

Self Help Groups in India

A study of the lights and shades

by



EDA

EDA Rural Systems Pvt Ltd

in association with

APMAS
(Andhra Pradesh Mahila Abhivruddhi Society)



for

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Foreword

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

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

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

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

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

But, despite these remarkable accomplishments, a few of us had nagging questions at the back of our minds. Did these groups really include the poorest women or most marginalized? Did they share benefits and decisions equitably? Were they dependent on others for self-help? What was our role, if any, in forming these groups? Would these groups stay intact

once we departed? Should they? But before we could get at these questions, we had to understand better how the groups themselves functioned.

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

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

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

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Preface and Acknowledgements

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

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

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

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

Frances Sinha
EDA, 2006

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EXECUTIVE SUMMARY

1 Introduction: Study design

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

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

This study explores such questions, based on field research in four states of India, presenting a reality check of ‘what is really happening’. In disseminating the findings, we invite a wider discussion on the issues and the implications for ‘optimising’ the SHG movement.

The study is based on a sample of 214 SHGs in 108 villages of nine districts in four states: Andhra Pradesh (60 SHGs) and Karnataka (51 SHGs) in the southern region, Orissa (50 SHGs) and Rajasthan (53 SHGs) in the north. The sample represents active, older, women’s groups, mostly bank linked (with a bank loan) before March 2000.

SHGs are formed by NGOs, Government agencies or Banks – the three types of ‘Self Help Promoting Agencies’ or SHPAs.¹ The sample SHGs are mainly NGO promoted (137 groups); 49 are Government promoted, 28 Bank promoted – matching the pattern of promotion in the study states in 2000, with NGO promoted groups in all four states (predominating in Orissa and Rajasthan), Government promoted groups predominating in AP (just a few in the other states) and most of the Bank promoted groups in Karnataka (a few in AP).²

SHPAs differ in their approaches to group promotion, with varying emphasis on ‘microfinance’ (the savings and credit transactions, decisions and record-keeping), and/or ‘microfinance +’ (SHGs often being part of a wider village development programme, with other social development inputs). Usually, though not invariably, NGOs and Government SHPAs are ‘mF +’, Banks naturally are ‘mF’. In either case, the pattern and intensity of inputs and guidance to SHGs varies. There is variation not only between different types of SHPA but also within SHPAs due to differences between individual field workers who are the actual group ‘promoters’ or facilitators.

¹ Often referred to as Self Help Promotion Institutions (SHPIs). ‘Agency’ seems a better term for a variety of organisations for whom SHG promotion is often not the main activity. Individuals too (‘social entrepreneurs’) or SHG leaders may promote SHGs.

² This pattern has now shifted with greater involvement of Government agencies in SHG promotion. Though it has also become less clear-cut, with Government agencies ‘taking over’ NGO groups and banks often promoting through local NGOs.

Some SHPAs are now promoting federations or ‘cluster associations’ of SHGs. These were not a focus of this study - they require a separate one. For such associations have strong potential for enabling women to act collectively on different social and economic issues, and shift the capacity building requirements to a different level.

In this summary of main findings, we use the following ‘key’ to highlight the ‘lights’ and the ‘shades’ of SHGs:

- THE LIGHTS
- THE SHADES

Do the findings from our sample of 214 SHGs apply to the current number of over two million? The findings are broadly representative, with two provisos. One, this is not a random sample. We were looking for examples of social action by SHGs which means that our sample may to some extent be ‘biased’ towards those with a story to tell – whether light or dark. Two, the balance between SHPAs has changed since March 2000. Groups promoted by NGOs now account for under one third of total SHGs in the country, compared to two-thirds before, which has implications for the type of inputs received.

MAIN FINDINGS³

2 OUTREACH

2.1 SHG members

SHGs are expected to extend financial services to the poor, and contribute to the alleviation of rural poverty.

- SHG members reflect a diverse membership covering different social and economic categories, including the poor.
- According to an objective household wealth ranking, approximately correlated to the national poverty line,⁴ 51% of members are poor (below the poverty line); another 32% are ‘borderline’ (above the poverty line but vulnerable to risk). Scheduled Castes (SC) and Scheduled Tribes (STs), recognised as structurally poor, are 55% of members. Widows, also a vulnerable and under-privileged group, were found to be 10% of SHG members.

Data on other economic and social indicators reflect the poverty profile: 38% of SHG members work as casual labourers; though 29% work in own agriculture, and 17% are engaged in a non-farm enterprise. Schooling levels of SHG members are very low: 74% had no schooling, 11% had some adult education to become ‘neo-literate’, 15% had some schooling (mainly at primary level).

In this study we did not explore ‘impact’ for individual households, but we used the data to look at differences in wealth rank by time of membership. The comparison does not indicate a clear shift up *out of poverty* by SHG members over the years of membership. Although the

³ ‘At a glance’ fact sheets of data from the sample – by State and by SHPA - are presented at the end.

⁴ Tool developed and applied by EDA in a number of studies, for which wealth rank indicators were correlated with estimated per capita income for a sub-sample of households.

proportion of very poor is significantly lower for longer-term clients compared to recent clients, the data-sets are not directly comparable.⁵

- It seems more significant that for women who have been an SHG member for seven years (or more), half are (still) poor, including 13% very poor.
- At group level, SHG membership is not homogeneous by wealth (which affects ‘equity’ issues).
- In nearly half the groups (47%) there are some members related to each other (particularly in the family based tribal communities in Rajasthan; though this feature is also found in other communities, and can affect relations within the group).
- SHG leaders are of all castes, reflecting the caste composition of their group.

SHG leaders are more likely to be better off and have some schooling compared to overall members. Nevertheless, the majority of leaders too are illiterate – 60% compared to 74% of members overall.

Fifty-one percent of the SHGs are ‘functionally literate’ defined as ‘over half the members have completed at least primary schooling’. Forty-nine percent are ‘illiterate’ meaning that all members have no – or less than primary – schooling. In as many as 30% of the SHGs, none of the members have had any schooling at all a proportion which is especially high in Rajasthan (55% of sample SHGs) and much lower in AP (5% of sample SHGs). Low literacy has implications for record keeping and accountability.

2.2 Who does not join?

As well as finding out who the members are, we wanted to find out who is not joining, and, in particular, whether there are barriers to entry for poor women.

- SHG coverage⁶ of households within village communities is quite substantial, averaging 29%, and slightly above this average for structurally poor communities (SC/ST) in the north.
- There are barriers inherent in the conditions of membership to a group formed to mediate financial transactions – through regular meetings, savings and loan repayments. Such conditions are difficult for women who migrate for seasonal wage employment, and households with variable or uncertain incomes. Both are economic characteristics of the poor and very poor. They can and do lead to ‘self-exclusion’ if not exclusion by group members or by SHPA staff.

It is quite common for SHPA field staff to work first with the ‘easiest’ potential members (those who do not need much persuasion). Targets (number of SHGs/village), as in Government programmes, may contribute to this. Though with substantial growth in the numbers of SHGs (as in AP), different socio-economic groups are included.

⁵ A higher proportion (29%) of very poor among the recent (and much smaller) client sample is likely to reflect the current targeting strategy of particular SHPAs in the sample, and cannot be taken as representative of the ‘initial status’ of older clients.

⁶ Based on a count of all SHGs in sampled villages.

Including the poor and very poor nevertheless requires more effort and more intensive follow-up by the SHPA, if SHGs are to be able to cater to their needs, accommodating more variable cash flows, for example, or different working hours.

2.3 Dropouts

Finding out about dropouts - how many? who? and why? - tells us something about whether SHGs are not always catering to the needs of all their members. In particular, we wanted to find out whether the very poor are more likely to drop out.

- In functioning SHGs, the drop out rate for the two regions combined is under 10% of membership. Almost 50% of the SHGs had no dropouts; one-third had two or fewer dropouts.

There are dropouts in all wealth ranks. The dropout rate for the very poor is 11.1% and decreases somewhat as we go up the wealth rank (to 7.3% for the non-poor), (though the difference is not so great).

Migration for employment outside the village, and ‘financial difficulties’ especially in making regular savings deposits is the main reason for very poor and poor drop-outs; for the non-poor, group dynamics is an issue. Usually it seems to be the member’s (or her family’s) decision to leave; otherwise it is a case of ‘mutual agreement’ between the member and the group. Though there are cases of groups expelling a member.

- When a member leaves an SHG, she is in theory entitled to receive back her savings + interest (which should be a share of the net profit from interest earned from on-lending with-in the group). But in practice, in most SHPAs and SHGs, we found that this is not communicated as the norm. What is clear is that, if she drops out, a member’s savings can be adjusted against any outstanding loan (though whether interest due on savings is included in this adjustment is not so clear). In our sample, just under 10% of drop-outs were in default. Excluding these, we find that drop-outs do not usually lose their savings, but the majority do not receive interest due. In the absence of clear norms, or regular accreditation of accumulated interest, dropouts are not likely to obtain interest due on their savings.

The impressionistic evidence from interviews with SHPA field workers and with drop-outs is that there is not much follow-up of drop-outs.

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

3 THE SOCIAL ROLE OF SHGs

3.1 SHGs and politics

There are apparent synergies between SHGs and local politics since through membership of SHGs, or SHG clusters and federations, village women can gain experience of relevant processes (regular meetings, taking decisions, allocating money). They also become more 'visible' in the village, which is important for campaigning.

- In one out of every four SHGs in the study sample, there is a woman member who ran for local political office (in the *panchayat* or village council), and in one out of every five SHGs, there is a woman member who has been elected. Of the 44 elected women representatives, most (34) were elected as a 'ward member' (representing a village area), nine as *Sarpanch* (the head of the *panchayat*) and one was elected to the block level. The elected representatives included ordinary members as well as group leaders.

SHG membership can contribute to women's election to *panchayati raj*, but does not appear to influence what they can achieve if elected.

Probably more important than SHG support is the fact that the members (or their families) often have political leanings and activities even before they were members of SHGs. We found the most active PR women representatives were those (from families) with political connections, and/or with a background of employment in government programmes. Caste, wealth rank and literacy did not emerge as key factors.

- Over half the elected women representatives (25 out of 44) were active in the *panchayat*, attending meetings regularly, carrying out responsibilities; only seven (16%) turned out to be proxies meaning that their husbands took their place. Another 12 had low engagement in situations where, although a woman representative might attend a *panchayat* meeting, her presence is largely ignored by others (men) and she does not get the opportunity to build the awareness or experience to carry out an active role.

The proportion of active representatives was, perhaps surprisingly, higher in the north than in the south. Local women recruited as SHPA field workers are more likely to become effective community leaders, and we found these mainly in the northern sample.

The sample for this study reflects situations mostly without any specific strategic input for women's political empowerment by a SHPA. (This is intended as a factual – not an evaluative – statement). Local elections when they take place represent an opportunity for building women's awareness and involvement, which NGOs may seek to respond to. Where there were SHPA interventions, by NGOs, they were related to – and limited to – preparation for election: informing SHGs about the election rules, how to register a nomination, and encouraging group members to campaign and to vote.

The case studies suggest that some degree of follow up through post-election guidance and networking could also make a difference in supporting effective action by the elected representatives – though this may be seen as part of a wider task of strengthening *panchayati raj* institutions, including the men representatives.

3.2 Social harmony

Indian society is split by a hierarchical caste system that has traditionally discriminated against those at the bottom – the Scheduled Castes – as well as those outside it, for example the Scheduled Tribes. Within broad caste categories too there are divisions.

The fact that the majority of SHGs (two-thirds in the sample) are single-caste groups is based on the principle of ‘affinity groups’ and neighbourhood proximity (members living nearby can more easily get together, and village neighbourhoods are usually caste based). It also stems from government policies. Government benefits for SCs/STs, BCs and SGSY subsidies are easier to channel to the target population, if all members of a group belong to the same caste category. Otherwise, some benefits will go only to some members.

- Nevertheless, one-third of SHGs have some members from different castes. 20% of groups in fact cross the main hierarchies (between SC/ST and the other castes). This is more likely in NGO promoted SHGs (24% of groups), lower in Government promoted groups and in AP (12% of groups).
- NGO SHPAs which have village wide development focus make participation across castes a condition of their programme. As part of a deliberate strategy, we find that this takes persistence, time and a lot of convincing by the field staff. But it does lead to some degree of interaction across castes, including SCs and different sub-castes. Over time, the experience of women from different castes and sub-castes coming together from their separate hamlets and being part of village meetings, can help to build the confidence of the usually marginalized and begin to break down some prejudices.

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

3.3 Social justice

SHGs seem uniquely placed to support their members on issues of social justice affecting women. Nevertheless, we did not find that SHGs are dealing *regularly* with issues of social justice. Nor did many groups report such actions: 12% of sample SHGs (with some groups mobilising together on single issues) had taken up issues such as domestic and sexual violence, bigamy, and a few cases of dowry death, prevention of child marriage, support for separated women to remarry.

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

Groups whose members already enjoy some ‘socio-economic’ status are able to assist their own members or extend support to other vulnerable women in the village, while more disadvantaged SC and ST groups, and the poorest groups provided correspondingly fewer instances of such action.

Issues that can be dealt with through a specific action (preventing bigamy, obtaining compensation, marriage of an orphan girl or a separated woman) appear more successful with the action having an immediate result. Private behavioural problems (domestic violence or

sexual abuse) are far more difficult to address successfully. The very fact that such issues are brought out in public appears to be a significant action, but an effective result - ending such violence – is more difficult to achieve, and requires more sustained action and follow up.

Guidance and support from a SHPA seems essential when many instances of social injustice are perhaps not recognised as such since people are so used to them, both women and men, and accept them as the norm.

Case studies illustrate the combination of personal determination (especially from the women concerned), mutual support (SHG members) and effective guidance (SHPA field worker) that can make the difference against conservative, male-supporting, social structures. They also reveal some of the dilemmas – the compromises that women may have to make since their social and economic status is seen to depend on staying with a husband, and his family, however difficult the situation.

SHPAs (five in the sample, NGO and government) seemed most effective in building awareness, and guiding SHG members on strategies and options, including contacting the police and local authorities. SHPAs are less likely to get involved at the panchayat/community level – though it is perhaps through influencing traditional structures that there could be more effective long-term action for social justice.

3.4 SHGs and community action

Women in SHGs can work together to address issues that affect not only their own members, but others in the larger community. Again, the number of SHGs in the sample undertaking such action is less than hoped for, particularly given the sampling focus.

- Thirty percent of SHGs in the sample have been involved in community actions. These involved: improving community services (43% of the total actions, including water supply, education, health care, veterinary care, village road), trying to stop alcohol sale and consumption (31%), contributing finance and labour for new infrastructure, (12%), protecting natural resources and acts of charity (to non-members).

These were all actions by SHG women which represented some degree of *agency* by women, in terms of decision-making, and enhancing women's contribution to community in a way that goes beyond traditional gender roles.

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

Community actions have mostly been one-off, and were usually effective – or at least partially so.

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

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

- The mobilisation of numbers of women through village or cluster networks, or federations, was a significant feature of effective community action. SHPA guidance was important, both NGOs or Government agencies – advising on the options within existing structures.
- The stories show that such community actions involve a new boldness and confidence for women; often involving putting pressure on the authorities (*panchayat*, district officers, police) to do their job, whether through petitions or by staging rallies and blockades; and varying degrees of skill in negotiation by SHG leaders.

Forty-six groups (21% of the sample) had been involved in a group based enterprise or enterprise contract. These included:

- (i) collective organisation of marketing for the produce of individual enterprises established using micro-credit, particularly milk collection centres/dairy cooperatives at village level (12 groups)
- (ii) collective activities by SHGs using group credit to access larger natural assets for production, e.g., leasing land and ponds for cultivation and pisciculture (7 groups)
- (iii) other collective economic activities based on group credit that combined labour and management: stone-cutting, processing rice, managing a tent house (11 groups).
- (iv) management of government contracts, such as running ration shops (as part of the Public Distribution System or PDS), cooking the mid-day meal (MDM) for school children, or managing a subsidised fodder depot (16 groups).

SHPA support seems critical in providing or facilitating ideas for group based enterprise. Though this does not in itself guarantee viability or effective returns, especially given the inherent difficulties of group based enterprises. Roughly half of the group enterprises appeared to be viable, though with relatively low earnings for SHG members. Where successful, such enterprises have enabled women collectively to access and manage assets or contracts which they lack the capacity as individuals (or as separate households) to do.

- The government contracts (MDM, PDS) carry their own risks. Nearly all of these turned out to be short-lived and non-viable, with unrealistic margins, and problems of managing cash flows and supplies from a somewhat notoriously non-transparent system, quite apart from women’s lack of experience in handling such a system.

4 SUSTAINABILITY AND FINANCIAL ASPECTS

4.1 Record keeping

As a starting point for financial analysis, we had to look at group records. Based on an audit exercise at each group, we found that 15% of SHGs have good quality records - complete and up-to-date with virtually no errors, another 39% have records of moderate quality - were mostly up to date, though with some errors.

- A significant proportion of sampled groups (40%) have weak records - over half the sample in AP, around one-third in the other three states. Over half of Government promoted groups had weak records; 36% of both NGO and Bank promoted groups. The latter appears surprising, but reflects the Bank practice of maintaining records at Bank level, not at the group level, after loan disbursement.

SHG records may be maintained by SHG office bearers, SHPA staff, locally recruited book-keepers (paid a small monthly honorarium – by the SHG), or other (un-paid) non-members (relatives of leaders or other well-wishers). In the sample, there is greater use of SHG office bearers in AP (nearly two-thirds of groups), of paid book-keepers in Karnataka, and of SHPA field staff (especially of NGOs, some of Government SHPAs) in the north. Paid office bearers and SHPA staff are more likely to keep good records; unpaid office bearers or non-members are more likely to have weak records.

- It is the responsibility of SHPAs to have a system for internal verifications as well as arrange for external audits. Nearly all SHPAs in the study (29 out of 35) did have some verification systems in place, undertaken by SHPA field staff at different periods of time (quarterly, six monthly, annually). Comparing the data, however, having a system of internal verification does not make much of a difference to record quality, since the quality of such a system as well as the capacity of field staff are also variable.

Computerisation of records (started by some NGO SHPAs in the north), and having an external audit system (again some SHPAs in the north, none in the South at SHG level, though in place at federation level) appears to bring some improvement.

- Part of the problem lies in the relative complexity of the recording system – the number of records, and the amount of work to record the transactions. Record keepers may find them difficult to manage. Office bearers as well as group members – most of whom as we have seen have had no or little schooling - do not find them useful nor are they easy to explain. And SHPAs themselves find it difficult (at any rate resource intensive) to provide the necessary back-up.

To the extent possible, we have used the available records for analysis of various aspects of financial performance. In the southern sample, especially in AP if records were weak, data was constructed through discussion with the groups.

4.2 Equity

All members of an SHG save the same amount at each meeting. The question of equity refers to whether access to available credit is equitable. ‘Equitable’ here does not mean ‘equal’. Since, as noted earlier, all members of an SHG are not economically equal (have the same ‘wealth rank’) it follows that all members do not have equal credit absorption and repayment capacity. Group members themselves are well aware of this and generally prefer to allocate credit according to individual demand and capacity.

- The number of non-borrowers is quite small - 5% in the southern sample (data available for the previous year), 8% in the northern sample (data since formation of the group).
- Overall, the data shows relatively low standard deviation around the mean for number of loans and amount borrowed by members.

Equality of credit access was found in 16% of the southern sample, 10% of the Orissa sample. This can simplify accounting (since repayments are the same for everyone in the group) and serve to reduce conflict, especially when larger sums (bank loans) are involved; but whether this is appropriate depends on a realistic assessment of different member capacities.

- What about group leaders? It is sometimes asked whether group leaders take advantage of their position to corner a disproportionate share of available credit. The data does not support this overall. In some SHGs (up to 18%), leaders are accessing more credit, especially over a longer time frame (northern data, Orissa particularly). This is known by other group members and is not necessarily seen to be exploitative (or at any rate is not reported as such in group discussions).
- The reported cases of on-lending by individual members or by the group lending to non-members (18% of the sample) appear to result from supply-driven credit distribution to SHGs - which is increasingly practised as part of target-driven programmes, and sometimes linked to subsidy (as under SGSY).

4.3 Defaults and recoveries

Loan repayment by SHGs involves two stages of recovery. The first stage is by members to the SHG, the second is by the SHG to the bank. The analysis of default in this study focuses on the first stage, in response to the research questions of ‘what types of member fail to repay?’ and ‘what happens to them?’

Measuring default requires careful analysis for SHGs since there are various types of repayment schedule. We have used information available at group level for repayment by members to the group as the basis for analysis of member default, adapted to the repayment norms stated by each group (monthly or seasonal repayments). For loan repayments by members to the group, the stated norm is usually regular (monthly) payment of interest and repayment of principal over the term of the loan (usually one year) as decided by the SHG. Repayment of principal may be in fixed equal instalments that are monthly, quarterly or seasonal.

Analysis of the northern sample shows 24% of borrowers were more than three months behind on re-payments, of whom 5% were more than 12 months behind. Default at 12 months was significantly higher for very poor and poor borrowers at 8-9%, compared to borderline (4%) and non-poor (1%) borrowers.

- In the southern sample, 28% of borrowers were more than 12 months overdue, with higher incidence (38%) amongst very poor borrowers.
- Group leaders and members alike default on loans (slightly higher incidence among leaders in the southern sample).

This difference between the southern and northern level of default seems to reflect the fact that in AP, especially (the state with the largest number of SHGs and highest level of bank lending to SHGs) bullet repayment is emerging as the main recovery strategy before disbursement to the group of the next external (bank or federation) loan. As a result, whilst the member to group repayments may be irregular, this may not be reflected in the reported repayments from group to bank.⁷

The theory of social collateral that underlies SHG borrowing implies that all members of a group are responsible for ensuring loan repayments. This can take the form of members making repayments on behalf of a defaulter. More often, it takes the form of exerting pressure on defaulters to pay, starting with discussions within the group, giving a warning, and imposing a fine; and leading, in some cases, to taking possession of a defaulter's assets, or locking her out of her house.

The pattern of escalation depends on members' understanding of the defaulter's situation (of whether she is genuinely facing difficulties of repayment or not), whether there is pressure to ensure repayment as a group so as to access a further bank loan and the type of relationship that the defaulter has with the group.

Dealing with default can entail a fine balance, building or maintaining a culture of repayment discipline, whilst exploring options to assist a member in case of difficulties. Groups need more guidance on workable options. Such options are likely to include adjustment of savings for loan repayment, (though this means a member dropping out of the group), or rescheduling of the loan if this seems warranted.

This confirms the need for longer term and more sophisticated SHPA support, by people who have been trained on how to advise SHGs to deal with default situations: which is much more complicated than the process of getting a group going.

Variable patterns of recovery (including seasonal and bullet payments) are useful to the extent that they match local cash flows. But it makes it even more essential to have clear, transparent reporting and monitoring.

- There is some evidence that older established NGOs working with a broader canvas of empowerment and village development and having faith in the integrity of their SHGs may tend to under-emphasize the importance of timely repayment (including repayment of loans to banks).
- Current practices of recovery, especially in AP, rely heavily on bullet repayments and the incentive of further loans. This may work up to a point, but is not a healthy strategy as loan sizes increase.

4.4 Sustainability

An assessment of financial status depends on good quality records and preparation of standardised statements. Financial statements are not being regularly prepared. In only 28% of the SHGs (22% in the south, 35% in the north) was an income and expenditure statement available, and in an equal number, a balance sheet and portfolio information. While members were usually able to provide approximate figures of total savings and total SHG loans

⁷ On time repayments for SHG loans reported across the banking sector is around 88%. (GTZ, 2006)

outstanding, they were not able to provide figures for profits earned or loans outstanding to banks, for example.

- SHG member involvement in loan decision-making did not translate to their being reasonably well versed with the financial status of their SHGs, and
- In the absence of financial statements, SHGs (or SHPAs promoting them) cannot monitor their financial position.

Nevertheless, it is usually possible to construct statements from the data available with the group – it can be prepared from the ledgers, registers and other SHG documents or through the SHPA data, supplemented through discussion with group members. This was done as part of this study – wherever data could be collated easily.

The findings on financial performance of SHGs are mixed. Around half of the sample groups are operating at a profit, with a good return on assets of 6.5%, and a return on internal capital (or member equity = member savings + accumulated interest) of 11%. Around 20% of the sample are running at a loss, and for the rest we do not know for lack of data.

Overall, in three States we find that in one-third or more of SHGs, the value of members' capital (own savings) is being maintained and enhanced above the rate of inflation (above 6%); in Orissa this proportion is less than 20%. Thus

- in the majority of groups it is not the case that SHG earnings are high enough to maintain the value of SHG members' capital.

The ratio of external borrowing outstanding to internal capital averages a low 1.43; though available data on actual last borrowed amount shows some groups having a very high 'debt/equity' ratio of 6-9. Such SHGs lie behind some emerging apprehensions of the limited ability of SHGs to manage larger funds even as banks extend the scale of loans to SHGs that have successfully repaid an earlier loan, without a further appraisal.

Rules governing bank linkage allow for banks to provide loans to SHGs progressively up to four times the SHG's internal capital. As SHG savings grow over time, this can mean substantial increase in the volume of funds that the SHGs can access through the banking system. Nevertheless, there are likely to be practical limits to the credit absorption capacity of different groups, depending on the circumstances of individual members as well as the local opportunities for investment. Thus, we found a few NGOs (in Rajasthan) which specifically limit the amount of bank loan applied for by their SHGs, a practice which relates as much to limited opportunities to use the additional credit as to the internal capital amount.

Most SHGs (>70% in the southern sample, around half of the southern sample) report zero cash in hand (or 'cash in box'). Otherwise the amounts of cash are mostly 'reasonable' at under Rs2,000 with 11% of groups reporting higher amounts than this. Time taken to travel to a bank is less than one hour for one-third of sample groups, 1-2 hours for 40% of groups, and more than 3 hours for 25% of groups. The annual direct cost reported for visiting a bank (transport, stationery) is Rs290 on average across the sample.

The study also included an analysis of 'portfolio at risk' (PAR) at SHG level (payments by members to group). PAR indicates the risk of default on the loan portfolio and is measured with reference to the number of days that repayments are overdue. To take account of

flexibility within groups, the portfolio analysis is based on payments overdue by a year, or more. The information available (for 155 SHGs) indicates that around 45% of groups (a higher proportion – 66% - in AP) have defaults more than one year past due, amounting to 17% of the portfolio (one-third in AP), 12% or less in the other states.

As noted, norms for repayment vary between groups, making the definition of ‘at risk’ problematic. If loans are eventually repaid as bullet payments (the principal all at once, including interest) as seems to be happening in AP, particularly as a means of accessing an external loan, then the ‘PAR’ is perhaps a limited indicator of ultimate risk. Nevertheless,

- with Andhra Pradesh being the State with the highest rate of bank linkage in the country, but showing the highest levels of default (in this study), this is an aspect which needs more research and attention, especially as SHGs access larger bank loans that will be more difficult to pay in a single bullet amount.

The level of ‘defunct’ and broken groups in the study villages overall seems relatively low (7%). But in AP, defunct groups may be emerging as an indicator of loan default. This too is a warning signal, for the state with the largest number of SHGs. In the northern sample too default is an issue, but there are also groups who are breaking and realigning – partly in response to new government programmes and targets for credit disbursement.

Finally, while SHG members and others spoke, by and large, of a long-term life for the SHG, the desire to work with stable and continuing groups may be seen as a donor and MFI/promoter concern rather than something integral to an SHG’s functioning. There are several instances the world over (for example the CARE Village Savings and Lending programme in Niger) where groups save and break up after every year. There are clear formulae for distribution of the funds, and they can of course start up again, with the same or different members, immediately. This avoids the development of the stresses that may be associated with older SHGs, as members’ needs diverge.

5 IMPLICATIONS

Most stakeholders present the SHG as a financially useful and sound instrument, and worry about the social and political implications. What this study indicates is that there are lights and shades on both sides. There are perhaps more social lights beginning to appear, and more financial shades. But, this study suggests that progress on either – financial or social - will require greater clarity of vision and objectives and a systematic approach to building capacity and providing guidance.

Some key implications, for wider debate, are as follows:

SHGs for what? Objectives in promoting SHGs differ. Is it ‘microfinance’? Is it ‘microfinance plus’? Is there a tension (even a trade-off?) between the two? Even with social objectives, ‘Self-Help’ has a financial base (depositing and managing savings, lending and borrowing) and the base has to be right, with effective and transparent management and the guidance to do this. Clear guidelines and systematic record-keeping for microfinance transactions are essential, whatever the SHPA orientation (more on this below). This has to be part of the initial focus and guidance, over a period of 2-3 years. It is a case of ‘getting the basics right.’

SHGs for whom? Women from different social and economic levels are joining SHGs, including the poor, and some very poor. This process continues as the numbers grow. However, the barriers to entry for the poor are high – not only do they have lower incomes (by definition), but their incomes are usually more variable. To reduce barriers for the poor means allowing more flexibility to cater to varying and seasonal cash flows, for example allowing varying deposit amounts and frequency, perhaps with a specified annual minimum. The same principle applies to access to credit and repayment, again within specified minimum norms. (Though both will have to be matched by good record keeping).

In this aspect, and in others too (accounting, decision making, social action) it is likely that the poorer the women (or some of the women) in an SHG, the more careful and sustained promotion and guidance needs to be.

Improve transparency and record keeping: Record keeping at the group level has emerged as a very weak aspect of SHG functioning – with only marginal differences depending on who maintains the records. Complicated records and MIS seem to be part of the problem of poor book-keeping. Good book keeping is critical for the sustainability of financial operations and continued mutual trust among members. Good quality of book-keeping means completeness, accuracy, up-to-date information and transparency. There is a need for simple and user-friendly records and books of accounts, coupled with a similar MIS. This should be linked to monitoring – by SHPAs and Banks. Financial literacy and communication for SHGs also assumes importance (especially if SHG members move into running enterprises) and providing women with necessary knowledge in the initial years of SHG functioning would empower them better.

It does not seem necessary that SHGs (or their office bearers) have to maintain their accounts themselves. This can be a service to the group, as is being tried out through different forms of computerised account keeping – by Pradan (the computer *munshi*), by Dhan *kalanjams* and by MYRADA (in community resource centres). Their experience suggests that this may be a cost effective solution, in comparison with training and checking of records at group level. Other simple and user friendly ways of book keeping include the manual systems followed by IBTADA in Rajasthan, and a book-keeping system based on colour coding promoted by Ekgoan Technologies and Covenant Centre for Development.

Realising the social potential of SHGs? SHGs represent an opportunity for social action and empowerment through women's involvement in considering, addressing and participating in issues that affect their members and their communities, including issues that affect women in particular. The extent to which this happening is perhaps less than hoped for – although a beginning is being made. One reason is the huge challenge involved in women having the right to speak out and take a stand in still very traditional, patriarchal, societies. The related reason is that social objectives too require a strategic approach, persistence and follow-up.

SHPAs who have social objectives, need to do more about them specifically and strategically: picking up problems, addressing them as they arise, using them as issues/examples for discussion with other groups – whether issues of social harmony, injustice or mobilising for community development. SHPA support and guidance seems critical and mobilising across groups seems most effective. Clustering of SHGs may have strong social potential, as in federations, though this builds in another level of capacity level and financing – still to be established as sustainable.

There may be a question of time available for women. This did not come up as an issue in groups where such actions were taken, though we did notice that better-off women are more likely to be involved.

SHGs and local politics? If this is an area which a SHPA decides to take up, again the approach needs to be strategic and does not end with the election of an SHG member. A few NGOs (PRIA and its associates, such as Samarthan in Madhya Pradesh, the Karnataka Women's Information and Resource Centre) have strategies to guide *panchayat* members and to bring together 'Elected Women Representatives' so as to strengthen their understanding and role. Given issues of party affiliation, possible splits across and within SHGs as well as the existing tensions of *panchayat* politics, this aspect may not be a focus area for many SHPAs. Though, if elected members were to be helped to be more effective in addressing issues of concern to women, and to be accountable to their constituency, the potential impact would be high, both for SHGs and women, and for the political system.

How much external credit? SHG growth seems to be attracting too much politics in the form of targets for SHG bank 'linkage', resulting in the supply driven approach of pushing external loans on SHGs. The amount and timing of such loans should depend on member capacities, not on targets or merely the fact of repayment of a previous loan (which in itself is a weak indicator of future credit absorption capacity). Different groups have different potential and cannot be assumed to have the same needs or opportunities. SHG assessment (or rating) should not just be limited to current performance but could also assess credit absorption and repayment capacity. The issue is one of catering to financial capacities and livelihood financing (identifying opportunities) and not just making credit available in increasing amounts.

There are also economic differences within the group, with some members better able to absorb credit than others. As amounts of external loans start increasing, equal distribution of loans would lead to some members being unable to repay the loans they have taken. The financial implication is that some members may take higher loans than the rest, based on their absorption capacity, though this could affect social dynamics within the group. In this context, rather than ever-increasing group loans, an option that needs attention is to introduce a graduation strategy for individual lending, providing bank loans directly to women with the credit potential.

Group enterprises? This is something that SHPAs and banks (for credit absorption) and SHGs themselves (for employment/income) are interested in, but should be entered into only after very careful analysis and planning of sector activities, linkages, cash flows and skills. The same applies to Government contracts.

Dealing with defaults and drop-outs: SHGs (and SHPAs) do not have a clear policy on how to deal with defaults or with drop-outs. Dealing with defaults needs to be part of regular trouble-shooting – linked to careful monitoring of internal recoveries and clear guidelines. There is also a need for clear norms related to leaving the SHG and sharing accumulated surpluses. Both aspects would be helped by accurate and transparent accounting.

SHG promotion – what, how much and for how long? Everything stated so far points to a need to reconsider the nature and intensity of SHG promotion. SHG promotion – and the necessary money to pay for it - cannot be considered as a one-shot, simple input. It has to be more strategic, adaptive and longer-term.

Bank and national reporting: Current reporting by banks engaged in SHG loaning – and by NABARD - is limited to cumulative loan figures. There would be greater clarity if banks were required to make public the credit-deposit ratio in relation to SHGs, and the current loan outstanding figures (i.e. the previous year's opening loan balances, disbursement during year, collections during the year, and loan balance at the end of the year). These figures should also be included in the NABARD annual publication on SHGs.

And in terms of number of poor women involved in the SHG movement, the estimate in this study (and reflected in other studies which have tried to address this issue) suggests that around half of SHG members are poor (below the national poverty line). This should be reflected in official publications as well as in strategic interventions (matched to different credit absorption capacities and skills). There is scope for tracking poverty/livelihood levels across the SHG movement, which would tie in with appropriate levels of credit linkage as well as enabling longitudinal impact assessment over time.

Fact Sheets

1 By State

	Indicator	South		North		Overall
		AP	Karnataka	Orissa	Rajasthan	
1.	SAMPLE					
1.1	Sample villages	28	16	31	33	108
1.2	Sample SHGs	60	51	50	53	214
1.3	SHGs >= 4 years old	54	47	42	50	193
	Average age of SHGs (yrs)	5.8	5.7	5.1	6.9	5.9
1.4	SHGs promoted by:					
	NGO	23	27	42	45	137
	Government	31	2	8	8	49
	Bank	6	22			28
1.5	Average members/SHG	12	14	14	15	14
1.6	Average distance from bank (km)	6.2	2.8	2.1	2.2	3.5
1.7	SHGs in federation or cluster	97%	29%	56%	53%	60%
1.8	SHGs provided mF+	90%	57%	46%	51%	62%
2.	OUTREACH					
2.1	Village household coverage in SHGs	43%	23%	35%	21%	29%
2.1a	SC/ST household coverage (North)	-	-	53%	24%	
2.2	Single caste SHGs	63%	69%	74%	60%	66%
2.3	Functionally literate SHGs	72%	45%	50%	36%	51%
2.4	% SHG members: poor	53%	61%	58%	34%	51%
2.5	SC	7%	45%	41%	27%	30%
2.6	ST	13%	10%	35%	41%	25%
2.7	women heads of households	13%	16%	14%	3%	11%
2.8	completed primary school or above	20%	8%	8%	2%	10%
2.9	casual labour as main activity	22%	45%	45%	39%	38%
2.10	SHGs with dropouts	43%	47%	56%	66%	52%
2.11	Rate of dropout	7%	10.5%	9.5%	12.2%	9.8%
2.12	Rate of dropout among the poor	9.0%	9.9%	8.0%	17.3%	10.1%
3.	SOCIAL ROLE					
	POLITICS (panchayat)					
3.1	SHGs with members elected	23%	18%	14%	19%	19%
	Elected women representatives - n	14	12	7	11	44
3.2a	- proxy	7	8	1	3	43%
3.2b	- engaged/active	7	4	6	8	57%
	SOCIAL & COMMUNITY ACTION					
3.3	SHGs acted on social justice issues	25%	-	10%	11%	12%
3.4	SHGs engaged in community activities	42%	20%	22%	36%	30%
3.5	SHGs involved in group enterprises	20%	16%	28%	23%	21%
4.	SUSTAINABILITY/FINANCIAL ROLE					
	GROUP RECORDS					
4.1	Good/adequate quality records	45%	60%	65%	62%	54%
4.2	Weak records ^a	52%	37%	34%	36%	40%
4.3	Book keeping by:					
	- SHG office bearer	65%	22%	14%	19%	31%
	- SHPA staff	7%	6%	64%	38%	28%
	- other (paid/unpaid)	28%	73%	22%	43%	41%
4.4	Up-to-date passbooks (within 6 months)	59%	83%	70%	76%	72%

^a Records not accessible in 6% of sample groups

contd.

By State - contd

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

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

2 By SHPA

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

^a Records not accessible in 6% of sample groups

Contd.

By SHPA contd.

	Indicator	NGO	Government	Bank	Overall
	FINANCIAL TRANSACTIONS [n = sample applicable or with data]				
4.5	Average monthly savings/member (Rs)	42	40	69	45
4.6	Average group fund -incl profit (Rs)	35,200	27,900	34,500	33,700
4.7	Average member savings (Rs)	2,500	2,100	2,700	2,400
4.8	SHGs that have had external loans	119	43	28	190
4.9	Average external loans (Rs):				
	- cumulative [n=164]	101,800	91,900	120,700	102,300
	- outstanding [n=121]	53,500	48,900	88,500	58,600
4.10	Internal lending: outstanding/SHG (Rs) [n=190]				
	- mean	72,200	58,500	80,400	69,100
	- median	51,120	48,000	45,410	48,000
4.11	Charging => 24% pa interest	82%	89%	79%	83%
4.12	South sample for previous year [n=102]: Borrowers/total members	94%	98%	93%	95%
4.13	Average borrowed/borrowing member (Rs)	12,445	7,220	10,050	10,370
	Std deviation	11,455	5,260	8,590	9,630
4.14	SHGs lending to non-members	17%	24%	11%	18%
4.15	FINANCIAL VALUE				
	SHGs with a current year's profit	50%	55%	39%	50%
	For SHGs with a current profit [n=106]				
	Current return: -on total assets	6.0%	7.9%	7.0%	6.5%
	-on member equity (own savings)	9.5%	15.6%	13.5%	11.0%