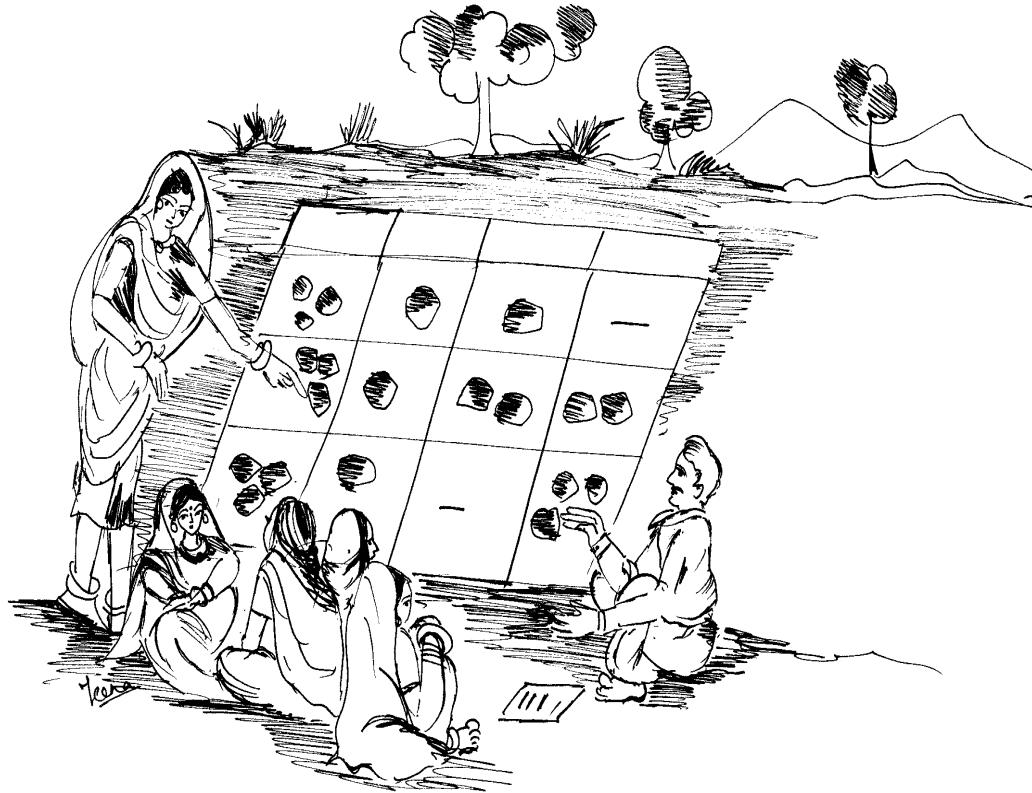


**Promotion of Micro-finance in the Tribal Districts of Jhabua (MP)
& Dahod (Gujarat) by ASA:
Assessment of Progress and Scope for Replication**

**An
Evaluation Study
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Executive Summary

Starting on an experimental basis, ASA initiated its micro-finance programme in Dahod (Gujarat) and Jhabua (Madhya Pradesh) districts in 1998. By 2002 it had developed a model suitable to the needs of the predominantly tribal population (mainly Bhils and Bhilalas) of the area. At this stage ASA's received a grant of INR 3.7 million from Paul Hamlyn Foundation (PHF), UK, which helped it to establish the model in the field and bring its micro-finance programme to scale. This phase which comes to an end in December 2005 has also contributed to significant learning which has been incorporated in future plans for scaling up the programme in Jhabua. A fresh proposal worth INR 10.058 million has been submitted to PHF for replicating the programme in eight blocks of Jhabua district covering about 30,000 poor households.

The programme involves establishment of separate self-help groups for men and women. The capacity of these groups to carry out savings and credit activities is built up by ASA through an intensive training and nurturing process. When more than 150 SHGs are formed in a particular block, these are federated. The federation then takes over the hand-holding activity in exchange for a small fee paid by its member groups.

Some of the unique features of the programme are:

- a. Establishment of a revenue model for hand-holding services through the Federation
- b. Federation standing guarantee for its member groups on the strength of its corpus fund (INR 1.0 million)
- c. Establishment of a system of close monitoring and control with the help of a computerized management information system
- d. Flexibility in the timing of payment of monthly savings for SHG members who are forced to migrate for work.

The purpose of the present evaluation study was to review the progress made so far and to assess ASA's micro-finance model as well as the scope for its replication. The review is based on a field study of eight SHGs selected on the basis of age, gender and presence or absence of supportive intervention to augment the natural resource base. The consultant also attended a *Sammelan* of women's SHGs at Jobat, held discussions with project staff and reviewed the MIS data. A debriefing meeting was held on the 7th of October which was attended by Mr. Ajit Choudhury of PHF and representatives of selected NGOs of the region.

Overview of progress

The number of groups increased from 39 in the experimental phase to 561 during the current phase (September 2005) and is expected to touch 750 by the end of December 2005. The percentage of women's groups at 78 has already crossed the expected target of 75. The older SHGs are meeting at least half the annual credit requirements of their members as planned. The target for bank linkages has been met. However, banks have not been keeping pace with the credit requirements of the SHGs which are growing at a faster rate. SHGs also face other problems with banks such as long processing time, less credit than is due to them etc. This has compelled ASA to consider a modified "MFI based model" for its next phase. The total savings of all the groups will reach INR 4.5 million by the end of the project and the total credit will cross INR 10 million. The on-

time repayment stands at a healthy rate of 97.5 percent which is comparable to the best in the sector. Through close monitoring, the percentage of failed groups has been brought down to less than one.

Findings from field study

1. High commitment to SHG Programme was observed among the members, in spite of the difficulties created due to high distress migration.
2. The Programme presently cannot reach the bottom 5% of the households (very poor) who migrate for 8-9 months a year. A separate strategy will need to be evolved to reach this stratum.
3. The quantum of internal lending was rather low and even zero in one case. This represents under-utilisation of the savings. This was partly due to the (unacceptable) practice of bankers to lock up the available savings when extending loans to SHGs.
4. The Programme helped mature SHGs to substitute more than half of the annual credit requirements of individual members (not adjusted for requirements during droughts which are 1.5 to 2 times of normal years), resulting in significant savings to the household.
5. The quantum of loans taken by a group may keep increasing till the repayment capacity of the average member is reached. This works out to about Rs. 3.0 to 3.9 lakhs per group.
6. For those with past debts, it may take a decade or more to emerge from debt and move on to a life beyond subsistence. This process needs to be better understood through empirical research. Interventions need to be planned in order to hasten the process.
7. The capacity building inputs provided by ASA were found to be adequate and effective. Training on numeral literacy is recommended to further improve their impact.
8. Leadership was seen to emerge both among men and women. Introducing institutional processes like rotation and mentoring are recommended to help the emergence of a second line of leadership.
9. Some of the implications for future include:
 - Increasing the savings-credit ratio to 1: 4
 - Extending term loans to mature SHGs
 - Exploring the possibility of special credit schemes (including government schemes) for liquidating money-lender's debt.
 - Organising social interventions to bring down marriage cost which is as high as INR 0.1 million.
 - Investing directly or channelising government investments in projects that augment the natural resource base.
 - Providing "business development support" to SHGs when they start investing in productive assets.

Future growth through MFI model

ASA plans to create an MFI as a "not for profit" organisation which would be linked with a suitable Financial Institute for refinance. This refinance would be channelised through the Federations. The MFI will be incubated within ASA's existing organizational set-up till it is found prepared for independent existence. The MFI would become viable through the interest that would be saved on account of forward integration. The economic

viability of MFI has been worked out. It is found to break even during the third year. However, Support services (IEC and Training) would have to be provided by ASA to start new groups, which would continue to be grant based.

The programme has made a significant impact in meeting the credit needs of the target population. However, members continue to be dependent on moneylenders. A lot more needs to be done before the people can start investing in productive assets and emerge from the current cycle of distress migration. The programme needs to be intensified and replicated on a larger scale.

1.0 Introduction

1.1 Background

ASA initiated its Micro-finance programme in Dahoad (Gujarat) and Jhabua (Madhya Pradesh) districts on an experimental basis in 1998. By 2002 it had developed a model that served well the interests of the predominantly tribal population (mainly Bhils and Bhilalas) of the area. At this stage ASA's micro-finance programme got a boost through a grant of INR 3.7 million from Paul Hamlyn Foundation (PHF), UK. The project which is expected to be completed by December 2005, has helped ASA to establish the model in the field and bring its Micro-finance programme to scale. It has also led to a number of lessons and the development of a revised model of micro-finance that would make it possible to replicate the intervention on a wider scale. A fresh proposal with a total project cost of INR 10.058 million has been submitted to PHF for replicating the programme in eight blocks of Jhabua district covering about 30,000 poor households.

It was in this context that both the client as well as the donor agency felt the need for an independent evaluation by an external consultant.

1.2 Objectives

The objectives of the study were as follows:

- i) to review the progress made so far under the micro-finance programme promoted by ASA.
- ii) to assess the extent to which the credit needs of SHG members is met through the programme.
- iii) to assess the financial viability of the Federations.
- iv) to assess the micro-finance model promoted by ASA as well as the scope for its replication in the region.

1.3 Methodology

- i) *Briefing*: The consultant was briefed about the project by the Project Leader and Project Coordinator before the field visit.
- ii) *Background information*: A review of MIS data and other reports provided by ASA was carried out.
- iii) *Field visit*: A sample of eight SHGs from six villages was selected based on three main criteria:
 - Gender: (male groups vs. female groups)
 - Age: (three years or less vs. greater than three)
 - Presence of any intervention to augment natural resource base (with watershed treatment vs. without treatment)

All these SHGs were from the Bhil community. The field visit involved a meeting with as many members of the group as were available in the village at the time of visit. Not all members could be contacted as some had already started migrating in search of employment.

- iv) *Attending Sammelan*: A *sammelan* of mainly women's SHGs from the constituency of Jobat (one of the sub-districts of Jhabua) SHG federation was held on 3rd October at Jobat. All these SHGs were of the Bhilala community. The consultant sat through part of the meeting as a participant observer.
- v) *Discussion with Field Staff*: A focused group discussion was held with the field staff including group workers, supervisors and block coordinators at ASA's field office located at Pitol, Jhabua.
- vi) *Presentation cum debriefing*: A presentation based on the findings of the field visit was made on the 7th of October, at a meeting organised by ASA at Bhopal. The meeting was attended by Mr. Ajit Choudhury, representative of PHF as well as participants from several NGOs of the region (Annexure 1), with experience of micro-finance activities. The feedback and suggestions provided by the participants was incorporated in the report.

1.4 Organisation of the report

The rest of the report is divided into three sections. Section 2 provides an overview of ASA's micro-finance programme. This is followed by an account of the field study in section 3. In section 4 a discussion is provided on the evolution of ASA's micro-finance model. The later part of this section provides estimates for the financial viability of the MFI model proposed in the next phase of the programme. Section 5 contains the conclusions and recommendations.

2.0 Overview of ASA's Micro-finance Programme

2.1 Context and its implications on the programme

Jhabua and Dahod districts are part of the tribal belt and are inhabited by the Bhil and Bhilala tribes. ASA is shifting its focus from Dahod to Jhabua where the levels of poverty are higher due to a rapidly degrading natural resource base, predominance of subsistence farming and resultant high levels of seasonal migration as well as indebtedness to moneylenders.

High annual population growth rate of 3.2% and high illiteracy rates (32.3% for all as per census 2001) in the district coupled with low opportunities for employment lead to high levels of distress migration and render the population vulnerable to exploitation by moneylenders. With most of the households unable to meet their food security for more than six months in a year, seasonal and long-term, borrowing from local moneylenders - at exorbitant interest rates (120 to 150%) - is the norm. Approximately 70 to 80% of people migrate to the nearby cities for an average period of 6-8 months in a year, mostly as casual unskilled labour. Yet money earned is rarely enough to pay off debts. The poor condition of the formal credit system (its poor outreach, perceived and actual inflexibility and inaccessibility, and requirement of collateral) has tended to exclude the tribal population from its benefits.

The specific characteristics of a) social and b) environmental and economic contexts that have a direct bearing on the micro-finance programme are summarized in tables 2.1 and 2.2 respectively. While the former has both positive and negative implications for the programme the latter has mainly negative implications. These have affected both the design of the programme as well as its performance.

Table 2.1: Social context and its implications

Context	Positive Implications	Negative Implications
Homogenous, strong kith and kin bonding	High mutual support, low conflicts, very low default rates	-
Low gender discrimination	High participation of women	-
Simple and trusting nature of tribals ¹	Not manipulative, straightforward in SHG dealings	High vulnerability, exploitation by outsiders
Low literacy	However numeral literacy of leaders not so bad	Difficult to inspect accounts; vulnerable

¹ However, some of the better-off tribal leaders have got into the business of money-lending. They charge the same level of exploitative interest rates from their fellow community members and are often use violent means to recover their money.

Alcoholism part of culture and tradition	-	vulnerable; less savings
Habitat: small isolated hamlets	-	small group size; overlapping of man and women groups in very small hamlets, high cost for service delivery

Table 2.2 Environmental and economic context and their implications

Context	Implications (negative)
Undulating terrain; irrigation potential undeveloped; low cropped area; low cropping intensity; fragmented small plots; traditional verities	Subsistence farming: <ul style="list-style-type: none"> - Low productivity(Maize-10 Q/Ha Vs. National average of 62 Q/Ha); - Low income; - Low savings.
Erratic rainfall: frequent failure of crops	<ul style="list-style-type: none"> - High vulnerability; - Dependence on money lenders; - High forced migration;
Degraded forests	<ul style="list-style-type: none"> - Poor access to forest based livelihoods
Poor physical infrastructure	<ul style="list-style-type: none"> - Low access to markets; - High cost of inputs
Poor social infrastructure	<ul style="list-style-type: none"> - Poor literacy; - High cost of medical treatment even for minor ailments

These implications are reflected in the design of the programme in the following ways:

- small group size (average 12.5) compared to elsewhere in the country
- greater emphasis on women's groups
- flexibility in paying monthly savings in lump-sum amounts for those who have migrated for work
- hand-holding support service from the federation of SHGs to maintain accounts, and facilitate meetings
- parallel interventions to augment natural resource base to the extent possible.

The norms to be followed by the SHGs have evolved over time and are discussed in the next section.

2.2 SHG Norms

ASA promotes Self Help Groups (SHGs) separately for men and women. Villagers interested in forming groups are expected to follow certain norms that are based on considerations of equity and institutional sustainability. Some norms are meant to inculcate financial discipline among the members, which would lead to steady rate of

savings and raise their credit worthiness in the eyes of potential lenders from the formal sector. Table 2.3 provides a summary of these norms with observations on the implementation of these norms in the field.

Table 2.3: Norms for SHGs promoted under ASA’s MF programme

Norms	Implementation
<u>Membership:</u> <ul style="list-style-type: none"> - single representation from a family - unmarried women discouraged - minimum group size 13 - membership fee Rs 11/- 	<ul style="list-style-type: none"> - In practice, a family may have one member belonging to a male SHG and another belonging to a female SHG. This has been allowed in hamlets that are very small and where both men and women wish to join the movement. However, the overall percentage of having both the households heads in the SHGs is insignificant. - The norm of “unmarried women” is practiced to prevent high drop out rates since after marriage these women leave the village as well as the groups. In practice however, adherence to the first norm makes this almost redundant. Average group size is around 12.5 while the range is between 6 and 17. Between 8-10 SHGs out of 561 had a membership smaller than 10.
<u>Service charge paid by SHG members</u> <ul style="list-style-type: none"> - < 2 yrs: Rs 75/ annum - > 2 yrs: Rs 100/ annum 	<ul style="list-style-type: none"> - A hand-holding service is provided to the SHGs by the Federation as the literacy levels are very low in the region. The service charge is considered reasonable given the services provided: viz. maintaining accounts, developing linkages with banks and keeping members informed about their transactions and outstanding debts.
<u>Monthly savings:</u> <ul style="list-style-type: none"> - minimum Rs 30/member/month 	<ul style="list-style-type: none"> - In practice the Bhil groups have started saving upto Rs. 100/m/m. Many of the Bhilala groups which started little later are still saving the minimum stipulated amount of Rs. 30/m/m.
<u>Eligibility for bank loan</u> <ul style="list-style-type: none"> - minimum group savings Rs 5000/- 	<ul style="list-style-type: none"> - This norm is meant to instil discipline and raise the confidence of the group before it can be considered eligible for a bank linkage. In practice it takes about 6-8 months to reach this point. Strict adherence to this norm has been one of the strengths of the programme.
<u>Period of Loan</u> All loans are currently for a period of one year. Repayment is done on an annual or six-monthly basis.	<ul style="list-style-type: none"> - Banks provide loans for “agricultural purposes” but in practice loans may be used for a variety of purposes including part expense of a long term asset like house.
<u>Interest rate per annum</u> <ul style="list-style-type: none"> - simple interest of 24% (normal) - simple interest of 36% 	<ul style="list-style-type: none"> - The interest rate is comparable with that charged by other micro-finance groups in the country. Members find it attractive when compared to the interest rate of local money-lender who charge as

(in case of default for > 3m)	much as 12.5% per month (150% per annum).
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2.3 Progress of micro-finance programme

The project moved from an initial experimental phase into a phase where ASA's model of micro-finance was established in the field. The figures in Table 2.4 provide an overview of the achievements during these two phases as well as the projected figures for the scaling-up phase.

Table 2.4: Progress of the MF programme over time

Phase	No. of SHGs	Male: female	# Dist./ Blocks	Savings (lakhs)	Credit (lakhs)
Experimental (2000-02)	39	40:60	1/2	5.47	1.97
Model establishment (2003-05)	561	22:78	2/7	37.80	91.31
Scaling-Up (Proposed) (2006-08)	2400	20:80	2/9	231.11	700

- i. The number of groups has increased substantially from 39 in the experimental phase to 561 during the current (model establishment) phase and is expected to touch 750 by the end of the second phase in December 2005. It is expected to increase by 32 times during the scaling-up phase.
- ii. A conscious decision was taken to promote female SHGs in a bigger way as ASA wanted to bring women into mainstream development. Women were also more likely to be available for meetings, as more men migrated outside for work as compared to women. Hence the percentage of women SHGs has increased from 60 during the first phase to 78 during the current phase. It is expected to go up further to 80 during the replication phase.
- iii. The total savings for all the groups together has increased from INR 0.547 million to INR 3.78 million and is expected to increase by more than six times during the scaling-up phase. The savings to credit ratio improved substantially from an adverse 2.8:1 during the experimental stage to 1:2.4 during the second phase and is expected to improve further to 1:3 and beyond during the scaling-up stage.

Table 2.5 shows the performance of the project during the second phase (upto September 2005) against the expected outputs. In terms of coverage, the project is expected to meet about 75% of its target by the end of the project period. The specific reasons for not completing the full target are:

- a) The government of Madhya Pradesh carried out an “SHG drive” in the region engaging the Government machinery at the block and village level without providing much training to them on how to form and nurture a savings and credit programme through SHGs. This did more harm than good as the groups were established in a hurry in order to meet targets, with total disregard to developing financial discipline. Many of these groups have not paid back the bank loans and are not keen to revive their groups as they would be forced to clear previous debts. Also, as per the Project Leader, “Many (SHGs) lost their money which was deposited initially as savings. This created a negative conception about the SHGs among the people in the project area. As a result the project suffered not only in terms of formation of new SHGs but also had to spend considerable energy to maintain SHGs which were formed around that time.”
- b) Another important constraint was the “inadequate service of the bankers to cater to the needs of the SHGs, particularly their credit need”. Despite qualifying for loans (as per Government norms) the bankers declined to offer loans to more than half the SHGs. Those who received loans were also dissatisfied on account of inadequate quantum of loan and delayed disbursements.
- c) It took longer than expected to train the cadre of local youths who provide the hand-holding support services to the SHGs. Although the group workers are educated up to secondary or higher secondary level the quality of education in the area is poor. Hence lot of time and effort was needed to build the required skills within the group workers.

Table 2.5: Profile of the programme at the end of Phase II

Sr. #	Result Parameters	Planned at EOP (Dec'2005)	Achieved Till Sept. 2005	Expected by EOP (DEC'2005)
1.	Formation of SHGs.	1000	561	750
2.	Village coverage.	200	171	200
3.	Coverage of family.	12000	5815	8700
4.	Formation of federations of SHGs.	3	2	3
5.	Bank linkages of SHGs for loaning.	50% of the total SHGs.	51%	55%
6.	Women SHGs (% of total).	60%	78%	75%
7.	Credit from SHGs (%age to all the total credit need of family)	At least 50% for 3 yr. SHG	Achieved. 60-65% of annual credit need met	Will be maintained
8.	Total savings (INR million)	Not stated	3.78	4.5
9.	Total credit (INR million)	Not stated	9.13	10.1
10.	On time repayment rate (%)	Not stated	97.5	98.0

Given the existing social conditions in the project region the coverage of the project can be considered reasonable. While ASA is keen on bringing the project to scale, it does not wish to do so at the cost of jeopardising financial discipline which is a necessary condition for success of the entire initiative.

The percentage of women's groups has already crossed expected target. The older SHGs are meeting at least half the annual credit requirements of their members as planned.² The target for bank linkages has been met. However, banks have not been keeping pace with the credit requirements of the SHGs which are growing at a much faster rate. SHGs also face other problems with banks such as long processing time, lower loans than is due to them etc. This has led ASA to consider a modified "MFI based model" for its next phase (for a more detailed discussion see section 3)

The total savings of all the groups will reach INR 4.5 million by the end of the project and the total credit will cross INR 10 million. The on-time repayment stands at a healthy rate of 97.5 percent which is comparable to the best in the sector.

2.4 Planning and Monitoring Systems

Hand-holding support is provided to the SHGs through the Federations. Each Federation has a cadre of trained rural youth which consists of Group Workers, Supervisors and a Block Coordinator. The Programme coordinator, based in ASA oversees the work of the three block coordinators (see Figure 4.2 in section 4).

The Group worker is assigned the task of going to the village and facilitating meetings. He/she is also responsible for keeping the accounts to date and providing information to the group members. While the group worker does not handle any cash transaction, he/she may accompany the office-bearers to the bank in the initial stages to give them confidence in dealing with the banks. On an average, a group worker is able to handle 22 groups every month. The work of about 6-8 group workers is supervised by a supervisor who reports to the block coordinator. There are currently 3-4 supervisors per federation.

The planning is carried out through weekly meetings at the block level. Every week a group worker is allotted a specified number of SHGs and during the following week the performance is assessed before fixing targets for the next week.

A computerised MIS system is in place which is maintained by a data operator. A set of ten indicators (prescribed by NABARD) is monitored in order to decide whether an SHG is prepared for undergoing bank-linkage. In addition, a set of 16 indicators is used to track the monthly performance of the groups (see Annexure 2). The regularity of groups in meeting their savings target as well as recovery percentage is monitored very closely by the project coordinator. If a group misses more than three consecutive meetings, the project coordinator makes a field visit to find out why the group has become irregular. Usually critical inputs and motivation helps to bring the group on track. Similarly, if repayment of loans becomes irregular, the group is visited to find out the source of the problem. The data on failed groups³ (table 2.6) shows that the percentage of failed groups has been brought down to less than one. The data also shows a higher failure rate among men's groups as compared to those of women.

² However, this is based on an estimate of Rs. 15,000/ annum/family during normal years. During drought years this requirement may go up by 1.5 to 2.0 times. Failure of crops is experienced about two times in every five years. Hence the average annual credit requirement needs to be adjusted for occurrence of drought.

³ Refers to groups that had to be wound up for some reason or the other, after they failed to repay their loans.

Table 2.6: Monitoring of failed groups

Particulars	Years		
	2003	2004	2005
No of SHGs	8	14	5
Male/Female	8/0	11/3	3/2
Total SHGS	231	454	561
% to Total SHG	3.46	3.08	0.89

None of these groups were revived. The 8 groups which failed in 2003 were initially formed by bankers. They had been given loans amounting to five times their savings, before instilling the necessary financial discipline. The loans were ultimately repaid but the groups did not wish to continue as they were migrating a lot. The 14 groups that closed down in 2004 were from Dahod. They were economically “better off” and were indifferent in their attitude towards savings. Hence these were allowed to discontinue. The last group of 5 belonged to Udaigadh. They lost interest as they did not get loans from the bank. It may be possible to revive the interest of this group in the near future.

3.0 Field Study

Sample villages

Table 3.1 shows the profile of the sample SHGs on the basis of the three criteria used for their selection, viz. gender, age and intervention. As the table shows, half the sample consisted of male SHGs and while the rest were female SHGs. Similarly half were either three years of age or less while the remaining were more than three years. Only two SHGs in the sample had experienced the intervention of micro-watershed treatment which, had helped to augment the natural resource base in the village.

Table 3.1: Profile of sample villages

Name of SHG	Village	Gender	Age (Yrs.)	Watershed Intervention
Varsingh PBS	Bhajidungra	M	2 (3 or less)	N
Thavri MBS	Koyadhariya	F	4 (more than 3)	N
Jai Bajrang PBS	Bawribadi	M	3 (3 or less)	N
Kalla PBS	Koyadhariya	M	5 (more than 3)	N
Vagala PBS	Titkikheda	M	2 (3 or less)	N
Sharda MBS	Nagankhedi	F	5 (more than 3)	Y
Chamunda Mata MBS	Kalapan	F	4 (more than 3)	Y
Titki Mata MBS	Titkikheda	F	2.75 (3 or less)	N

3.2 Comparative analysis

A cross-tabulation of the male and female groups in the sample across various variables is provided in Table 3.2. The observations provided below draw upon the tabulated information as well as the interaction with members in the field:

- i) There is no significant difference in the size of the groups across gender.
- ii) The average savings as indicated by savings per member per month is higher in the case of males than for females, except in the case of watershed villages where women can match the savings of men. (In the case of Kalla SHG, the members suffered a set-back when they were duped by a contractor during their migration trip. As a result they were unable to pay the savings. Hence they decided to temporarily lower the savings rate to Rs. 50/m so that they could keep the SHG alive. They have restore the savings level to Rs. 100/m once their income returns to normal)

- iii) The women's groups appear to be more regular in their attendance and savings habit. (Only Chamunda Mata SHG had missed one meeting during the past six months)
- iv) Internal loaning was low in general and zero in the case of Varshingh SHG.
- v) Male SHGs appear to take higher risk in borrowing from the banks (as shown by the cumulative borrowing in the third year) than their female counterparts except in watershed villages where women's borrowing seems to match that of men.
- vi) In all cases bank loans were divided equally among the members. But in the case of internal loaning, this was not the case. In Kalla, a Male SHG, one member had taken a disproportionate amount in order to set up a flour mill. He happened to be the leader of the group.
- vii) Members used the loans for both consumptive as well as productive purposes, although with the bank it was shown as an "agricultural loan". In some cases members even used the credit to meet part of a larger expense such as marriage or house construction. During the fourth year of lending, members of Sharda SHG had started investing in silver. Each woman member had purchased one Kg each of silver at a cost of Rs. 12,000/- .This was seen as an intermediary investment which could help meet the family's needs during an emergency. If there was no emergency during the next 4-5 years, this investment could build up to a level which could be used to purchase a productive asset.
The investment decisions are being taken by both men and women together, considering the priority of the family. However, in case of families where both the man and the woman belonged to their respective SHGs, the woman could insist on deciding what to do with "her money".
- viii) The repayment rate of all the SHGs in the sample was 100 percent. This may be considered creditable since some of these villages like Tiktikheda and Bawribadi are interior villages with very poor infrastructure.
- ix) Both men and women made a special effort to meet the monthly savings requirement. Men sent the money through their kith and kin even when they had migrated for work. Women engaged in part time productive activities that could generate small income such as rope-making, collecting and selling old bottles, selling scrap iron, selling head-loads of firewood etc. The access to telecommunications network across the country has made it possible for the tribals to get in touch with project staff and meet their savings commitments in spite of high rate of migration.

Table 3.2: Comparative analysis of male and female groups in the sample

Particulars	Male groups				Female groups			
	Varsingh	Jai Bajrang	Kalla	Vagala	Thavri	Sharda	Chamunda mata	Titki mata
Members	10	13	11	12	10	10	12	12
Savings (pm)	100	100	100/-(50/-)	100	50	100	50	50
Total Sav.	24,000	48,835	63,800	27,500	25,500	51,900	19,440	18,000
Attdn.(last 6 mths.)	100%	100%	16%	100%	100%	100%	83%	100%
Internal loans	-	3,000 x 1 1,450 x 13	1,636 x 11 10,000 x 1	4,000 x 2 1,200 x 2 1,200 x 2	3,000 x 10 2,000 x 1	550 x 1	700 x 4 13,500 x 6	1,000 x 12
Banks loans	10,000 20,000	26,000 50,000 92,420	11,000 50,000 88,000 (3,00,000)	18,000 30,000 60,000	10,000 20,000 40,000 60,000	27,000 45,000 72,000 1,20,000 1,60,000	50,000 84,000 1,20,000	18,000 24,000 33,000
Use of credit		part house, bullock, part marriage, payment to <i>Bania</i>	bullocks, grass, cows, buffalo flour mill	seeds, fertilizers, grass		grass, medical, goat, rope making, house repair, silver	bullocks, grass, seeds, pesticides payment to <i>Bania</i>	grass, cow, goat buffalo
Repayment	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

The cross analysis of the sample SHGs led to the following hypotheses which were taken up for validation with the population data available with ASA:

1. The average savings at the end of third year and fourth years are significantly higher for men than for women.
2. The average savings at the end of third year and fourth years are significantly higher in watershed villages as compared to non-watershed villages.
3. The average cumulative borrowing at the end of third and fourth years are significantly higher for men than for women
4. The average cumulative borrowing at the end of third and fourth years is significantly higher in watershed villages as compared to non-watershed villages.
5. The regularity in terms of attendance in meetings is better for women's SHGs rather than men's SHGs.
6. The savings as percentage of expected savings is better in the case of women's groups rather than men's groups.
7. There is no significant difference between the repayment rates (in percentage) of women's and men's SHGs.
8. There is no significant difference in the repayment rates between watershed and non-watershed villages.

A sample of 42 SHGs were studied for the validation of the above hypotheses. These SHGs were selected from one of the oldest units of MF operation of ASA and all the SHGs were more than 3 years of age.

Parameters	Male SHGs (22 Nos.)	Female SHGs (20 nos.)
Average Savings/members	Rs.2099	Rs.1581
Average borrowings	Rs.7725	Rs.5960

Parameters	SHGs in Watershed villages (20 nos.)	SHGs in Non Watershed villages (22 nos.)
Average Savings/members	Rs.1908	Rs.1813
Average borrowings	Rs.8798	Rs.5648

The other hypotheses from 5-8 are also found to be true after the analysis of the larger population data.

3.3 Efficacy of capacity building inputs

Three types of capacity building inputs are provided by ASA to the SHGs and their Federations.

i) *Training Package for SHG:*

The training package consists of three one-day modules as described below. The first and third modules are carried out at ASA's various sub-centers while the second is conducted at the village level.

- *Introductory module:* This is targeted to the entire group and is carried out within one month of the formation of the group. It provides an introduction to both the facilitating organization as well as the micro-finance programme.
- *Module on rules and norms:* This again is targeted to all members and must be completed within 3 months of the formation of the group. Its objective is to ensure that members and office-bearers in particular fully understand the rules and norms involved in running an SHG.
- *Savings and credit module:* This module focuses on savings and credit norms and is intended to prepare the group for bank linkage.

Most of the sample groups reported moderate to high attendance. The recall was also quite satisfactory except for events held more than two years ago. ASA's training team follows a practice of conducting a quiz the week after the training. This may help to reinforce the messages of the training modules.

ii) *Exposure Visits*

Exposure visits are organized to SHGs in other blocks so as to give new groups an exposure to mature groups. One visit is organized for each SHG in which all members are expected to participate. This is held usually within three months of the formation of the group. All members except the very aged have been able to take part in this event.

iii) *Sammelan*

ASA currently organizes 6 *sammelans* during a given year. Since there are three federations (two established and one proposed) each one gets the opportunity to

participate in two sammelans per year. On an average, 500-600 members attend these events. The purpose of the sammelan is to provide a platform for experience sharing. It also helps to build leadership, motivate members, and create an open forum to discuss the agenda of the Federation.

The consultant had the opportunity of sitting through part of one such sammelan organised at Jobat on the 3rd of October. It was attended by about 350 members, mostly women. A few men were also present. These were the husbands who were not fully convinced about the utility of women SHGs. They had been invited by the Federation to sit through the meeting so that it may help them to improve their understanding of the movement. Several women leaders came up on the podium to share their experiences. Their enthusiasm was contagious and it was clear that the forum was serving the purpose of collective learning, leadership building and creation of a separate identity for the tribal community.

ASA would need to generate systematic feedback on its various training initiatives in order to make them more effective and at the same time more interesting for the participants. For instance *sammelans* could be made more interesting by introducing an element of entertainment through dramas performed by local artists, and the use of theme based *melas* (fairs) as is done by *Kutch Mahila Vikas Sangathan* of Kutch, Gujarat.

There is a need to develop training on *numeral literacy* for all members since currently the ordinary member is totally dependent on the leader or the group worker to calculate his/her savings or outstanding loan amounts. This would also help to broad-base the leadership and enable natural leaders to emerge.

3.4 Institutional processes

i. Participation

As discussed the level of participation could be considered high since the members manage to meet the savings schedule in spite of high migration rates. This is because they realize the potential of the SHG to change their lives by freeing them from the clutches of the moneylender. Strong bonding among members is on account of the kith and kin relations. This ensures that members bail others out when they may be short of cash. They also trust each other to make on-time payments on their behalf when they are out of the village for long spells.

ii. Decision making

The absence of many members, especially males due to migration of 6-8 months means that they attend meetings by proxy. Either a family member or a relative may attend on their behalf. This hampers the decision making process as decisions are limited to the financial transactions, which are also simplified.

iii. Transparency

The accounts are well maintained by the group workers. The members were aware of their savings and loan amounts. Only in one case the passbooks of individual members was not updated. Group workers should make it a routine practice to read out the balance savings and outstanding loans against each member, so that the latter may not have any doubts. In one of the village

meetings, a male member from a non-sample SHG had come just in order to clear a doubt in his mind. He wanted to know what happened to the interest paid by members on internal loans, since this was not being paid to the bank. He was pacified when it was explained to him that this amount was added to his savings – as shown in the individual member’s passbook.

iv. Accountability

Accountability is built into the service model. The Group workers and their superiors, upto the Block Coordinator, report to the Federation. Their salaries are also paid by the Federation. The individual SHGs have representatives in the Federation and the latter is accountable to the former. Hence during *Sammelans* and federation meetings, these representatives can voice their dissatisfaction if any with the collective or individual performance of the staff and hold them accountable. This process would be mediated by ASA to ensure that individual staff members do not become victims of local politics.

v. Leadership

The SHGs have provided a platform for leadership development, especially among women. The ones who have better numeral literacy end up becoming leaders. In the process some natural leaders may not be able to come forward. A campaign to improve numeral literacy among members may help to bring forward the natural leaders.

There is also a need to develop second line leaders through processes like rotation of leadership and mentorship. When the first-line leaders become representatives of the federation they may be asked to develop two-three more leaders through mentorship, who would take over the running of the SHG. This process of mentorship has been used very effectively by members of SEWA, Ahmedabad.

vi. Vision

An effort was made during the village meetings to elicit the long term vision of the SHG members. There were significant differences between the visions of men and women.

Women: The women showed a high degree of commitment to the SHG movement. Several women stated that they would continue running the groups “till we grow old” or “till our hands and legs are working”. They also expressed the resolve to teach their children to continue the savings groups. When they were out of debt and had more money available through the SHG they would like to spend it on children’s education or in acquiring land etc.

Men: Men were also committed but expressed it less emphatically. On being out of debt they were interested in investing in productive assets like tractor, land etc. and meeting long term credit needs like house, marriage. In Titkikheda village it was mentioned that several men remained un-married because they could not afford the high bride price and expenses related to marriage.

3.5 Extent to which credit requirements are met

3.5.1 Economic strata

It was realised that though there was not much social stratification, there was a good deal of variance in the economic levels within the village. At least three groups were evident during the field study. A previous study by ASA had shown four distinct economic groups. Table 3.3 shows the profile of the four categories⁴.

Table 3.3: Economic strata among the Bhils in Jhabua

Category	Profile
Better off (About 5% of total HH)	More & Quality land Irrigation Well connected to outer world <i>Pucca</i> house, Voluntary Migration
Medium (About 40-50%)	Less land with a small piece of good land Food security upto 6-8 months More working members A pair of bullock
Poor (About 40-50% of total HH)	Less and poor quality land More working members 4-6 months of food security, one/no bullock 6-8 months in distress migration
Very Poor (upto 10% of total HH)	No/less land (poor quality) Poor quality house 8-9 months for distress migration

Majority of the SHG members belonged to the Medium and Poor categories. This is because, the Better Off did not feel the need to participate in such a programme, while the Very Poor were unable to take part as they were out of the village for most of the year. The distinction between the two middle groups was also only notional since failure of monsoon often caused the Medium category to come down to the Poor category. Similarly, a stroke of good luck could bring a person in the Poor category up to Medium category.

Within the SHGs, members reported considerable variation in income levels. The indicator used by one group to show this variation was the possession of bullocks. Those with 2 bullocks were the best; those with only 1 bullock were medium while those with no bullocks were the worst off. However, these differences did not come in the way of the groups as members stood by each other in times of need.

⁴ Taken from a report on the well-being ranking of different socio-economic categories of tribals conducted in 42 villages of Jhabua as part of the preparation of micro planning for natural resources development during the period of 2000-2002

3.5.2 Credit Needs

During the field visit an effort was made to assess the typical credit needs of an SHG member. These are summarized as follows:

Regular (Annual)

- Normal Year - 15,000-20,000
- Drought Year – 30,000

Sporadic

- Marriage – 1,00,000
- New House – 70,000-90,000

Previous debt (to moneylenders)

- 50,000-1,00,000

The annual credit requirement includes productive loans for agriculture (seeds, fertilizers, pesticides, bullock, fodder) as well as for consumption (food-grain, medical expenses, house repairs). A previous study carried out for ASA (Sachin, 2002) had estimated this to be about 17,000/-⁵

The credit needs are seasonal and follow the migration cycle as well as the kharif season agricultural requirements. The terms offered by moneylenders are also tuned to this seasonality (*ibid.*)

Table 3.4: Seasonality of credit requirements and varying terms of moneylenders

Rate of Interest	Collateral	Time of loan taken	Repayment period
12.5% per month.	Not required	After <i>Diwali</i> (Oct.- Nov.)	Till <i>Akhateej</i> (May)
50% per term of loan	Not required	After <i>Akhateej</i> (June)	After harvesting of kharif crop
3% per month.	Silver	Any time	Not fixed
None	Land	Any time	Not fixed

Credit without collateral is provided by moneylenders for agricultural or migration purposes. One cycle starts after Diwali festival (Oct-Nov) and ends in Akhateej (May) when the farmer is planning for the next season. The second cycle is from June when the Kharif crops are sown till the end of Kharif season about three to four months later.

Not all villages had previous debt. For instance Nagankhedi, which has benefited through ASA's watershed intervention reported that it did not have any members with previous debt (to money lenders). In Titkikheda villagers reported having previous debts ranging from Rs 50,000 to 100,000/- per household. Villagers from Bawdi Badi and Bhajidungra also confirmed this.

⁵ The annual credit requirement of a sample of 80 tribal families in Ranapur block was estimated at Rs. 27,134/- family of which 37% was accounted for by marriage expenses. Removing this component the expense came to 17,094/- family.

Repayment Capacity

The only major source of cash for SHG members was from earnings (net of expenses) during migration. This is because agriculture in most cases was barely enough to support the families for 6-8 months. Estimates for the earning capacities of different economic strata based on migration pattern revealed the following:

Medium and Poor

- 25-30,000 for 6 months

Very poor

- 30-35,000 for 8 months

Interestingly the very poor come back with more cash in their hands but are unable to take advantage of the programme because of long absence from the village.

An analysis of the data on SHGs older than three years shows that the average loan size of SHGs in Pitol unit (44 SHGs) as of August 2005 is Rs. 8422/- while the corresponding figure for Khangela unit (5 SHGS) is 11750/-. This shows that all these SHGs with age greater than 3 have on an average been able to replace more than half the annual credit need of the ordinary SHG member.⁶ This suggests that it may take about 6 years at current rates of savings and borrowing to substitute the moneylender for annual credit requirements.

The time needed to rise above subsistence level, depends upon the previous debt to money lenders. If there is no previous debt, the SHG member could start investing in productive assets from the 3rd year onwards. On the other hand if there is previous debt, it could take a person more than a decade to emerge from the debt trap⁷ (see Table 3.4). Needless to say this process could be hastened by improving the savings to credit ratio and through other means like special loans to write-off moneylender's debts, social measures to reduce marriage expenses etc.

Table 3.4: Time needed to emerge from debt trap

Stage	Time Period	Utilisation of Credit
Establishing credibility of SHG	6-8 months	Emergency, Medical, Consumption Small Production needs
Substituting money lenders for annual credit needs	3-6 years	small production and consumption, partial support for LT needs, payment to money lender
Substituting money lenders for previous debt (if any)	3-5 years	Payment to money lender; investment in productive assets like well, land etc.

⁶ If adjusted for drought requirements, this would turn out to about a third of the annual credit requirement and accordingly the time taken to substitute the moneylender would take so much longer.

⁷ These figures have been arrived at through rough calculations. A systematic empirical study on the extent of indebtedness and the pattern of credit requirement would help to refine these findings.

Clearing previous debt	2-3 years	Investment in productive assets like well, land etc.
Rising above subsistence level	then onwards	Investment in productive assets like well, land etc. and non-farm activities.

3.6 Inferences from field study

1. High commitment to SHG programme was observed among the members, in spite of the difficulties created due to high migration in the area. Members carried out part-time economic activities to generate small streams of income that enabled them to pay monthly installments and keep the SHG fire burning.
2. The Programme presently cannot reach bottom 5% of the households (very poor) who migrate for 8-9 months a year.
3. The quantum of internal lending was rather low and even zero in one case. This represents under-utilisation of the savings. This was partly due to the (unacceptable) practice of bankers to lock up the available savings when extending loans to SHGs.
4. The usage of loans was based on family priorities rather than gender issues and preferences, except perhaps where both the man and the woman of the same household were members of SHGs.
5. The Programme helped mature SHGs to substitute more than half of the annual credit requirements of individual members (not adjusted for requirements during droughts which are 1.5 to 2 times of normal years), resulting in significant savings to the household.
6. The quantum of loans taken by a group may keep increasing till the repayment capacity of the average member is reached. This works out to about Rs. 3.0 to 3.9 lakhs per group.⁸
7. For those with past debts, it may take a decade or more to emerge from debt and move on to a life beyond subsistence.
8. This process needs to be understood through empirical research. Interventions need to be planned in order to hasten the process.
9. Some of the implications for future interventions include:
 - Increasing Credit-savings ratio to 1: 4
 - Extending term loans to mature SHGs so that members can meet their long term credit needs.
 - Exploring the possibility of Special credit schemes (including government schemes) for liquidating money- lender's debt.
 - Social intervention to bring down marriage cost
 - Either investing directly or channelising government investments in projects that help to augment the natural resource base of the project villages.
 - Planning to provide "business development support" to SHGs from the fifth year onwards; some may require this support from 2nd year onwards if they are already free of past debts.

⁸ Assuming a group size of 12 and average annual repayment capacity of Rs. 25,000/member, this works out to Rs. 3.0 lakhs. If the group size is changed to 13 and repayment capacity per member taken as Rs. 30,000/- the capacity of the group increases to Rs. 3.9 lakhs.

4.0 Evolution of Model and its assessment

4.1 Stages in evolution

Three phases in the evolution of ASA's model of micro-finance were identified as follows:

- Phase I – Experimentation (2000-2002)
- Phase II – Establishing Model for the region (2003-05)
- Phase III – Scaling-up with revised model (2006-08)

Learning from Phase I to II

At the end of Phase I it was realised that:

- Given the low literacy level of the target population, SHGs needed hand-holding and capacity building support on an on-going basis
- These services could be provided through a cadre of trained rural youth
- SHGs would need to be federated in order to create a revenue model for such services
- SHGs would need to be linked with banks through the Federations (The option of para-banking was ruled out as it was both expensive and difficult to implement given the shortage of trained manpower in the area)

Learning from Phase II to III

As the project approaches the end of Phase II it is clear that, the revenue model for providing support services through Federations has proved to be viable (see Annexure 4). However, the progress of the SHGs has been hampered due to poor linkages with the banks:

- Banks were found not to be following NABARD norms
 - Banks had provided loans amounting to only twice the savings even in the case of mature SHGs which were eligible for loans 4 times the savings amount. At the aggregate level, a savings of INR 3.78 million should have leveraged credit worth about INR 12.00 (instead of INR.5.7 million)
 - Banks were forcing SHGs to lock their savings as collateral. In the process they were also forced to take more loan than their requirement.
- Average processing time in the case of bank loans was 56 days. This delay often forced SHG members to resort to the money-lender for bridge finance. ASA is confident of bringing down the processing time to 7 days once it has established an MFI to replace the public banks.
- About 50% eligible SHGs did not get loans from banks. Such groups were getting de-motivated.

In the light of the above, it was felt that ASA should reconsider its earlier decision of not going for an MFI model. This MFI model should be accompanied by new strategies for providing support to the Federations, in particular:

- IEC strategy to mobilize new SHGs
- Continued and more innovative capacity building initiatives
- Strategy for business development support

4.2 MFI model

The proposed model is based mainly on the learning at the end of Phase II (see Figure 4.1 for institutional arrangements). ASA plans to create an MFI which would be linked up with a suitable Financial Institute for obtaining refinance. This refinance would be channelised through the Federations. The MFI will be a “not for profit” organisation. Hence any surplus that is generated will be spent for the overheads of the MFI and for its future development and diversification.

Initially, the MFI will be managed within ASA's existing institutional set-up and gradually a separate institutional structure will be created within the overall control of ASA's governing council. Proper technical advice will be taken for the development of the MFI from expert agencies like Dhan Foundation and BASIX which have considerable experience on the subject.

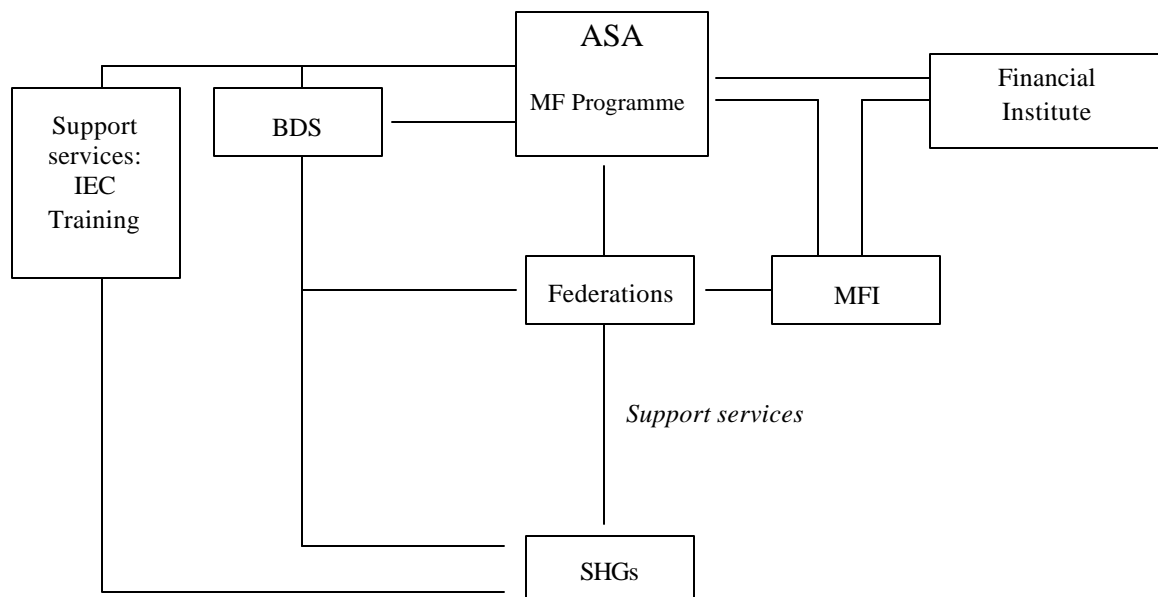


Figure 4.1: MFI model to be adopted during Scaling-up phase

There would be eight federations at the end of Phase III which would provide services to its member groups following the revenue model already demonstrated during Phase II. In addition to the service fees collected from its members, the Federation would also have

an additional source of income in the form of interest passed down by the MFI. The spread of interest across the chain of stakeholders is shown in the table 4.1:

Table 4.1: Earnings from interest for different stakeholders

Stakeholder	SHG member	SHG	Federation	MFI	FI
Percentage interest passed on to higher level	24	22	18	12	-
Percentage interest retained	-	2	4	6	6

The MFI would become viable through the interest that would be saved on account of forward integration. The economic viability of MFI model has been worked out. It is found to break even during the third year (see Annexure 3)

The Support services (IEC and Training) would have to be provided by ASA to start new groups. This educational component would have to be supported through grants. A revenue model to provide business development services would need to be developed in due course. In the short run this too would have to be grant based.

4.3 Revenue model for services

A federation is established when there are more than 150 SHGs in a particular block. A cadre of trained personnel under the Federation is prepared to provide support services to its members (see Figure 4.2 for the structure of the Federation). A mature Federation with about 350 member SHGs is expected to support the expenses of this cadre upto the level of Block Coordinator. The latter is also the secretary of the Federation. In spite of this autonomous revenue model, ASA continues to influence and guide the policies of the federation and Block coordinators continue to report to the Programme coordinator for operational as well as policy matters.

The Federation has a two tier structure. However, cluster meetings are held to monitor the repayment of loans and to assess new loans. A Federation starting from scratch is expected to break even during the third year of its operations (see Annexure 4)

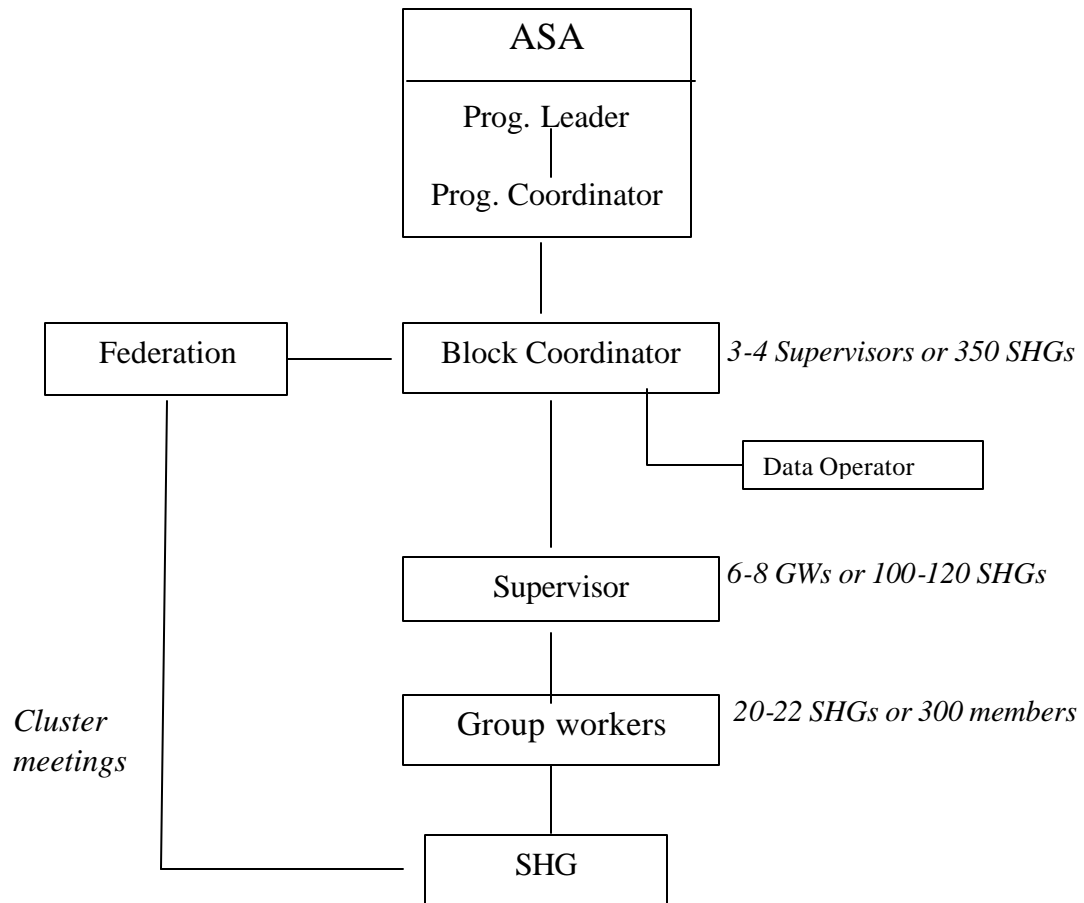


Figure 4.2: Structure of the Federation and its support service

5.0 Conclusions and Recommendations

1. The Programme is highly effective with reasonable quantum of savings and recovery rates that are comparable to best in sector.
2. A demand has been generated for the programme in the region. This is evident from the fact that during the previous month, in 40% of the cases, new SHGs were formed when potential groups approached the Federation on their own initiative.
3. The SHGs are currently serving the poor and medium classes⁹ while 5% of the population which belongs to the very poor category remains deprived because of high migration. A special strategy would have to be worked out to target this group. This could include creation of livelihood opportunities for them within the village either through farm or no-farm activities.
4. About half the annual credit needs of a typical SHG member is met through the SHG which is more than 3 years of age. When taking into account the additional needs during drought years as well as the long term credit needs, the amount covered by the SHG represents only a small fraction of the total requirements. In the case of members who have previous debt with the moneylender, the time taken to emerge from debt would be at least a decade if not more. There is an urgent need to hasten this process through innovative interventions both on the social as well as economic fronts.
5. Some of the unique features of ASA's micro-finance model can be stated as:
 - Establishment of a revenue model for hand-holding services of the SHGs through the Federation
 - Federation standing guarantee with its corpus fund¹⁰
 - Establishment of a system of close monitoring and control with help of computerised MIS
6. Economic and social viability of Federations and MFI have been worked out and found to break even within three years.
7. However, ASA will still need to mobilize support for:
 - developing an IEC team and strategy
 - developing a strategy for tapping the huge government investment (forthcoming) in district for augmentation of the natural resource base¹¹
 - developing strategy for business support services
 - continued and more effective (innovative) training initiatives

⁹ Even the so called medium category consists of poor since this is a relative classification within Jhabua district.

¹⁰ Ranapur SHG Federation was given a corpus fund of INR 1.0 million by the DRDA, Jhabua with the sole purpose of providing a greater bargaining power to the SHGs and an assurance mechanism for the sceptical bankers. It goes to the credit of the Federation that it has not needed to spend a single Rupee from this fund so far.

¹¹ An investment of about INR 6000 millions is being planned for the District through the National Food for Work programme. Almost 75% of this expenditure will be for labour. Hence a large amount of employment will be generated within the village and this represents a great opportunity for augmenting savings within the SHGs while improving the productivity of natural assets at the same time.

Annexure 1
List of participants in the debriefing meeting

S.No.	Name	Designation	Affiliation
1	Mr. Jindal	Regional representative	Basix-Bhopal office
2	2 representatives	Social Workers	ASRA -Indore
3	Ms. Harpreet Kaur	Project Officer	CASA -Bhopal
4	Mr. G. P. Vijay	Regional Manager	NDDDB -Bhopal
5	Mr. Amit Kumar	Project Officer	PRAYAS -Jhabua
6	Mr. Sanjay Kanwelkar	Project Officer	Lupin -Bhopal
7	Mr. Amod Khanna	Director	TAAL -Bhopal
8	Ms. Chitra Khanna	Director	TAAL -Bhopal
9	Mr. Ashis Mondal	Director	ASA-Bhopal
10	Mr. Abhradeep Das	Program Coordinator	ASA-Jhabua
11	Ms. Jayanthi	Program Leader	ASA-Bhopal
12	Mr. Astad Pastakia	Development consultant	Freelance - Ahmedabad
13	Mr. Ajit Chaudhury	India Advisor	PHF - New Delhi

Annexure 2

List of indicators used to monitor the programme

Information required for loan appraisal of individual SHG members

1. Date of membership
2. Total compulsory saving – Rs
3. Saving % - last 6 months
4. Attendance % - last 6 months
5. Overdue loan – Principal and interest (on the date of appraisal) – Amount and no. of months
6. On-time repayment - %
7. Total loan taken TD – Amount (Rs) and No. of loans
8. Annual service charge paid / not paid
9. Eligibility as per table given below

Loan appraisal format for SHG (for external loan)

1. Name of SHG
2. Village Hamlet
3. Date of formation Age
4. Amount of voluntary savings / month / member
5. Number of members
6. Balance sheet (as on date of appraisal)

Liability		Asset	
1. Member fund (saving + dividend ¹²)		1. Member loan (principal outstanding)	
2. Group fund		2. Bank balance	
2.1 Membership fees		3. Cash balance	
2.2 Revolving fund		4. Expenditure	
2.3 Reserve fund			
3. Loan			
3.1 Federation			
3.2 Bank			
3.3 Any other			
4. Income			
Total		Total	

7. Scored assessment

¹² 90% of annual profit is distributed to members (added to their savings) in proportion to their savings and 10% is transferred to the Reserve Fund (2.3).

S No	Parameter	Indicator	Points	Points received
1	Membership	13 – 15	5	
		16 – 20	3	
		10 – 12	2	
		< 10	1	
2	Regularity of meetings (last 6 months)	>= 5	5	
		3-4	3	
		1-2	1	
3	Attendance in meetings (last 6 months)	> 80%	10	
		60- 80%	5	
		< 60%	2	
4	Regular voluntary savings (last 6 months)	> 95%	10	
		80 – 94	7	
		75-80	5	
		< 75%	2	
5	Internal lending – ratio of loan / saving	> 1.5	10	
		1 – 1.5	7	
		0.5 – 1	5	
		< 0.5	2	
6	On-time repayment rate	> 90%	10	
		90-80%	7	
		80-70%	5	
		< 70%	2	
7	Awareness among SHG members regarding SHG objectives and guidelines	> 90% members	5	
		90-50% members	3	
		< 50% members	2	
8	Annual service charge	Paid by all	5	
		Paid by > 75%	3	
		< 75% collection	1	
9	Payment of records	Paid	5	
		Not paid	0	
10	Attendance of members in trainings	> 70%	5	
		40-69%	3	
		< 40%	2	
		No training held	0	

Annexure 4 Economic viability of Federation

Breakeven Analysis for SHG Federation (new)										
	Yr-1			Yr-2			Yr-3			
Recurring expenses	Unit cost/Pm	Unit	Cost	Unit cost	Unit	Cost	Unit cost	Unit	Cost	
Block coordinator	10000	1	120000	11000	1	132000	12100	1	145200	
Cost of GWs	1500	8	120000	1650	18	297000	1815	18	392040	
Cost of Supervisor	4000	2	80000	4400	3	158400	4840	3	174240	
Cost of Data operator	4000	1	48000	4400	1	52800	4840	1	58080	
Fede. overheads	8000	1	80000	8800	1	105600	9680	1	116160	
Total			448000			745800			885720	
Revenues	unit rate	unit	Amt.	unit rate	unit	Amt.	unit rate	unit	Amt.	
Service fees	Rs.75/mem.	200 SHGs	195000	Rs.75/mem	400	390000	Rs.100/mer	400	520000	
Interest		120 SHGs	93600		280	509600		400	1268800	
Total			288600			899600			1788800	
Breakeven			Deficit			Surplus			Surplus	
Assumptions:										
1. SHG size : 13 members										
2. Interest margin at the Federation level would be 4%										
3. Loan size of SHGs										
	Yr-1			Yr-2			Yr-3			
# Members take loan	Av.Loan size	Total loan	# mem	Av.Loan size	Total loan	# Mem	Av.Loan size	Total loan		
1560	1500	2340000	2080	5000	10400000	2600	7200	18720000		
			1560	1500	2340000	2600	5000	13000000		
total	1560	2340000	3640	6500	12740000	5200	12200	31720000		

Annexure 5
Schedule of questions used for sample SHGs

I Basic

Name:

Village, block:

Established in:

No of members:

	Male	Female
At inception		
Now		

Ethnic composition:

Basis of group formation:

- same family
- same hamlet/habitat
- same caste group
- poor

Economic status:

- economic status within the village
- economic differences within the SHG

II Financial

1) Savings

- i. monthly per member:
- ii. monthly for the group:
- iii. total savings till date:

2) Credit

Percentage of savings for internal lending:
Total no of loans :
Size (average and range) of loans:

III Capacity building inputs

- 1) Types and duration of training received:
- 2) Exposure to outside world:
- 3) No of members who benefited:
- 4) Impact of training on the functioning of SHG:

IV Empowerment

- 1) Membership in other village institutions:
- 2) Issues raised in those institutions and attention received:
- 3) Change in status in family (for women):

V Institutional Processes

- 1) Participation
- 2) Decision making
- 3) Rule-making
- 4) Financial discipline
- 5) Sanctions
- 6) Conflict resolution
- 7) Vision for future development