per cent of the groups had promptly repaid the loan and only 16.7 per cent of the groups reported late payments on current loans. The average loan period was fixed at 6-10 months with loans most commonly repaid in monthly installments. Sometimes loans were repaid much before the completion of the loan period. Cent percent SHGs reported closure of their previous accounts before going for another loan. About 5 per cent of the SHGs reported giving loans to someone outside the group for which they charged 5 per cent interest per month instead of 2 per cent to the SHG members. About 8 per cent of the SHGs gave loans to other SHGs for which they charged interest of 4.2 per cent.

The repayment performance of SHG to banks was worked out to 86.6 per cent. Some pockets of the study area (Kalahandi and Rajnandgaon) were affected by recent drought that resulted in failure of cotton and other horticultural crops. This has affected the repayment performance of SHGs to banks. The repayment performance for BANK- groups was higher (90.8) compared to NGO groups (82.1). Similar trend was observed in SHGs of different ages.

Table 3.4 Loan Performance of the Group- Model and SHG Age-wise

(percentage)

Performance Indicators of Loans	Models		Age of Groups (in years)			Overall
	NGO group	BANK-groups	Up to 2	3-4	5 & above	
Members with loans	72.2	86.2	78.2	78.3	74.8	77.6
Average monthly interest rate						
On loan out of SHG saving	2.50	2.68	2.44	2.75	2.45	2.56
On bank loan	2.32	2.77	2.64	2.56	2.00	2.49
Average loan size (Rs.)	35779	26104	19251	35313	55009	32231
SHGs gone for loan more than once	52.6	72.7	32.0	70.8	100.0	60.0
SHGs whose previous accounts were closed	100.0	100.0	100.0	100.0	100.0	100.0
SHGs with no late payments on current loans	84.2	81.8	76.0	87.5	90.1	83.3
SHGs with loan to someone outside the group	7.9	0.0	0.0	12.0	0.0	5.0
Monthly interest rate for these loans	5.0	0.0	0.0	5.0	0.0	5.0
SHGs making a loan to other SHGs	13.2	0.0	0.0	16.0	4.2	8.3
Monthly interest rate for these loans	4.2	0.0	0.0	3.5	5.0	4.2
Repayment performance of SHG to Banks	82.1	90.8	80.1	92.6	93.3	86.6

(v) Desired Qualities

Various indicators to judge the quality of SHGs have been presented in Table 3.5. The regular attendance of members in the SHG meetings was reported at 87 per cent. The attendance of members was relatively higher for NGO groups (89 %) compared to BANK- groups (83%) and in older groups compared to recently formed groups. The higher percentage of attendance was because of the imposition of fine by groups in the meetings. About 67 per cent of SHGs imposed fine ranging from Rs.2 to Rs.5 for late attendance or absence in the meetings. The percentage is significantly lower for older SHGs (46 %) as compared to the recently formed SHGs (72%). Only 18 per cent of sample SHGs reported following the practice of rotation or election of leaders. About 29 per cent of SHGs from NGO groups followed this practice whereas no SHGs from BANK- groups adopted this practice. Older SHGs (46%) followed the practice of rotation or election in a significant way compared to the recently formed SHGs (4%). Low leadership rotation is an area of concern. It may lead to major information asymmetry and causation of moral hazards. Most groups followed the two most important practices at the SHG meetings viz., making savings and loan payments and always closing the books at the end of the meeting. In about 38 per cent of the SHGs, leaders write proceedings of meetings and maintain accounts. This percentage was lower for NGO groups (32 %) compared to BANK- groups (46%).

Table3.5 Indicators of Group Quality - Model and SHG Age-wise

(percentage)

Sl. No.	Indicators Group Quality	Models		Age of Groups (in years)			Overall
		NGO group	BANK- groups	Up to 2	3-4	5 & above	
1.	Attendance of members in the SHG meeting	88.8	82.5	83.2	88.7	89.7	86.5
2.	Rotation and election of leaders followed in the SHG	28.9	0.0	4.0	20.8	45.5	18.3

(percentage)

Sl. No.	Indicators Group Quality	Models		Age of Groups (in years)			Overall
		NGO group	BANK- groups	Up to 2	3-4	5 & above	
3.	Imposition of fine by SHG for absence in the meetings knowingly	71.1	59.1	72.0	70.8	45.5	66.7
5.	SHG leaders who write proceedings of meetings & maintain accounts	31.6	45.5	32.0	45.8	27.3	36.7
7.	Members of the SHGs accompany leader to transact with banks	52.6	59.1	60.0	45.8	63.6	55.0
9.	SHGs with at least one member taking up economic activities (%)	89.5	86.4	88.0	87.5	90.9	88.3
10.	SHGs taking up eco. activity as a group (%)	13.2	9.1	0.0	20.8	18.2	11.7
11.	SHGs having multiple saving products (%)	13.2	0.0	8.0	4.2	18.2	8.3

Members were making payments at the SHG meetings and a few of them accompanied the leaders to transact with the banks which insured transparency in their functioning. In about 55 per cent of the SHGs, members accompanied the leaders to transact with banks. This percentage was higher for BANK- groups (59 %) compared to NGO groups (53 %). Another indicator of group quality is that about 88.3 per cent of SHGs who availed loan had taken up economic activities. About 12 per cent of the SHGs had taken up economic activity as a group. Various activities undertaken by these groups were goatery, pisciculture, bakery, leasing of village haat, etc. About 13 per cent of NGO groups reported taking up economic activity as a group compared to only 9 per cent in case of BANK- groups. About 8 per cent of the SHGs reported having multiple saving products such as grain and seed banks.

The quality of record keeping and account maintenance by SHGs determine their inherent strength for future sustainability. For about 37 per cent of the SHGs, the Secretary completed the records without outside assistance, which might be due to poor literacy level in the study area. However, the percentage was relatively better for BANK- groups (46 %) compared to NGO groups (33%). This is because Banks always preferred groups having a reasonable education background for facilitating easy access by bank staff. Those groups whose Secretary or President could not complete the records took outside assistance mostly by way of a relative or the husband of the members or an NGO staff. Some groups took the help of the Secretary or Treasurer from other groups. About 12 per cent of the SHGs kept hired staff to maintain the records. Almost all SHGs maintained 3-4 types of records (minutes book, credit book, debit book, etc.) and cash box, to undertake savings and loan transactions. About 75 per cent of SHGs used ledger system to maintain its accounts. About 91 per cent of BANK- groups maintained ledger systems as compared to 66 per cent of SHGs under NGO groups. This is because banks always preferred that records and accounts be maintained properly and BANK- groups were properly trained in record keeping by bank staff. Higher percentage of older SHGs (82%) used ledger system compared to newly formed groups (48%).

In order to judge the economic level of the group in the village, the respondents were asked whether they were better off, poor or poorest among the villagers. About 25 per cent of the sample groups reported that they were somewhat better off in the village. About 18 per cent of the groups were considered poorest whereas 32 per cent and 20 per cent were considered as average and poor compared to other villagers. For about 47 per cent of the SHGs, the market was 5 or more kms. away from the village. Similarly, for about 42 per cent of the SHGs, banks were 5 or more kms. away from the village. Only 36 per cent of the SHGs reported that they had access to public utilities like good roads, water supply, medical and other public infrastructure facilities.

(vi) Capacity Building

The capacity building of SHG members through vigorous training plays an important role in future sustainability of SHGs. The field study revealed that about 80 per cent of SHGs received one or the other sort of training. About 20 per cent of SHGs had not received any sort of training, not even training on SHG concept, awareness and orientation. The BANK - groups performed badly in terms of capacity building of SHG members. Only 50 per cent of BANK - groups have received training as compared to 97 per cent of SHGs from NGO groups (Table 3.6). Another cause for concern is that about 58 per cent of SHGs from NGO groups received training on various income generating activities (IGA) as compared to only 9 per cent SHGs from BANK- groups. Older SHGs (73 %) received more training on income generating activities as compared to recently formed SHGs (46 % for SHGs of 3 to 4 years and 20 % of SHGs of up to 2 years). When sample SHG members were asked to comment on the utility of various trainings received by them, about 73 per cent of SHGs reported that the training received by them was quite useful for running the SHG. Similarly, about 21 per cent of SHGs reported that training was very useful for the day-to-day operations. Only six per cent of SHGs reported that training was not useful for them. The performance of NGO groups (76%) in terms of effectiveness of training was significantly higher compared to BANK- groups (64 %).

Table 3.6 Capacity Building through Training- Model wise & SHG Age wise

(percentage)

Particulars on Training	Models		Age of Groups (in years)			Overall
	NGO group	BANK groups	Up to 2	3-4	5 & above	
I. SHGs received training	97.4	50.0	68.0	83.3	100.0	80.0
(ii) Training on SHG Orientation	39.5	40.9	48.0	37.5	27.3	40.0
(iii) Training on IGA & Orientation						
II. SHGs received no	2.6	50.0	32.0	16.7	0.0	20.0
training	2.6	50.0	32.0	16.7	0.0	20.0
Total (I+II)	100.0	100.0	100.0	100.0	100.0	100.0
Effectiveness of Training						
Useful	75.7	63.6	58.8	90.0	63.6	72.9
Very Useful	24.3	18.2	29.4	10.0	36.4	20.8
Not Useful	0.0	18.2	11.8	0.0	0.0	6.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

IV. Impact of SHG Bank Linkage Programme on SHG Members

An attempt has been made in this section to quantify the impact of micro Finance through the programme on living standards of SHG members. The programme brings in its wake various economic benefits to SHG members in terms of increased asset creation, enhanced saving and borrowing habits, increased income and higher employment, improved social lives, etc. The sub- section to follow addresses the socio-economic profiles of the sample SHG households. The distribution of households according to level of economic activity, level of literacy, family size, age profile, etc., were presented both model-wise and age of SHGs. The second sub-section addresses how far the programme succeeds in terms of its coverage of the weaker sections in the rural segment of the population. The third sub-section analyses the impact of the programme on economic conditions of SHG members in terms of asset creation, saving and borrowing patterns, income and employment, etc. The last section presents the impact of the programme on social lives of SHG members.

1. Socio-Economic Profile

Economic Activity

Farm activity constituted the major share accounting for 42 per cent of the sample households. About 16 per cent of the sample households depended exclusively on agricultural labour. This was followed by non-farm activity (13%) and off-farm activity (11%). Mixed activity was observed in 13 per cent of the sample households (Table 4.1). The share of farm, non-farm and mixed activity was relatively more in NGO groups (73%) compared to BANK-groups (59%). This might be the result of adequate thrust on capacity building and training on income generating activities (IGA) by various NGOs. BANK-groups fared badly in terms of imparting training on IGA to BANK- groups because of which the share of agricultural labourers was higher for BANK- groups (20%) compared to NGO groups (15%). Older groups were engaged in mixed activities in large number (36%) compared to recently formed groups (9% for 2 year old SHGs). The share of agriculture labourers was significantly higher for groups of 3-4 years.

Table 4.1 Distribution of Households according to Activities

(percentages)

Level of Literacy	Models		SHG Age (years)			Overall
	NGO-groups	BANK-groups	Up to 2	3-4	5 & above	
Farm Activity	43.2	39.0	40.4	47.8	31.8	41.7
Non-Farm Activity	14.9	9.8	12.8	10.9	18.2	13.0
Off-farm Activity	9.5	14.6	23.4	4.3	0.0	11.3
Mixed Activity	14.9	9.8	8.5	6.5	36.4	13.0
Agricultural Laborer	14.9	19.5	10.6	26.1	4.5	15.7
Others	4.1	7.3	4.3	4.3	9.1	5.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Level of Literacy

The weaker sections that are the focus of the SHG Bank Linkage programme are generally characterised by high levels of illiteracy without any formal education. An analysis of the educational status of the sample households revealed that about 31 per cent of them were illiterate. About 55 per cent of the sample households could only sign (Table 4.2). Members who studied up to primary and secondary levels were reported at 10 per cent and 4 per cent respectively. Members without any formal education or who were illiterate were observed to be relatively more in NGO groups (32.4%) than in BANK-groups (29.3%). This might be due to the fact that NGOs in the study region were mostly working in hilly terrains and other inaccessible areas where literacy levels were significantly lower. Members who could only sign were observed to be relatively more in NGO groups (58%) than in BANK- groups (49%). Joining SHGs also made them realize the importance of education, which resulted in increased number of members being able to sign. It is also interesting to observe that the share of members without any formal education was observed to be more in the newly formed groups (90.5%) than the older groups of five years and above (81.8%). This trend was due to the group effort to improve literacy levels of its members through informal education.

Table 4.2 Distribution of Households according to Level of Literacy

(percentages)

Level of Literacy	Models		SHG Age (years)			Overall
	NGO-groups	BANK-groups	Up to 2	3-4	5 & above	
Illiterate	32.4	29.3	42.6	28.3	13.6	31.3
Can Sign	58.1	48.8	48.9	54.3	68.2	54.8
Primary	6.8	14.6	6.4	8.7	18.2	9.6
Secondary	2.7	7.3	2.1	8.7	0.0	4.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Family size

Nearly 59 per cent of the sample households had family sizes ranging between 4-6 members and 21 per cent reported a family size of more than 6 members. Among different models, the share of family size of more than 6 members was higher in NGO groups (24%) compared to BANK- groups (14%) as NGO promoted groups were mostly in inaccessible, tribal dominated areas of the study area in case of whom the family size was large. Households with large sized families (> 6 members) constituted 27 per cent in older groups of 5 years and above as compared to 24 per cent for 2-year-old SHGs and 15 per cent for SHGs of 3-4 years, respectively.

Age of Members

The major proportion of the sample SHG members (51%) was in the age group of 26-35 years followed by the members in the age group of 36-55 years (33%) and 18-25 years (12%). A similar distribution pattern was observed across NGO groups and BANK- groups and across different ages of SHGs. The proportion of members in the age between 26-35 was 47 per cent in up to 2-year-old SHGs, 57 per cent for 3-4 year old SHGs and 50 per cent for SHG of 5 years and above. An interesting observation was that the proportion of SHG members in the age group of 55 and above was reported at only 4 per cent, which indicates that SHGs did not prefer aged members. The study also observed the disintegration of 2/3 SHGs because of old age of a few members who could not work and thus could not save regularly.

2. Programme Coverage

Social Group

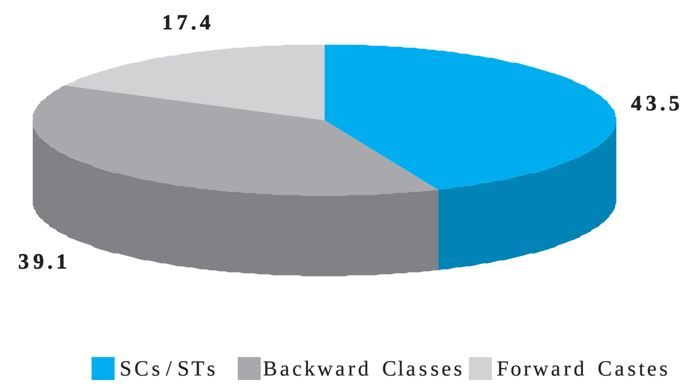
The programme envisaged the covering of socially and economically weaker sections, particularly social groups like SCs/STs and Backward Classes (BCs). The distribution of sample households according to social groups revealed that the proportion of members belonging to SCs/STs accounted for 44 per cent followed by backward classes at 39 per cent. Among the sample SHG members (115) only 17 per cent belonged to forward castes (Table 4.3). The highest proportion (49%) of SC/ST members was observed in the case of BANK- groups compared to NGO groups (41%). As against this, the highest proportion of backward class members was reported in NGO groups (47%) compared to BANK- groups (24%). Considering the SC/ST and backward class as weaker sections, based on social classification, its share to the total number of members worked out to 83 per cent (Figure -1). This category was observed to be more in NGO groups (88%) than BANK- groups (73%). The coverage of weaker sections in groups of different ages revealed that over the years there was an increasing tendency towards covering more and more weaker sections in the programme. The coverage of weaker sections in older groups of 5 years and above was 72 per cent whereas it had increased to 81 per cent in the recently formed groups.

Table 4.3 Distribution of Households according to Social Group

(percentages)

Social Group	Models		SHG Age (years)			Overall
	NGO-groups	BANK-groups	Up to 2	3-4	5 & above	
SCs/STs	40.5	48.8	46.8	39.1	45.4	43.5
Backward Classes	47.3	24.4	34.1	50.0	27.3	39.1
Forward Castes	12.2	26.8	19.1	10.9	27.3	17.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Fig 1 : Coverage of Weaker Sections



Small & Marginal Farmers/Agricultural Labourers

The classification of the sample households based on land holding pattern revealed that the marginal farmers constituted the major share of 44 per cent followed by small farmers (27%) and agricultural labourers (17%) (Table 4.4). While the proportion of marginal and small farmers was higher for NGO groups (73%) compared to BANK- groups (66%), the proportion of agricultural labourers was relatively more in BANK- groups (22%) followed by NGO groups (15%). One of the interesting observations was the inclusion of less proportion of other farmers (more than 5 acres) in the recently formed SHGs (up to 2 years) than older groups.

Table 4.4 Distribution of Households According to Main Occupation

(percentages)

Category	Models		SHG Age (years)			Overall
	NGO-groups	BANK-groups	Up to 2	3-4	5 & above	
Marginal Farmers (>2.5 acres)	43.2	43.9	42.6	45.7	40.9	43.5
Small Farmers (2.5-5.0 acres	29.7	22.0	31.9	15.2	40.9	27.0
Other Farmers (<5.0 acres)	4.1	2.4	2.1	4.3	4.5	3.5
Agricultural Labourers	14.9	22.0	14.9	21.7	13.6	17.3
Others	8.1	9.8	8.5	13.0	0.0	8.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

3. Asset Structure

Asset Holding Pattern

Poor are characterized by low asset base. Therefore, any programme targeting the poor should strengthen their asset holding pattern. Increase in asset base strengthens the financial position of the household and also improves its shock absorbing capacity. The SHG Bank Linkage programme through micro Finance interventions increases the productive asset of households like milch cattle, work animals and various consumer durables such as transistor, cycle, etc. The field study revealed that asset structure had increased in about 45 per cent of the sample households. While about 52 per cent sample households reported no change in their asset holding pattern, about 3 per cent reported decrease in their asset size (Table 4.5). The decrease in asset size was a result of selling of milch animal/work animal due to fodder problem, death of poultry birds due to poultry related diseases, etc. While the increase in asset base was marginally higher for NGO groups (46%) compared to the BANK- groups (44%), the decrease in asset base was more for BANK- groups compared to NGO groups. The proportion of households reporting increased asset size showed positive correlation with the age of the SHGs. Similarly, the proportion of sample SHG members reporting no change in asset base was more for recently formed SHGs

(66% for 2 year old SHGs, 57% for SHGs of 3-4 years) compared to older SHGs (14% for SHGs of 5 years and above).

Table 4.5 Changes in the Value of Assets of SHG Members

(percentages)

Direction of Change	Models		Age of groups (years)			Overall
	NGO-groups	BANK-groups	Up to 2	3-4	5 & above	
Decreased	1.4	4.9	4.3	0.0	4.5	2.6
Increased	45.9	43.9	29.8	43.5	81.8	45.2
No Change	52.7	51.2	66.0	56.5	13.6	52.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Value of Assets

The value of assets owned by the sample households during post SHG situation was worth Rs.5,827 whereas it was Rs.4,498 during the pre-SHG situation (Table 4.6). Thus there was an average increase of 30 per cent in the value of assets after joining the SHG (Fig. 2). The milch cattle / poultry reported highest increase (67%) in asset value in the post-SHG situations followed by consumer durables (21%) and work animals (16%). After joining the group, some members purchased milch cattle, poultry, goats, sheep, etc., which they did not have earlier, to diversify their income sources. This resulted in increased average value of assets held by the members under these heads. Across the models the increase in the average value of assets was higher for NGO groups (35%) compared to BANK- groups (19%). However, the average level of assets was higher for members in BANK-groups in both pre and post-SHG situations.

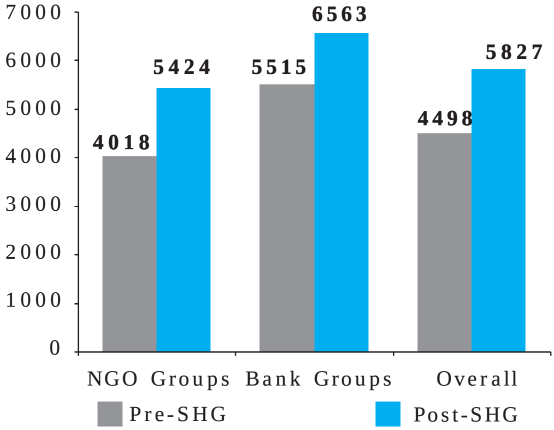
Table 4.6 Average Value of Assets possessed by Sample SHG Members-Model-wise

(percentages)

Type of Asset	Models				Overall	
	NGO-groups		BANK—groups			
	Pre-SHG	Post-SHG	Pre-SHG	Post-SHG	Pre-SHG	Post-SHG
Milch Cattle / Poultry	2009	3293 (63.9)	1172	1999 (70.6)	1718	2863 (66.6)
Work Animal	3045	3432 (12.7)	3592	4123 (14.8)	3174	3685 (16.1)
Consumer Durables	1836	2397 (30.5)	3826	4270 (11.6)	2517	3051 (21.2)
Total	4018	5424 (35.0)	5515	6563 (19.0)	4498	5827 (29.6)

Figures within bracket indicate % of increase

Fig 2 : Average Asset Value in Pre-and Post-SHG Situations : Model-wise



Members of SHGs of 5 years and above had reported impressive increase in average value of assets (95%) between pre and post-SHG situations followed by members of 3-4 years old SHGs (19%) and upto 2 year old SHGs (10%). However, the average level of assets was higher for members in newly formed groups in both pre- and post-SHG situations (Table 4.7). The average value of assets was relatively more for the members in the older groups of five years and above than the members in the newly formed groups (Fig.3). This trend was due to the economic empowerment of members in the older groups compared to recently formed groups.

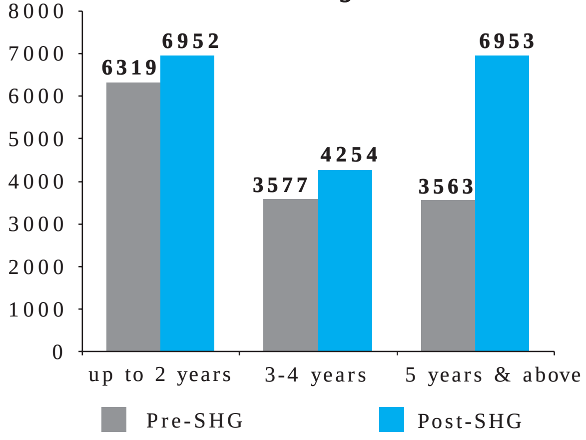
Table 4.7 Average Value of Assets Possessed by SHG Members-SHG age-wise

(percentages)

Type of Asset	Age of groups (Years)						Overall	
	Up to 2		3-4		5 & above			
	Pre-SHG	Post-SHG	Pre-SHG	Post-SHG	Pre-SHG	Post-SHG	Pre-SHG	Post-SHG
Milch Cattle/ Poultry	2687	3180 (18.4)	2215	2698 (21.8)	1460	3003 (105.7)	1718	2863 (66.6)
Work Animal	3906	4138 (5.9)	3008	3300 (9.7)	1729	3357 (94.2)	3174	3685 (16.1)
Consumer Durables	3581	3908 (9.1)	1188	1554 (30.8)	3074	4148 (34.9)	2517	3051 (21.2)
Overall	6319	6952 (10.0)	3577	4254 (18.9	3563	6953 95.2	4498	5827 29.6

Figures in brackets indicate % of increase

Fig 3 : Average Asset Value in Pre-and Post-SHG Situations : Age-wise



As far as the immovable assets such as land and dwellings are concerned, the number of landless as well as land holding of sample SHG members remained the same during pre-and post-SHG situations. Similarly, no sample SHG member reported opting for a new dwelling unit nor did anyone report a change in their dwelling type such as from kutchha to semi pucca or pucca. Increase in value of these two forms of assets cannot be expected from micro-Finance interventions over a short span of time. However, some of the unirrigated holdings of the members had been provided with irrigation facilities from traditional sources like wells, ponds and rivers after installing lift irrigation points out of loans from SHGs. Similarly, some members had repaired their dwelling units after availing loans from SHGs.

4. Savings Pattern

The SHG Bank Linkage programme distinctly differs from other micro Finance programmes across the world mainly in terms of its greater emphasis on savings. The basic philosophy of saving first and credit next is assumed to be one of the strengths of the programme. The programme rests on the premise that members will develop the habit of thrift so that during post-SHG phase they can avail of loan. This, besides increasing their self-reliance in meeting the credit needs of the group members will also help in efficient deployment of credit among the members as their own money is at stake. The existing savings and lending products mainly from institutional sources were not adaptable to the rural poor. Keeping this in view, the programme has shifted the entire responsibility of innovating the saving and lending products to SHGs with a broader framework suggested in its guidelines.

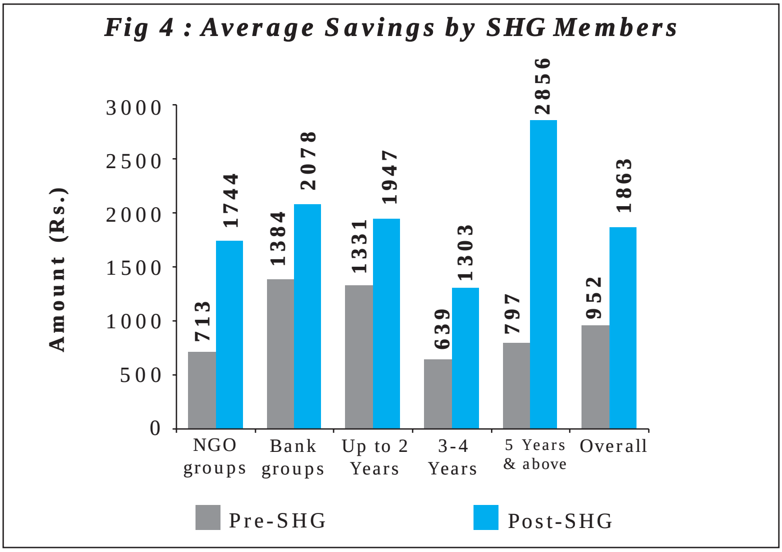
Average Level of Savings

The estimated mean annual savings was worked out to Rs. 952 during the pre-SHG situations which was increased to Rs. 2,103 during post SHG situations. The incremental saving was worked out to Rs.911, which is about 96 per cent increase between pre and post-SHG situations (Table 4.8). The percentage of incremental savings was significantly higher in NGO-groups (145%) than BANK-groups (50%) which might partly be due to greater emphasis on savings by NGOs and partly due to the higher degree of incremental net income generated by NGO groups (Fig. 4) Low incremental savings in BANK- groups might also be due to the fact that its members were having higher level of savings (Rs. 1,384) during pre-SHG situation than the NGO groups (Rs.713). There was an increasing trend of incremental savings corresponding to the age of the groups. This was expected, since over the years the members recognized the need for savings and had the tendency to increase the rate in correspond to loan amount.

Table 4.8 Mean annual Savings by SHG Members-Model wise/SHG Age wise

(Rs.)

Models	Category	Pre-SHG	Post-SHG	Incremental Savings	Percentage
	NGO groups	713	1744	1031	144.6
	BANK- Groups	1384	2078	694	50.2
SHG Age	Up to 2 Years	1331	1947	616	46.3
	3-4 years	639	1303	664	103.8
	5 Years & above	797	2856	2058	258.1
	Overall	952	1863	911	95.6



Agency-wise Share of Savings

The agency-wise share of savings amount during pre-and post-SHG situation is presented in Table 4.9. During the pre-SHG situation, members were keeping a major amount of their savings with themselves (Rs.715), followed by banks (Rs.163) and other agencies (Rs.74). After joining SHGs as well, majority of their savings were kept in SHGs (Rs.1,325) followed by banks (Rs.419) and other agencies (Rs.120). The incremental savings was highest (156%) for banks (commercial banks, RRBs and cooperatives) followed by SHGs (85%) and other agencies (62%) like LIC and insurance agencies, chit funds, etc. Higher incremental savings for banks indicated the positive impact of the programme on banks as an avenue of resource mobilization.

Table 4.9 Agency-wise Mean annual Savings by SHG Members

(Rs.)

Agency	Pre-SHG	Post-SHG	Incremental Savings	Per cent
Self/SHG	715	1325	610	85.3
Bank	163	419	255	156.4
Others	74	120	46	62.1
Total	952	1863	911	95.7

Distribution of Savings

In the pre-SHG situation about 9 per cent of the sample households were not saving anything because of poor condition and meager net income. About 33 per cent were having savings in the range of Rs.100-Rs.500 followed by 16 per cent of households in the range of savings up to Rs.100 (Table 4.10). About 57 per cent of the households were having savings less than Rs.500 in the pre-SHG situation. The intervention of SHG has resulted in a shift in the saving amount to higher slabs, i.e., 18 to 25 % in the range of Rs.500-1,000 and 13 to 30% in the range of Rs.1,000-2,000. The mean savings of Rs.2000 and above increased from 11 per cent in the pre-SHG situation to 26 per cent in the post-SHG situation.

Table 4.10 Distribution of SHG Members According to Level of Savings

Savings Range (Rs.)	Households (%)		
	Pre-SHG	Post-SHG	Difference
Nil Savings	8.8	—	8.8
10-50	4.3	—	4.3
50-100	11.3	—	11.3
100-500	33.0	18.3	14.7
Sub-Total	**57.4**	**18.3**	**39.1**
500-1000	18.3	25.2	6.9
1000-2000	13.0	30.4	17.4
>2000	11.3	26.1	14.8
Sub Total	**42.6**	**81.7**	**39.1**
Total	**100.0**	**100.0**	

5. Borrowing Pattern

Easy access of credit mainly from institutional sources is one of the major objectives of the programme and thus it aims at strengthening credit widening (expanding the clientele base) and credit deepening (enhancing quantum of loan per borrower). The results presented in this section showed that the programme has contributed both in credit widening as well as credit deepening.

Average Loan Amount

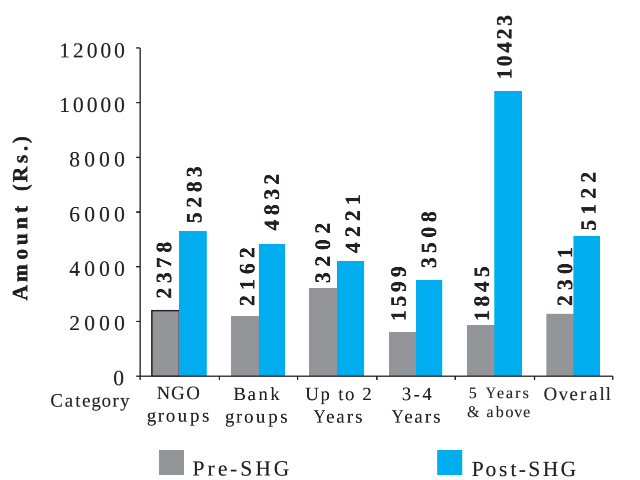
On an average, the loan amount received by the member during the post SHG situation worked out to Rs.5122 which was about 123 per cent more than the pre-SHG situation (Rs.2301) (Table 4.11). The increase in quantum of loan between pre and post-SHG situations was observed to be more or less the same among NGO groups and BANK-groups (Fig.5). On the other hand, the incremental borrowing registered an increasing trend alongwith an increase in the age of the groups. Therefore, the programme had a significant impact on borrowing patterns of sample SHG members both in terms of strengthening credit widening and credit deepening.

Table 4.11 Incremental Borrowings by SHG Members

(Rs.)

Models	Category	Pre-SHG	Post-SHG	% Change
	NGO groups	2378	5283	122.1
	BANK- Groups	2162	4832	123.5
SHG Age	Up to 2 Years	3202	4221	31.8
	3-4 years	1599	3508	119.4
	5 Years & above	1845	10423	464.8
	Overall	2301	5122	122.6

Fig 5 : Average Loan Size of SHG Members



Agency-wise Share of Borrowings

An attempt to analyse the pattern of loan amount among different agencies revealed that moneylenders accounted for a major source of borrowing during pre-SHG situation (66%) followed by banks (27%). However, after the intervention of the programme, the borrowing pattern got totally changed and about 82 per cent of the loan was received from SHGs (Table 4.12). In the process, there is significant reduction in the share of moneylenders, which accounted for only 15.3 per cent. Thus, there was an elimination of about 50 per cent share of the loans of moneylenders as a result of this programme. The relative importance of banks (0.4%) also came down significantly during the post-SHG situation. Thus, SHGs played the role of a substitute to all sorts of informal agencies in meeting the credit needs of the sample SHG members.

Table 4.12 Agency wise Share of Loan Amount

(Rs.)

Agency	Pre-SHG		Post-SHG		Difference in
	Amount	Share (%)	Amount	Share (%)	the Share
Banks	70700	26.7	2200	0.4	-26.7
Money Lenders	173400	65.5	89900	15.3	-50.2
Friends & Relatives	12400	4.7	18000	3.1	-1.6
Others	8150	3.1	4250	0.7	-2.4
SHGs	—-	—-	474693	81.5	81.5
Total	264650	100.0	589043	100.0	

Activity-wise Share of Borrowings

The distribution of loan amount according to purpose of loan is presented in the Table 4.13. The study reported that there was significant increase in loans for production purposes from 56 per cent to72 per cent between pre and post-SHG situations. Corresponding to this, the loan amount for consumption purposes came down from 44 per cent to 28 per cent during these periods. Within production purpose loans, the loan for Industry, Services, and Business (ISB) and loan for crop cultivation and investment in agriculture received top priority. The incremental shares for cultivation purposes and for ISB were worked out to 11.5 and 5 percentage points respectively.

Table 4.13 Purpose wise Distribution of Loan Amount

(Rs.)

Si. No.	Purpose	Pre-SHG	Share (%)	Post-SHG	Share (%)	Difference in the Share
A.	Production Purpose (I-V)	147350	55.7	421876	71.6	15.9
I.	Cultivation	35950	13.6	88946	15.1	1.5
II.	Investment in Agriculture	10000	3.8	80600	13.7	9.9
III.	Livestock	14000	5.3	29050	4.9	0.4
IV.	Industry, Service, Business	77400	29.2	201880	34.3	5.1
V.	Miscellaneous	10000	3.8	21400	3.6	0.2
B.	Consumption Purpose	117300	44.3	167167	28.4	15.9
	Total (A+B)	264650	100.0	589043	100.0	

The distribution of loan amount among different activities furthers revealed that share of increase in production loans and reduction in consumption loans was relatively more in NGO groups than the BANK- groups (Table 4.14). However, within the production purpose loans, the incremental loan amount for ISB activities was higher for NGO groups (26 percentage points) as compared to BANK- groups (17 percentage points). Low increment in the share of loan amount for ISB activities in BANK- groups might also be due to the fact that its members were having higher level of ISB loans (42%) during pre-SHG situation than the NGO groups (8%). Another observation is that while the proportion of loan amount for cultivation purposes during post-SHG situation compared to pre-SHG situation came down for BANK- groups (from 22% to 12%) it went up for NGO promoted groups (from 22% to 33%).

Table 4.14 Purpose wise Distribution of Loan Amount: Model wise

(percentage)

Si. No.	Purpose	BANK- Group		NGO Group	
		Pre-SHG	Post-SHG	Pre-SHG	Post-SHG
A.	Production Purpose (I-V)	65.5	75.8	41.0	74.7
I.	Cultivation	8.5	11.8	15.0	18.5
II.	Investment in Agriculture.	13.8	0.0	6.5	14.6
III.	Livestock	8.5	5.0	4.9	3.1
IV.	Industry, Service & Business	42.3	59.0	8.1	34.0
V.	Miscellaneous	0.0	0.0	6.5	0.6
B.	Consumption Purpose	34.5	24.2	59.0	25.3
	Total (A+B)	100.0	100.0	100.0	100.0

Frequency Distribution of Borrowings

Implementation of the programme positively impacted and improved the access to the rural poor to credit. About 51 per cent of the members were non-borrowers during pre-SHG situation whereas it was only 10 per cent during the post-SHG situation (Table 4.15). The frequency distribution of SHG members according to level of borrowings revealed that the proportion of loans between Rs.1,000 to Rs.5,000 had increased from 34 percent to about 48 per cent between pre and post-SHG situations. Similarly, the proportion of loans between Rs.5,000 to Rs.20,000 increased by two times from about 9 percent in the pre-SHG situation to about 18 per cent in the post-SHG situation. However, there was a perceptible increase in the members (30%) availing small loan amounts of up to Rs. 5,000 than the large loans (11%) of above Rs.5,000.

Table 4.15 Distribution of SHG Members According to Level of Borrowings

Loan Range (Rs.)	Households (%)		
	Pre-SHG	Post-SHG	Difference
Nil Borrowing	51.3	9.6	- 41.7
Up to 1000	3.5	20.0	16.5
1000-5000	33.9	47.8	13.9
5000-10000	7.0	12.2	5.2
10000-20000	1.7	6.1	4.4
20000 & Above	2.6	4.3	1.7
Total	100.0	100.0	

Interest Rates

Interest rate is one of the basic issues being debated while assessing the programme. The average annual interest rate paid by the sample members worked out to 81.0 per cent during pre-SHG situation and it had significantly reduced to 31 per cent during post-SHG situation (Table 4.16). While major share of loan accounts (66%) and loan amount (41%) were contracted at the interest rate of more than 60 per cent during pre-SHG situation, the interest rate got converged at the level of 12 to 24 per cent during post-SHG situations (Table 4.6). This analysis provided evidences for the positive impact of the programme in reducing the interest burden of the members and avoiding the exploitation of the poor by informal agencies, particularly money lenders, commission agents, etc.

Table 4.16: Interest Range-wise Distribution of Loan Accounts and Loan Amounts

(percentage)

Interest Rate (%)	Number of Accounts		Loan Amount	
	Pre-SHG	Post-SHG	Pre-SHG	Post-SHG
Upto 12	7.1	2.5	11.0	2.4
12-24	12.5	76.2	39.9	66.4
24-36	—-	16.6	—-	13.6
36-48	1.8	2.1	1.9	9.4
48-60	12.5	2.1	6.0	6.8
>60	66.1	0.5	41.2	1.4
Total	100.0	100.0	100.0	100.0

Loan Periods

One of the basic practices followed by SHGs is a frequent loan with shorter periods. As could be seen from the Table 4.17, most of the loans were contracted for a period of less than 12 months both in terms of number of accounts (93%) and loan amount (78%). However, there was a tendency to converge towards 6 to 12 month period during post-SHG situation. For 6-12 months range of loan period, the number of accounts and loan amount was 57 per cent and 37 per cent during pre-SHG situation, which had increased to 80 per cent and 74 per cent during post-SHG situation. Further the option of loan period of more than 2 years were not preferred by the members during post-SHG situation.

Table 4.17: Loan Period-wise Distribution of Loan Accounts and Loan Amounts

(percentage)

Loan Period (in months)	Number of Accounts		Loan Amount	
	Pre-SHG	Post-SHG	Pre-SHG	Post-SHG
Upto 3	5.4	5.7	1.7	1.1
3-6	25.0	7.3	8.1	3.2
6-12	57.1	79.8	37.1	73.8
12-24	7.1	5.7	30.4	18.6
24-36	1.8	1.0	9.4	0.4
>36	3.6	0.5	13.2	2.9
Total	100.0	100.0	100.0	100.0

Repayment Performance

The repayment percentage among the sample households from all the sources was 94.9 per cent in post-SHG situation compared to 86.5 per cent in pre-SHG situation, registering an increase of just 8.4 per cent. In general, there was not much improvement in the repayment percentage as it was already at a higher level in pre-SHG situation. However, significant improvement in the repayment percentage of bank loans of the order of 21.8 per cent points was noteworthy (Table 4.18). During pre-SHG situation, repayment performance was high for all loans from informal agencies because these loans carried higher rates of interest and borrowers also had to face harassment in terms of unscrupulous recovery practices by these agencies.

The sample households were mostly dependent on informal sources such as moneylenders for their credit needs during the pre-SHG situation. They were availing of loans at higher rates of interest for shorter period of less than 12 months. These informal agencies recovered their loans unscrupulously and borrowers were also giving priority to repayment of these loans as they carry higher rates of interest and would ensure loans in future. Further there would have been an entry barrier for those members with poor repayment of earlier loans from any source into the SHGs. As a result, the pre SHG situation repayment was also higher.

Table 4.18 Agency wise Repayment Performance of SHG Members

(percentages)

Agency	Pre-SHG	Post-SHG	Increment (% points)
Banks	63.7	85.5	21.8
Money Lenders	93.2	95.2	2.0
Friends & Relatives	86.5	94.4	7.9
Others	69.3	83.5	14.2
SHGs	—-	95.1	—-
Overall	86.5	94.9	8.4

The repayment performance had registered a significant improvement in BANK- groups compared to NGO groups, which might be due to higher level of repayment during pre-SHG situations (Table 4.19). Another interesting observation is that the repayment percentage was more for the members in the older groups of five years and above (11.7%) than for the members in the newly formed groups. Reasons for this trend may be attributed to the increased economic benefits accrued by SHG members in the older groups compared to recently formed groups.

Table 4.19 Repayment Performance of SHG Members-Model wise/SHG Age wise

(percentages)

Repayment performance	Models		Age of groups (Years)			Overall
	NGO-groups	BANK-groups	Up to 2	3-4	5 & above	
Pre-SHG	90.9	60.0	88.9	94.3	81.7	86.5
Post-SHG	94.6	95.5	92.6	99.5	93.4	94.9
Increment (% points)	3.7	35.5	3.7	5.2	11.7	8.4

6. Income Generation

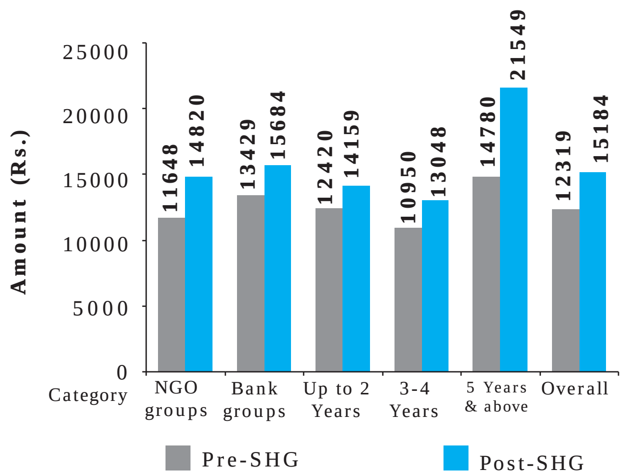
The SHG Bank Linkage programme with better access to credit brings in its wake increased income to the SHG members. The average net income in pre-SHG and post-SHG situations worked out to Rs.12,319 and Rs. 15,184 respectively (Table 4.20). The incremental net income was worked out to Rs.2,865, which accounted for 23 per cent increase of the net income between pre and post-SHG situations (Fig. 6). NGO groups registered higher increase in average incremental net income both in absolute (Rs.3,172) as well as percentage terms (27%). The age of SHGs also had a positive impact on the incremental net income. The average incremental net income increased from Rs.1,739 in respect of SHGs of 2 years to Rs.2.098 for 3-4 year old SHGs and further to Rs.6,769 for SHGs of 5 years and above. In terms of percentage, the increase was 14 per cent, 19 per cent and 46 per cent for all the three categories of SHGs respectively.

Table 4.20 Incremental Income by SHG Members-Model wise/SHG Age wise

(Rs.)

Models	Category	Pre-SHG	Post-SHG	Incremental	% Increase
	NGO groups	11648	14820	3172	27.2
	BANK- Groups	13429	15684	2255	16.8
SHG Age	Up to 2 Years	12420	14159	1739	14.0
	3-4 years	10950	13048	2098	19.2
	5 Years & above	14780	21549	6769	45.8
	Overall	12319	15184	2865	23.3

Fig 6 : Average Household Income of SHG Members



Distribution of Income

The frequency distribution of annual average income of sample households revealed that about 28 per cent households were having income in the range of Rs.7,500-Rs.10,000 during the pre-SHG situation followed by 22 per cent in the range of income up to Rs.7,500 (Table 4.21). About 70 per cent of the households were having an income less than Rs.12,500 in the pre-SHG situation. This proportion had declined to 49 per cent in the post-SHG situation indicating shift in the income distribution to higher slabs.

Table 4.21 Distribution of SHG Members according to Level of Income

Income Range (Rs.)	Households (%)		
	Pre-SHG	Post-SHG	Difference
Up to 7500	21.7	13.9	7.8
7500-10000	27.8	19.1	8.7
10000-12500	20.0	15.7	4.3
Sub Total	**69.5**	**48.7**	**20.8**
12500-15000	12.2	16.5	4.3
15000-17500	8.7	13.9	5.2
17500-20000	3.5	7.0	3.5
20000-22500	1.8	3.5	1.7
22500 & above	4.3	10.4	6.1
Sub Total	**30.5**	**51.3**	**20.8**
Total	**100.0**	**100.0**	

The sample members undertake various types of activities such as farm, non-farm and off-farm activities, wage earning and other miscellaneous activities (includes salaries, pensions, remittances, etc.). About 54 per cent of the incremental income generated was from farm-sector activities (Table 4.22). This was the result of increased use of loans (29%) for productive purposes in the post-SHG situation compared the pre SHG situation (17%). Most SHG loans by members for cultivation purposes were utilized for applying fertilizer, pesticides to the standing crops. Investments in terms of installing lift irrigation points, digging of land were also reported. The non-farm sector activities generated about 36 per cent of the incremental income in the post-SHG situations followed by off-farm (10%) activities. Lowest incremental income generated was from agricultural labour (3%) followed by miscellaneous activities (4%).

Table 4.22 Activity-wise Distributions of Net Income & Incremental Income

(percentage)

Activity	Net Income of SHG Households		Incremental
	Pre-SHG	Post-SHG	Income
Agriculture Labour	40.6	32.3	3.2
Farm sector activities	27.5	32.4	53.5
Off farm activities	15.7	14.8	10.2
Non-Farm Sector Activities	13.7	17.8	35.7
Miscellaneous Activities	2.5	2.7	3.7
Total100 100 100.0			

7. Poverty Alleviation

The government undertakes several self-employment as well as wage employment programmes to eradicate poverty from among the masses. The SHG Bank Linkage programme is one such programme, which has its impact on poverty alleviation through group effort, which emanates from their own savings and timely credit from various institutional agencies. The present study computed poverty level income of the households as a product of the cut off levels of monthly per capita consumption expenditure and the number of consumption units in the households. A total of 101 households out of a sample of 115 households, i.e., 87.8 per cent were below poverty line in the pre-SHG situation compared to 86 households, i.e., 74.8 per cent in the post-SHG situation. Out of those below poverty line in the pre-SHG situation, 15 per cent have moved above poverty line. While about 16 per cent crossed poverty line from NGO groups, about 14 per cent moved above poverty line from BANK groups. Similarly, SHG age-wise 2 year old groups showed relatively poor performance (14%) compared to the 5 year and above SHGs (21%).

8. Employment Generation

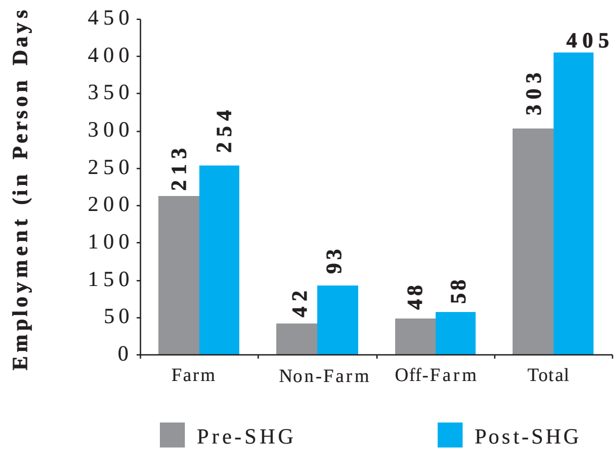
Easy and timely availability of credit results in enhanced opportunities for undertaking different economic activities, which further leads to increased employment. The estimated employment days per household worked out to 405 person days during post-SHG situation that had registered an increase of 34 per cent between pre and post SHG situations (Table 4.23). Activity-wise the percent increase in incremental employment was highest for non-farm activities (121%) followed by off-farm activities (21%) and farm activities (19%) (Fig. 7). While the proportion of employment days from farm sources was 70 per cent during pre-SHG situation, it came down to 63 per cent during post-SHG situation. On the other hand, the proportion of employment days generated through non-farm activities increased from 14 per cent to 23 per cent between pre and post-SHG situations.

Table 4.23 Activity-wise Average Employment Days Generated by SHG Households

(person days)

Activity	Pre SHG	Share (%)	Post SHG	Share (%)	Incremental Employment	Per cent Change
Farm Employment	213	70.3	254	62.7	41	19.2
Non-Farm Employment	42	13.9	93	23.0	51	121.4
Off-Farm Employment	48	15.8	58	14.3	10	20.8
Total Employment	303	100.0	405	100.0	102	33.7

Fig 7 : Average Employment Days Generated by SHG Households



The programme had significant impact on employment generation for NGO promoted groups (66%) compared to BANK- groups, (20%) (Table 4.24). Across the activities as well, the NGO groups generated higher percentage of incremental employment compared to BANK- groups Significant increase in non-farm and off-farm employment was reported on account of the seasonal nature of farm employment. After the crop season, many SHG members got involved in petty trade, rice trade, vegetable vending, goat rearing, animal grazing, jaggery making, brick making, etc. Collection of non-timber forest produce (NTFP), wood cutting and selling were also common during non-crop season days. Another positive and significant observation was that the incremental employment was considerably more for the households in the older groups of five years and above (42%) than the members in the newly formed groups (20% for 2 year old SHG households and 33% for 3-4 year old SHG households). Similar trend was visible for SHG households of different ages across the activities. This trend was due to the economic empowerment of members in the older groups compared to recently formed groups.

Table 4. 24 Incremental Employment by SHG Households-Model wise/SHG Age wise person days

Category	Employment Generated				
	Model-wise		SHG Age wise (Years)		
	NGO Group	BANK Group	Up to 2	3-4	5 & above
Farm Employment	42(19.5)	42(19.8)	63(33.7)	45(20.3)	29(13.3)
Non-Farm Employment	104(284.7)	22(48.4)	13(30.4)	40(98.4)	81(182.9)
Off-farm employment	25(336.7)	1(2.0)	-17(-26.2)	18(34.4)	14(38.3)
Total employment	171(65.6)	65(19.9)	59(20.2)	103(32.6)	123(41.8)

Figures in parentheses are in percentage terms.

Overall the level of employment even during the post-SHG situation was relatively low (405 person days) and it indicates the existence of scope for further improvement through appropriate employment generating strategies. This would provide greater scope for achieving more and more economic benefit by the rural poor.

8. Social Impact and Empowerment

The SHG Bank Linkage programme impacted the social empowerment of sample SHG members in a significant way. The feeling of members in terms of their self worth such as confidence building, meeting financial crisis of the family, treatment towards neighbours, etc. were assessed through structured questionnaires and are presented in Table 4.25. Only 21 per cent of the sample households exuded confidence during pre-SHG situation, which improved to about 78 per cent during post-SHG situation. Similarly, there was improvement in the quality of treatment meted out to the SHG members by their family members. About 89 per cent of them experienced a better treatment within the family during the post-SHG situation, which was only 40 percent during pre SHG situation. Further, involvement of the members in group activity significantly improved their confidence in managing financial crises in the family, which increased to about 85 per cent in the post-SHG situation as compared to only 33 per cent in the pre-SHG situation.

Various SHG activities resulted in improving the decision-making capacity of SHG members. Accordingly, it has its impact on decision-making in household matters as well. While about 39 per cent of the members were jointly taking decisions in the household economic matters in the pre-SHG situation, it improved to about 74 per cent in the post-SHG situation. Similarly, the decision making of members on various social matters in the family like education of children, marriage, etc. improved considerably. The level of communication also improved in the post-SHG situation. While most of the members (23%) did not freely talk in the pre-SHG situation, about 65 per cent of them expressed their desire towards freely talking to others during post-SHG situation. In the pre-SHG situation, about 40 per cent of members were speaking out only when asked, while it came down considerably to 9 per cent in the post-SHG situation.

One of the most important objectives of the programme was to improve the assertiveness of SHG members. In this study, it was measured in terms of their increasing desire to protest against social evils like drinking, gambling, wife beating by husbands, etc. The response of the members revealed that about 37 per cent of members were protesting against drinking and gambling during the pre-SHG situation, whereas it increased to about 81 per cent in the post-SHG situation. Similarly, about 78 per cent members registered strong protest against the husband beating the wife, which was relatively less during the pre-SHG situation. Family violence was rampant among the poor because of their poor economic and social status.

However, with the implementation of the programme, violence in the family came down considerably in the post-SHG situation. About 49 per cent of the members reported that there was family violence as compared to 67 per cent during pre-SHG situation. As regards to the mobility of SHG members, about 45 per cent of them were not coming out or moving out freely before joining SHG. However, the situation improved significantly as about 75 per cent of the members reported their improved mobility during the post-SHG situation.

Table 4.25 Indicators of Change in Social Empowerment of SHG Members

Indicators of Changes	Pre-SHG	Post SHG
Self Confidence & Self Worth		
Respondent exudes confidence	21	78
Can Confidently meet financial crisis	33	85
Respectful Treatment from family members	40	89
Comes out to help neighbours/others	51	95
Decision making		
Joint decisions on purchase of household assets &investments	39	74
Makes joint decisions on social matters like, education of Children, their marriage,	42	69
Communication Skills		
Speaking out freely	23	65
Talks only if asked	**40**	**9**
Behavioural Changes		
Protests drinking/gambling	37	81
Protest Wife beating by Husbands	52	78
Domestic violence	67	49
Increased Mobility	45	75

V. Summary and Conclusions

The present study attempts to assess the impact of micro Finance channelised through SHG Bank Linkage programme implemented by NABARD since 1992 in eastern regions of the country. The study is based on primary details collected from 115 members in 60 SHGs. The socio-economic conditions of the members were compared between pre and post-SHG situations to quantify the impact. The reference period of the study was the year 2001-02. The major findings of the study are summarised and issues for policy are presented in this section.

Structure, Conduct and Performance of SHGs

The number of members in the sample SHGs varied from 10 to 20, average being 14. Homogeneity in the standard of living was the major criterion (58%) for the group formation followed by the proximity of stay (23 %) and activity (17%). Most of the SHGs conduct monthly meetings (65%) followed by fortnightly (16 %) and weekly meetings (8 %). In case of about 10 per cent of SHGs, conduct of meetings was irregular. About 38 per cent of groups were conducting meetings at the residence of the President or Secretary of the group. While 42 per cent of SHGs were conducting meetings in a common place like Panchayat Office, Anganwadi residence, village community halls, members' residence, etc., about 20 percent of groups had no specific place to conduct meetings. The level of attendance was more than 90 per cent in case of about 58 per cent of SHGs and it was less than 70 per cent in case of only 7 per cent of SHGs. About 67 per cent of groups imposed penalty or fine for late attendance or absenteeism in the meeting.

Savings and Loan Products

The sample SHGs saved from a lowest of Rs.5 to a high of Rs. 150 per member per month. Majority of SHGs (48 %) saved Rs.10 to 20 per member per month. About 23 per cent of SHGs reported increase in savings rate over time. In addition to the regular monthly savings, a few groups were reported to have engaged their extra savings for different purposes like education for children, to finance meals (bala bhojan) for needy children, marriage of daughter, etc. About 8 per cent of the SHGs reported having multiple saving products. The proportion of savings to total resources was relatively higher for BANK groups (35.8%) as compared to NGO groups (30.5%). The bank loan constituted the major share of the resources with SHGs (62.3%) followed by savings by the groups (32.1%) and interest received on loan (2.6%). Similar trend was observed among different models and age groups. The percentage share of savings to the bank loan was worked out to only 51.5 per cent indicating dependence of the SHGs on the external sources for lending operations. The share is higher for BANK- groups (59%) which indicated banks' stress on forming tangible collateral for their lending operations. It is also higher for older groups (61.8 %) indicating their self-reliance.

The average loan size per group from the bank was worked out to Rs.32,685. About 72 per cent of the bank loan was used for income generating purpose and the remaining 28 per cent was for consumption and other social functions and contingency purposes. The size of loan was reported to be more for NGO groups (Rs.36,069) as compared to BANK- groups (Rs.26,910). Older SHGs reported higher shares of loans used for income generating purposes as compared to recently formed SHGs. About 78 per cent of the members have an outstanding loan, which indicated that loans were well distributed among the SHG members. The percentage was higher for BANK- groups (86 5%) as compared to NGO groups (72 %). The repayment performance of members to SHGs had been reported at 88 per cent. The repayment performance of SHG to banks was worked out to 86.6 per cent.

Economic Impact

Based on social classification, the coverage of weaker sections (SC/ST and backward class) worked out to 83 per cent. This category was observed to be more in NGO groups (88%) than BANK- groups (73%). Marginal farmers constituted the major share of 44 per cent followed by small farmers (27%) and agricultural labourers (17%). While the proportion of marginal and small farmers was higher for NGO groups (73%) compared to BANK- groups (66%), the proportion of agricultural labourers was relatively more in BANK- groups (22%) followed by NGO groups (15%).

While asset structure had increased for about 45 per cent of the sample households, about 52 per cent sample households reported no change in their asset holding pattern. The average value of assets worked out to Rs.5,827 during the post-SHG situation compared to Rs.4,498 during pre-SHG situation, an increase by 30 per cent. Across the models of SHG linkage, the increase in the average value of assets was higher for NGO groups (35%) compared to BANK- groups (19%). The average value of assets was considerably more for the members in the older groups of five years and above than the members in the newly formed groups. The mean annual savings per household was worked out to Rs.952 during the pre-SHG situation, which increased by about 96 per cent to Rs.2103 during post SHG situation. The percentage of incremental savings was significantly higher in NGO-groups (145%) than BANK- groups (50 %). There was an increasing trend of incremental savings corresponding to the age of the groups. The incremental savings was highest (156%) for banks (commercial banks, RRBs and cooperatives) followed by SHGs (85%) and other agencies (62%) like, LIC and insurance agencies, chit funds, etc.

The average loan amount during the post SHG situation was worked out to Rs. 5,122, which was about 123 per cent more than the pre-SHG situation (Rs. 2,301). The increase in quantum of loan between pre and post-SHG situations was observed to be more or less same among NGO groups and BANK- groups. On the other hand, the incremental borrowing registered an increasing trend alongwith the increase in the age of the groups. The moneylenders accounted for a major source of borrowing during pre-SHG situation (66%) followed by banks (27%). However, after the intervention of SHG Bank Linkage programme about 82 per cent of the loan was received from SHGs. The position of money lenders came down to only 15 per cent.

There was significant increase in the proportion of loan amount for production purposes from 56 per cent during pre-SHG situation to about 72 per cent during post-SHG situation. To that extent the loan amount for consumption purposes came down from 44 per cent to 28 per cent between pre and post-SHG situations. The share of increase in production loans and reduction in consumption loans was relatively more in NGO groups than the BANK- groups. About 51 per cent of the members were non-borrowers during pre-SHG situation whereas it was only 10 per cent during the post-SHG situation. There was a perceptible increase in the members (30%) availing small loan amounts of up to Rs.5000 than the large loans (11%) of above Rs.5000. The average annual interest rate paid by the sample members worked out to 81 per cent during pre- SHG situation and it had significantly reduced to 31 per cent during post-SHG situation. While major share of loan accounts (66%) and loan amount (41%) were contracted at the interest rate of more than 60 per cent during pre-SHG situation, the interest rate got converged at the level of 12 to 24 per cent during post-SHG situation.

The repayment percentage among the sample households from all the sources was 94.9 per cent in post-SHG situation compared to 86.5 per cent in pre-SHG situation, registering an increase of just 8.4 per cent. However, significant improvement in the repayment percentage of bank loans of the order of 21.8 per cent points was reported.

The average net income in pre and post-SHG situations worked out to Rs.12,319 and Rs.15184 with an increase of 23 per cent. The NGO groups registered maximum increase in average incremental net income both in absolute (Rs.3,172) as well as percentage increase (27%). The age of SHGs also had a positive impact on the incremental net income. About 70 per cent of the households were having an income of less than Rs.12,500 in the pre-SHG situation. The proportion declined to 49 per cent in the post-SHG situation indicating shift in the income distribution to higher slabs. About 54 per cent of the incremental income generated was from farm-sector activities followed by the non-farm sector activities (36%).

Out of those below poverty line in the pre-SHG situation, 15 per cent have moved above poverty line. While about 16 per cent crossed poverty line from NGO groups, about 14 per cent moved above poverty line from BANK groups. Similarly, SHG age-wise 2 year old groups showed relatively poor performance (14%) compared to the 5 year and above SHGs (21%).

The estimated employment days per household worked out to 405 person days during post-SHG situation that had registered an increase of 34 percent between pre and post SHG situations. Activity-wise the percent increase was highest for non-farm activities (121%) followed by off-farm activities (21%) and farm activities (19%). Employment generation for NGO promoted groups (66%) was higher compared to BANK- groups (20%).

Social Impact

The social empowerment of sample SHG members improved in a significant way. Only 21 percent of the sample households exuded confidence during pre-SHG situation, which improved to about 78 percent during post-SHG situation. While about 40 percent of them experienced better treatment from family members in the pre-SHG situation, about 89 percent experienced similar improved treatment during post-SHG situation. While about 39 percent members were jointly taking decisions in the household economic matters in the pre-SHG situation, it improved to about 74 percent in the post-SHG situation. The level of communication also improved in the post-SHG situations.While members freely talking in the pre-SHG situations were 23 per cent, about 65 percent of them expressed their desire towards freely talking to others during post-SHG situation. About 37 percent of members were protesting against drinking, gambling during the pre-SHG situation, whereas it increased to about 81% in the post-SHG situation. Similarly, about 78 percent members registered strong protest against the husband beating the wife, which was relatively less during the pre-SHG situation. About 45 percent of members were not coming out or moving out freely before joining SHG. However, the situation improved significantly as about 75 percent of the members reported their improved mobility during the post SHG situation.

Issues for Policy

- About 21 percent of groups had no place to conduct meetings. They conducted meetings either on the village roads or under the shade of village trees, etc. This calls for strengthening village infrastructure in terms of providing at least one-room community halls where these groups can meet and transact their business.

- Only 18 per cent of sample SHGs reported following the practice of rotation or election of leaders. Low leadership rotation is an area of concern. It may lead to major information asymmetry and causation of moral hazards. Therefore, it has to be ensured that leadership rotation or election of leaders is strictly to be practiced for future sustainability of the group.

- In several cases, bankers show unenthusiastic attitude in promoting SHGs. Occasionally, they point out reasons like shortage of staff, time, etc. just to avoid dealing with SHG promotion. Importance in terms of rigorous training for capacity building and to change their attitude should be thrust upon bankers for strengthening SHGs promoted by bankers.

- NGOs are linked in one way or another even for older SHGs of 5 years and above. NGOs have not thought of any strategies to withdraw their support to these older SHGs. NGOs on an experimental basis should attempt gradual withdrawal and see whether the groups are able to function and transact their day-to-day operations independently. For older groups, promotion of cluster level institutional arrangements will provide such situations.

- The study observed that a large number of SHGs have already been promoted. Therefore, presently all efforts should be concentrated on nurturing and strengthening of existing groups. There is a need for documentation, an effective Management Information System (MIS) and build up of data base on SHGs at the district level.

- The study observed that many groups have utilized their services for various developmental works in the village. Efforts should be directed to replicate the same for other SHGs. SHGs of the village may be associated effectively in all developmental works such as infrastructure development, construction of schools, roads, buildings, hospitals and even RIDF projects.

- The study findings emphasize the need for greater thrust to human resource development. Most of the SHG members have not been sensitised through orientation training programmes. Therefore, the urgent need of providing orientation as well as skill based training to these groups/ members is seriously felt.

- It is observed that SHG members are grossly under employed keeping in view only 405 person days per household/per year. Therefore, NGOs/Banks should strengthen various forward and backward linkages and also attempt to promote activity-based SHGs to reduce their underemployment situation.

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Abbreviations

SHG	:	Self Help Group
SC/ST	:	Scheduled Caste/ Scheduled Tribe
BCs	:	Backward Class
SBL Programme	:	SHG-bank Linkage Programme
NGO	:	Non-Governmental Organisation
SHPIs	:	Self Help Promoting Institutions
NER	:	North Eastern Region
KBK	:	Kalahandi, Bolangir, Koraput
RFIs	:	Rural Financial Institutions
IGA	:	Income Generating Activity
ISB	:	Industry, Services and Business
NTFP	:	Non- timber forest produce
RRB	:	Regional Rural Bank
LIC	:	Life Insurance Corporation
MIS	:	Management Information System
RIDF	:	Rural Infrastructure Development Fund

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