

Quality and Sustainability of SHGs in Assam

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NABARD



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Preface

In 2006 – 07, APMAS decided to expand its operations beyond Andhra Pradesh to Assam, Bihar, Gujarat, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh. It is a natural process in the evolution of APMAS. With vast experience, expertise and learning from Andhra Pradesh over a five year period, APMAS can not close its eyes for the glaring capacity building needs of SHG movement in the country. Therefore it decided to work for the strengthening of the SHG movement in the country as a whole and particularly, in underserved states. From the moment APMAS decided to work outside Andhra Pradesh, it has started receiving a number of requests, suggestions and leads from a number of organizations, for collaboration, partnership and patronage. Within a year, APMAS has three major collaborations and partnerships to strengthen SHG movement in the country and in underserved states. The first is the National Network of Resource Organizations (NNRO), which is being anchored by APMAS. The NNRO with six other members is working on two themes, i.e. policy advocacy and capacity building for strengthening SHG movement in the country. The network obtained financial support from the Ford Foundation for the pilot phase and the Ford Foundation agreed to continue financial support for the expansion phase as well. A few other donors are expected to fund the NNRO activities in the coming months. Under the second collaboration APMAS and Indian School of Livelihood Promotion (ISLP) together began work on strengthening of SHG movement in Bihar and Uttar Pradesh, the most populace and challenging states. The six year project is being funded by Sir Dorabji Tata Trust (SDTT), with primary focus on the capacity building of SDTT's partner NGOs, which are involved in SHG promotion in those two states. The third collaboration that APMAS entered during last one year is with NABARD for strengthening of the SHG movement in Assam, Bihar and Madhya Pradesh.

Under APMAS and NABARD agreement, APMAS would study first the status of SHG movement in these three states, assess the capacity building needs and prepare action plan for building the capacities of the promoting agencies and to obtain conducive environment in each of these states. Then APMAS implement the action plan in collaboration with NABARD. NABARD would provide funds for the studies and for implementation of the capacity building plan. The present study – Quality and Sustainability of SHGs in Assam is the first study under the APMAS – NABARD collaboration. We are thankful to NABARD for funding the study. Though the major objective of the study is to develop a capacity building plan to be implemented in Assam, it turned out to be an excellent reading and reference document on the SHG movement in the state. It is a comprehensive study on SHGs in the state and it has a number of interesting findings, insights and solutions. It is an interesting and very useful reading for all stakeholders in SHG movement and Assam development. I complement the research team for this excellent work. APMAS welcomes all comment and feedback on this report, which would be helpful not only in refining this report, but also studies to be conducted in Bihar and MP and capacity building plans to be implemented in these three states.

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C. S. Reddy
CEO, APMAS

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I wish to record our gratefulness to Mr. Ramanathan and his team at MCID Unit of NABARD for assignment of this study to APMAS, as a part of larger agreement for capacity building of SHPAs in Assam, Bihar and Madhya Pradesh. Assam and North-east India is a passionate place to me. I am grateful to our CEO, Mr. C. S. Reddy for assigning me this study. He always took a proactive role and provided positive and insightful feedback in every stage of the study, i.e. study design, research tools revision, field data collection, data processing and report writing. I wish to record my gratitude for all the guidance and support I received from Mr. Reddy. My two other team mates Ms. G. Trivikrama Devi and Dr. K. Raja Reddy played an important role in review and finalization of research tools and field data collection. Ms. Devi did a splendid job in training the field investigators. Big thanks to both of them. Our Program Support Team provided highest cooperation in every stage of this assignment. Special thanks to Mr. Rajan and his team.

When we landed in Assam in December 2007, we were a bit apprehensive, as we know very little about the place and people. But we received overwhelming cooperation and support from a number of people throughout our five weeks stay and work in Assam. Firstly the NABARD, Guwahati team headed by Mr. C. K. Gopalakrishna, CGM; Mr. S. D. Sahasrabudhe, DGM; Mr. M. Raghunath, AGM; Mr. Sanjiv Raman, AGM and others extended highest cooperation. They put us in ease by providing a lot of necessary information and consultation for finalization of sample units. They also provided a number of contacts for us to interact and instructed four DDMs in four sample districts to provide all necessary support to the study team. NABARD also invited us to participate in their workshops on Microfinance and rural enterprises in January 2008. It provided us an excellent opportunity to interact with a number of key stakeholders and share our preliminary findings and obtain feedback. We wish to record our gratitude to all of them. Mr. Gopalakrishna took special interest and initiative for smooth conduct of the study. He gave his pressing time liberally for discussion of the study design, review of research tools, selection of sample units and preliminary findings. He instructed his colleagues to extend all necessary support for the study. Special thanks to him.

Secondly, Dr. Amiya Kumar Sharma and his team of RGVN provided manifold and valuable support. They helped us in recruiting local field investigators, provided office space to train the research team, facilitated field testing of the research tools and provided a number of contacts for smooth conducting of the field work. Their research and consultation inputs are of immense value. We would be grateful to RGVN for all the help they provided. Thirdly, Dr. Abhijit Sharma of Indian Institute of Bank Management provided valuable support - providing hostel and library facility, consultations, reading material and logistic arrangements. We are sincerely thanking him. Other people in Guwahati, who provided very useful insights and information are Mr. Hazarika, CMD of NEDFi, Mr. P. S. Thalukdar of NEDFi and Mr. Pankaj of Reach India. The officials of the Rural Development and Planning departments provided us with very useful reading material. We are grateful to all of them.

During our field work, we got overwhelming support from government officials, Banking officials, NGOs and SHG members and facilitators. Elections for Gram Panchayat were being held during our field work time. The official machinery was fully engaged in conducting elections. Even SHG (women) members took active role in election campaigns, etc. Despite of their busy workload, the officials gave time to the study team for interaction. A couple of interactions took place in the late nights. Among top officials I wish to record my gratitude to DC – Sivasagar; ADC – Sonitpur; PDs-DRDA, Sivasagar; Sonitpur and Kokrajhar for giving quality time for consultation. The APM-Credit of all four sample district gave time liberally for

consultation and facilitated our field work. At the Block level, we had very good interactions with BDOs or Extension Officers Credit. In many villages the Gram Sevaks extended full cooperation. Sincere thanks to all of them.

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We have received admirable cooperation and support from a number of NGOs. Important among them are Ms. Basumati Brahma and her team, Anjali Sukhati SHG Foundation, Kokrajhar; Mr. Vishnu Narjari and his team, Discovery Club, Kokrajhar; Mr. Sajjal Dev and the team (specially the president), Deshbandhu Club, Cachar; Mr. Ashok Rajbhor and his colleague of Monier Khal T.E Youth Club, Cachar; Mr. Prithibhusan Deka, and his team Gramy Vikash Mancha (GVM), Nalbari; Mr. Dhiren Deka and his team (specially Ms. Monica Bordal), Centre for Development Action and Appropriate Technology (CADAT), Sonitpur; Mr. Pitambher Nath and his Team, Sonali SHG Unnayan Samiti, Sonitpur; Mr. Augustian Hora and his colleagues, Gana Chethan Samaj, Sonitpur; Mr. B. K. Hazarika, Associated Gramya Unnayan Society (AGUS), Sivasagar to name a few. We also received very good support from a few farmers clubs, especially in Demow block of Sivasagar district. Special thanks to all of them. Mr. R. Arvind entered this data into computers. In spite of his prolonged trauma with his mother's health problems and her demise, he has done the job admirably. Special thanks to him.

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***Hyderabad
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***G. Bhaskara Rao
Study Coordinator***

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Acronyms

ADC	Additional Deputy Commissioner
AGVB	Bodoland Territorial Council
GOA	Government of Assam
AP	Andhra Pradesh
APL	Above Poverty Line
APM	Assistant Project Manager
ASCA	Associated Savings and Credit Associations
BC	Backward Caste
BC	Banking Correspondents
BDO	Block Development Officer
BF	Business Facilitators
BPL	Below Poverty Line
BS	Balance Sheet
BTC	Bodoland Territorial Council
CAG	Common Activity Groups
CB	Capacity Building and Commercial Banks
CBO	Community Based Organization
CC	Cash Credit
CD	Credit-Deposit
CDR	Credit-Deposit Ratio
CIG	Common Interest Groups
CmF	Centre for Microfinance
CRI	Critical Rating Index
CRS	Catholic Relief Services
DC	Deputy Commissioner (is known as District Collector/ Magistrate in other states)
DDM	District Development Manager
DL	Direct Linkage (Direct Credit from the Bank)
DRD	Department of Rural Development
DRDA	District Rural Development Agencies
EDI	Entrepreneurial Development Institute
FD	Fixed Deposit
FGD	Focused Group Discussions
FWWB	Friends of Women World Bank
GO	Government Order
GoI/ GOT	Government of India
GP	Gram Panchayat
IGSSS	Indo-German Social Services Society
IIBM	Indian Institute of Bank Management

IKP	Indira Kranti Patham
ISMW	Indian School of Microfinance for Women
km	Kilometer
LEB	Life Expectancy at Birth
mE	Micro Enterprise
mF	Microfinance
MFI	Microfinance Institution
NABARD	National Bank for Agriculture and Rural Development
NCAER	National Council for Applied Economic Research
NEDFi	North-eastern Development Financial Institution
NGO	Non-Government Organizations
NIRD	National Institute of Rural Development
NPA	Non-Performing Assets
NSA	Net Sown Area
NSDP	Net State Domestic Product
O/S	Outstanding
OBC	Other Backward Caste
OC	Open Categories/ Caste
P & RD	Panchayatraj and Rural Development
PAR	Portfolio at Risk
PD	Project Director
PRI	Panchayat Raj Institutions
RGVN	Rashtriya Gramina Vikas Nidhi
RIRD	Bankers Institute for Rural Development
RMK	Rastriya Mahila Khosh
RP	Revolving Fund
RRB	Regional Rural Bank
Rs.	Rupee
SB	Saving Bank
SC	Schedule Caste
SGSY	Swarnajayanti Gramina Swarojgar Yojana
SHG	Self Help Group
SHPA	Self Help Promoting Agencies
SIDBI	Small Industrial Development Bank of India
SIRD	State Institute of Rural Development
SLBC	State Level Bankers Committee
sq	Squire
ST	Schedule Tribe
STC	
VELUGU	Literally means Light (Previous name of IKP in AP)

Executive Summary

1. Introduction

- 1.1. The NABARD anchored SHG–bank linkage program emerged as the largest microfinance program in the world. By March '08, cumulatively over 35 lakh SHGs got bank loan under the linkage program.
- 1.2. Recent studies indicate that the SHG – banking resulted in significant decline in poverty levels among the members and their dependency on money lenders. Even most critical studies admit that SHG – banking helped the members to smoothen the fluctuations in their basic consumption and tie over economic emergencies without jeopardizing their future. Macro evidence also suggest that SHG – banking contributed for significant reduction in rural poverty in Andhra Pradesh and an increase in the poor people's access to institutional credit.
- 1.3. Evidence also suggests that SHG – banking not only helped the groups and members but also the banks, in optimum utilization of their vast network of rural branches.
- 1.4. However, the SHG movement is facing two serious challenges, viz. wide regional/ inter-state inequalities and uneven quality of SHGs across the country and issues related to their sustainability.
- 1.5. Thanks to the focused effort of Government of India, NABARD and certain state governments, the SHG movement has picked up in most of the under-served states.
- 1.6. At the same time, it appears that the state governments' support is leading to certain quality concerns in the SHG sector. The low average loan size and low proportion of repeat linkages in the lagged states, compared to southern states, suggests that the quality of SHGs in these states is below par.
- 1.7. Apart from the usual practices of government programs such as target-oriented approaches, delays, year end rush, less focused objectives, etc, the SHG movement is facing some serious state specific problems in each state. The state specific problems are quite different from one state to another because in each state a different department or agency is entrusted with the SHG program.
- 1.8. The present study is the first step in the NABARD-APMAS collaboration for SHG quality improvement in three lagged states, viz. Assam, Bihar and Madhya Pradesh.
- 1.9. The major objective of the study is to understand the critical factors that influence the quality and sustainability of SHG movement in Assam. The specific objectives of the study are: (a) To know the quality and sustainability of SHGs promoted by various SHPAs; (b) To know the issues or challenges in strengthening SHG movement; (c) To assess the capacity building needs of SHGs and their promoters; and (d) To evolve strategies to improve the quality of SHGs and capacities of SHPAs
- 1.10. For this study, primary data was collected for five weeks during December 2007 and January 2008 from 109 SHGs from 9 blocks of 4 districts; and from about 50 secondary stakeholders representing banks, block and district officials, state level institutions, NGOs and key informers. In selection of sample districts, blocks and villages geographical representation is given priority. Separate research tool/ check list is used to collect data and information from different sets of stakeholders.

- 1.11. The sample SHGs were selected randomly from the list available on the internet. However, about 20% of sample has to be replaced in order to accommodate SHGs of NGOs and non availability of groups due to electioneering and other reasons. Another 20% groups have to be replaced because of defunct and/ or non-existence of groups and inability of Gram Sevak to identify or locate the group.
- 1.12. One of the serious limitations of the data is that majority of SHGs follow flexible repayment schedule, therefore it is difficult to calculate the repayment rate.

2. Profile of the state and sample units

- 2.1. Assam is the land of opportunities with rich natural resources like fertile soils, abundant water resources, tea gardens, forestry, biodiversity, oil and minerals. Because of its geographical isolation from the mainland and prolonged insurgency problems, it is an under invested state.
- 2.2. Because of its rich natural resources, Assam is an attractive destination for immigration. As a result the population density at 340 per sq. km is higher than the national average of 324 per sq. km. The total population is 2.66 cr. as per 2001 census. It is most diverse population. About 90% live rural areas. The people apparently have relaxed attitude, enjoy their independence, leisure, food and music.
- 2.3. The ratio of the state per capita income to the national average per capita has been continuously declining from over 100% in the early 1950s to about 50% in recent years. The sectoral composition of net state domestic product (NSDP) has rapidly changing. The share of agriculture and allied sectors has declined from 37% to 27.6 during last decade, i.e. 1996-97 to 2005-06. During the same time the contribution of Industry remained little over 22% and the share of service sector increased from 40.5% to 49.5%. There are wide inter-district variations in the levels per capita NSDP and its composition.
- 2.4. The percentage of poor in Assam at 36.09% is the highest among the seven North East states and considerably above the national average of 26.10%.
- 2.5. All demographic and other development indicators of the state also suggest that Assam is quite backward state in the country. Data also indicates that women are discriminated against.
- 2.6. The proportion of net sown area is significantly less than that of national average. However, the proportion of area sown more than once at 43% is significantly higher than the national average. Cropping pattern suggests that agriculture is being carried on subsistence mode.
- 2.7. Agri.-allied activities are one of the major sources of livelihoods in the state.
- 2.8. The average population per branch in the State is 20,270 as per 2001 census compare to the national average of about 16,000. As per 2005 data, over 95% of adult population does not get banking services in almost all districts in the state.
- 2.9. Usury is widespread in the state. It reflects low availability of institutional credit vis-à-vis needs. Though the credit-deposit ratio increased from 33% in 2004 to 48% in 2007, it is significantly low compare to the national average.
- 2.10. Because of availability of low bank credit, there has been wide gap between supply and demand for credit. The interest rate in informal transactions is in the range of 10% per month to 10% per day. To fill this wide gap, a number of models of informal lending evolved in different parts of the state. These include informal

- cooperatives, 'Associated Savings and Credit Associations (ASCAs), professional 'money lenders' like Kabuli Walas, part time money lending by many government/ corporate sector employees, especially the lower level employees, Churches, etc.
- 2.11. Two modern microfinance models, viz. SHG model and MFI model started in the 1990s. Both were pioneered by the NGOs. With the entry of DRDA in SHG promotion, the movement got big boost. The number of SHGs, promoted by DRDA has shot up from 177 SHGs in 2001 – 02 to 1,39,295 SHGs by August 2007.
 - 2.12. As DRDA chocked SHG sector with SGSY program, almost all NGO promoters are switching over to commercial microfinance model.
 - 2.13. Out of 1,288 total sample members, 90% are women; 24% are ST; 13% are SC; 36% are BC+OBC; 11% are minorities and 16% are OC. Majority of sample members are high school level and above education. Only 8.7% members are illiterates and 9.7% are neo-literates. Though about three-fourth members are below poverty category, only 37% of members have green (BPL) ration card. Nearly 40% members do not have any card. About 50% members are from cultivator families, 28% are from small business and 14% are from wage labor families. Little over 2% members are from land less category, 85% are marginal farmers.
 - 2.14. The profile of members suggests that a sizable number of not so poor are represented in the sample and in the SHG movement in the state.
 - 2.15. Out of total 109 sample groups, 4 are bank promoted, 28 are DRDA promoted, 34 are NGO promoted and 43 are self/ community promoted groups. Average size of the group is 12 and average age of groups is 4.4 years.
 - 2.16. Again presence of very high number of self/ community promoted groups in the sample indicates presence a sizable non-poor in the SHGs.
 - 2.17. Out of 109 sample groups, 93 are women groups, 10 are men groups and 6 are mixed groups. Social category-wise 12 are minority, 4 are mixed, 40 are BC + OBC, 15 are OC, 13 are SC and 25 are ST groups. Bank-wise 67 groups have their accounts in RRBs, 29 in CBs and 13 in NGO-MFI. Over 40% of groups have banks over 3 km.
 - 2.18. In the sample there are four different SHPAs, viz. banks, NGOs, DRDA and self/ community. Self/ community promoted groups got highest capacity building (CB) inputs. It is an interesting point note. It implies that there are opportunities for CB, but accessing them is an issue. In the NGO promoted groups large variations are noticed in CB inputs.

3. Quality of SHGs

- 3.1. Out of 109 sample groups, 2 are 'A' grade groups, 67 are 'B' grade groups and 40 are 'C' grade groups. The research team's field observations and perceptions of many key stakeholders in the state are validated by the grades. Corrupt practice to get grants and subsidy; practice of collecting interest regularly and principal at the end; lack of internal lending due to impounding of savings by MFIs and banks; lack of loans and repayment because of group activity; etc, apparently, affected adversely the grades of the groups.
- 3.2. Quality of groups in Cachar is highest and least in Kokrajhar and relatively high in NGO and bank promoted groups and relatively low in DRDA and self/ community promoted groups. Quality of groups decline with age. However, the quality is high

in the groups of 5 years and above age. Quality of women groups is substantially high compare to men or mixed groups. Among the social categories, the quality is highest in OC groups and least in ST groups.

- 3.3. The quality of groups, which have their accounts in NGO-MFI is substantially higher and quite low in commercial bank linked groups. Ease in bank transaction is positively related with the quality of the groups.
- 3.4. Proximity to the bus point is positively correlated with quality but proximity to Block headquarters is not so positively correlated with the quality.

4. Economic performance

- 4.1. Most of the groups save Rs.20 per month. The second and third common saving rates are Rs.30 and Rs.50 per month respectively. Since inception, 27 groups have increased their saving rate and 13 have reduced their thrift rate.
- 4.2. The cumulative saving of all sample SHGs is Rs.20 lakh and the average cumulative saving per group is Rs.18,817. Out of Rs.20 lakh cumulative saving, 24 groups return Rs.4.3 lakh to their members, Rs.10 lakh is in the SB accounts, Rs.2 lakh is loan outstanding with non-members, and Rs.1.19 lakh is cash in hand. This implies that less than 15% of their savings is working for the members.
- 4.3. Out of 109 sample groups, 50 groups lent to every member of their groups and in total over two-thirds of members got loans from internal sources.
- 4.4. In total 70 sample groups got 102 grants and subsidies worth Rs.26,89,613. Out of these 65 are Revolving Fund, 25 are SGSY subsidy, 11 are grants/ subsidies from other departments and organizations and 1 from a Federation. While over 90% of groups in Sivasagar got grants/ subsidies and only less than 10% groups got grants and subsidies in Cachar. As high as over 90% DRDA groups and as low as about 40% NGO promoted groups got grants and subsidies.
- 4.5. In total 80 sample groups got 121 loans worth Rs.58.9 lakh. This is a little under reporting as some of the NGO-MFI loans, which lent directly to members, is not included. The proportion of repeat loans in the sample is very high compare to overall situation in the state. Presence of a sizable number of SGSY subsidy and grants received groups in the sample is a major reason. As RF is given as cash credit (CC) in most of the groups, some groups, apparently, reported RF as loan.
- 4.6. There are very wide inter-district inequalities in grants and loans. Cachar, which has relatively good quality of groups, got very low grants and loan amounts. One of reasons could be members' averse towards corrupt practices and neglect of the region by the state government.
- 4.7. As on November 2007, 56 sample groups have loan outstanding with banks and MFIs worth Rs.19.56 lakh. SHG money, equal to over four-fifths of loan outstanding amount, is in the banks and MFIs.
- 4.8. Only one-third groups provided loans to their members from external funds. A sizable number of groups used external funds for group activity. In total one-half of sample members got loans from external funds.
- 4.9. All 109 sample SHGs have earned about Rs.21.28 lakh as profit since their inception. Interest income (Rs.14.12 lakh) on loans is major source of income followed by profit on group activities Rs.5.36 lakh. There are wide inter district and

- inter promoter variations. Lion share is by Sonitpur district and self/ community promoted groups.
- 4.10. The total expenditure of all sample groups is Rs.9.7 lakh. Investment in group activities and interest paid on external loans are two major items of expenditure.
 - 4.11. Out of 109 sample groups, only 27 have balanced balance sheets. In the remaining 82 groups 45 are asset deficit groups and 37 are asset excess groups.
 - 4.12. Total value of liabilities of all sample groups is Rs.67,81,767. On the whole, the value of assets is less than the value of liabilities by Rs.2,88,349. In the total liabilities of Rs.67.82 lakh, 29.7% is the share of members own savings, closely followed by external loan outstanding 28.8%, profits constitute 22.5%, RF is 8.9% and other grants constitute 8.3%. In total assets, 51.4% is loan outstanding on members, bank balance is 14.7%, fixed deposits 9.1%, fixed assets 5.5%, suspense account is 4.3% and loans to non-members 2.9%, saving distribution 6.4% and RF distribution 3.6%.
 - 4.13. Despite severe non-cooperation by banks, the groups were able to provide loans in reasonable number and size to their members thanks to SGSY and other governmental programs and own corpus. Out of 109 sample SHGs, 97 have provided 3,253 loans to their 1,016 members, at the average loans of 2.7 per loanee member. The total loan amount is Rs.9,035,062 and the average cumulative loan amount is Rs.7,370 per loanee.
 - 4.14. Currently 849 sample members of 92 sample SHGs have loan outstanding of over Rs.2.68 million.
 - 4.15. The total current loan amount is Rs.3.72 million. Out of this amount 42% was taken for business, 15% for animal husbandry like piggery, goaterly, etc; 6% for agriculture and 4% for consumption. Low amount of loans for agriculture and consumption suggest that higher rates of interests on SHG loans apparently depressing the loan absorption capacity of members.
 - 4.16. The flexible repayment strategy is apparently also the result of higher rates of interests and low loan absorption capacity of members.
 - 4.17. Out of 92 groups, which have current loan outstanding, the 'portfolio at risk' (PAR) could be calculated for only 40 groups. The major reason for not calculating the PAR for remaining groups is that those groups have flexible repayment schedule. In these 40 groups, whose PAR was calculated, some groups have flexible repayment schedule for some loans (say internal loans) and fixed repayment schedule for some loans (say bank loans). For the same kind of loans, some groups have flexible repayment schedule for some members and fixed repayment schedule for other members. After deducting the flexible repayment loans and members the PAR was calculated.
 - 4.18. Out of 40 groups, whose PAR was calculated, 12 are from Cachar, 10 are from Sonitpur and 9 each from Kokrajhar and Sivsagar. PAR calculated groups as percentage of sample SHGs with current loan outstanding is 43%. It is highest in Cachar (63%) and least (33%) in Sonitpur. The same is highest (55%) in NGO promoted groups and least (33%) in self/ community promoted groups. PAR analysis points out the need for a thorough capacity building and orientation program for the groups and members.

- 4.19. In total 23 sample groups lent to 89 non-members worth Rs.406,550. The number of loans and amount for non-members appeared to be not so significant. The total lent amount to non-members is less than 5% of cumulative loan amount provided to members. Further, it appears to be a local phenomenon occurring in certain districts like Sonitpur and Kokrajhar districts.

5. Governance and systems

- 5.1. It appears members' have inadequate awareness levels about groups. Though 62 groups said that the purpose of group was to save; only 18% groups said providing loans as their purpose.
- 5.2. Only 62% of groups heard about grading, 58 groups know that their groups were graded, but 38 groups do not know what grade they got.
- 5.3. In total 54% groups have standard books of accounts, 3 have all in one note book and 44% have separate note books for separate purpose. Most commonly maintained books are minutes-book, saving ledger, loan ledger, cash book and member pass book.
- 5.4. In the minutes-book, average pending period is 3.8 months. It varies from 0.9 months in Cachar to 6.6 months in Kokrajhar. In total 53% groups have complete update and 20% groups have more than 6 months pending.
- 5.5. In total 61% groups have member pass books. It varies from 35% in Sivasagar to 42% in Kokrajhar to 79% in Sonitpur and 80% in Cachar. Average pending months in updating member pass book is 2.9 month. In total 64% groups have totally updated and 22% have more than 6 months pending. There are wide inter-district variations, with Cachar having best record and Kokrajhar on the other side.
- 5.6. In 50% groups, members themselves write the books. In 96% cases, books are kept with the leaders, in 1% with members and in 3% with promoters. This is very good sign.
- 5.7. For internal loans, 'need of member' is considered in three-fourths of groups and equal distribution in only 3% of groups. The same is 49% and 21% respectively for external loans. These practices are very good practices.
- 5.8. The weighted average rate of interest charged by groups turn out to be 37% and 35% on internal and external loans respectively to the members and 73% and 80% on internal and external funds' based loans respectively for non-members. Clearly the interest rates are on higher side, perhaps, reflecting the wide gap between supply and demand for credit in the state.
- 5.9. Out of 97 responded groups, 71 do not have any fixed time period to return the internal loan amount. Similarly in case of loans from external funds, 48 groups out of 70 responded groups do not have any fixed repayment schedule. These are not so healthy practices.
- 5.10. In total 73% of groups conduct monthly meetings, 14% conduct weekly meetings and 12% conduct fortnightly meetings. During the last six months the overall performance of sample groups in terms of conducting meetings and collection of savings in the meetings, is very good. Even the distribution of loans in the meetings is reasonably good.

- 5.11. In majority of groups, all members take active role in arranging meetings, discussions in the meetings and group level decision making. These are very healthy trends. However, in majority of groups, leaders carry bank transactions.
- 5.12. Only 35 groups have norm for attendance in meetings, 27 for saving collection and 22 for loan repayment. But about 50% of groups in each of these categories are practicing these norms.
- 5.13. Only 46 sample groups have change in leadership. Mismanagement of funds/ books is the cause for change of leaders in 3 groups. In other groups positive and inevitable reasons are behind change of leadership.
- 5.14. On the whole the groups are managing themselves their group activities. The promoters and facilitators are proving limited support because of their own limitations.
- 5.15. A fifth to one-fourth groups, apparently, are moving towards defunct. This problem needs to be address on the priority. It also appears that the groups are functioning more like informal money lenders and less of modern community based microfinance institutions.

6. Impact

- 6.1. The SHG program has resulted in social and economic benefits to a significant percentage of the sample groups. Over 80% sample groups experienced increase in saving habit, credit availability, increase in income and increase in access to formal credit.
- 6.2. Over 80% groups also have positive experiences about women leadership development and their interaction with government officials.
- 6.3. About three-fourths experienced a decline in family debts, interest burden and dependence on money lenders.
- 6.4. Over 50% of groups have an increase in expenditure on food, education and health.
- 6.5. There are some inter district and inter promoter variations in less widely felt changes. Lack of necessity to increase expenditure on food could be one reason. It indicates somewhat wrong selection of participants in the program.
- 6.6. There is no change in interest charged by the money lenders in the sample villages, reflecting inadequate funds flows into the villages despite of existence of SHGs in the villages for quite some time.
- 6.7. Overwhelming proportion of SGSY participants have got/ are getting profits from their economic activities. A few are also incurred loss and a few more are left with no profit and no loss. One of the reasons for loss or less profit was loss of assets/ livestock. Majority of groups did not get insured their assets/ livestock. Only a fourth of groups, which suffered loss of assets/ livestock, got compensation from the insurance companies. This problem needs urgent attention.
- 6.8. Other benefits include SHGs have induced private investments in certain pockets of the state and activities like pig breeding units, poultry and fish hatcheries, etc. SHGs also helped utilization of expertise in some of the line-departments.

7. Impediments to the SHG movement

- 7.1. Despite of all round support from the Government of Assam, NABARD, NGOs, RRBs and active participation of primary members, the condition of SHGs in the state is far from satisfaction.
- 7.2. The major reason for the current problems of SHG movement in the state is 'integration of two incompatible programs, i.e. SHG - banking program and SGSY program. The SHG - banking program aimed at financial inclusion, i.e. proving financial services, hitherto un-reached and un-bankable sections, designed to run purely on commercial terms. Whereas the SGSY program is aimed at poverty alleviation through the promotion of entrepreneurship and self employment with capital subsidy, runs on state subsidy.
- 7.3. Widespread corruption in SGSY program is affecting adversely the repayment to the banks, which in turn is affecting adversely the SHG - banking program. In this way the integration has vitiated the SHG movement in the state.
- 7.4. Apart from vitiated atmosphere, each stakeholder has certain limitations.
- 7.5. At DRDA/ Government of Assam, the limitations include targets, less scope for process, year end rush, shortage of field workers, inadequate training and orientation and facilities for the field workers, focus on second level issues (livelihood promotion) without addressing primary issues (SHG strengthening), not understanding the constraints of banks, not treating marketing as integral part of intervention, focus on low value- addition products, etc.
- 7.6. The limitations at bank level include poor quality of groups, not appreciation of their concerns by the officials and members, year end rush, poor members' awareness levels, shortage of staff, daily commuting from home to branch, etc.
- 7.7. The limitations at SHPAs level include, inadequate funding support for promotion of SHGs, not able to generate 'fee for service', inadequate training opportunities, inadequate funds for CB, non-cooperation of banks, primary members short sighted approach, etc.
- 7.8. The limitations at SHG level include inadequate and inappropriate Capacity Building (CB) inputs, non-cooperation of banks, vested interest on the part of some promoters and facilitators, intra-group dynamics, etc.
- 7.9. On the whole, all stakeholders got limited CB inputs. Funds shortage and non-availability of quality CB inputs, especially on institutional building are major problems at SHG and SHPA level. In addition SHPAs have work pressure.
- 7.10. Among NGOs, big NGOs got very good training and exposure from national and state level institutions, but small NGOs have to content with local CB inputs.
- 7.11. Promotion and strengthening of institutions are major themes of training needed by the SHPAs. A step-by-step approach to promotion and management of SHGs.
- 7.12. Bankers need orientation on SHG – banking. Work pressure is one of impediment in their CB. Non-availability of quality CB in local area is another major impediment. The DRDA/ government officials also need orientation.
- 7.13. Absence of SHG federations, which can work on strengthening of SHGs and take up the issues, which SHGs can not tackle individually, is another serious impediment in strengthening of SHGs in the state.

8. Way forward

- 8.1. Financial inclusion is the real and important challenge in the state, where the credit deposit ratio is 48%, about 95% of adult population does not have banking services and the interest rates in informal market is in the range of 10% per month to 10% per day.
- 8.2. SHGs can perform three vital functions: (a) financial inclusion – can link the poor and marginalized sections, living in remote and inaccessible areas, with mainstream financial institutions. (b) Can help the banks in reducing transaction cost of dealing with poor, ease the bank operations and help the banks in recovery of loans. (c) In this process SHGs can reverse the adverse CD ratio in the state in general and in rural/ backward areas in particular and contribute for enhancement of investment in productive sectors by private and household sectors.
- 8.3. To attain such situation the SGSY program has to be separated from regular SHG – banking program. Instead of tie up with bank loans, the government could give 100% subsidy directly to SGSY groups and leave the banks and SHGs to transact with each other on purely commercial lines. The Government may ask to participants to bring their own money from any other sources. To make the separation complete, the SGSY groups may be called by different names like common activity groups (CAG), common interest groups (CIG), etc.
- 8.4. Banks should be supported to carry SHG – banking on larger and ever increasing scale by creating, as mentioned in NABARD (2005), conducive environment for recovery of loans in order to usher the prosperity in the rural Assam.
- 8.5. One measure, which can lead to good recovery in SHG - banking, is interest subsidy scheme as being implemented in Andhra Pradesh. Under this scheme, the state government reimburses the groups, about three-fourths of interest amount paid by them on their bank loans. This scheme is applicable only to the regularly repaid loans/ groups. The Assam Government could consider of similar scheme to promote SHG - banking program in the state.
- 8.6. Such a separation would also help in effective implementation of SGSY.
- 8.7. To get the mind set, of officials and also some extent bankers, changed a massive training and oriented program is required. NABARD could take up this mammoth task, as it did in Andhra Pradesh in the late 1990s and early 2000s. Fortunately, now there are so many resource institutions, to whom, this task could be sub-contracted.
- 8.8. Till recently NABARD used to provide support of Rs.2,000 per SHG up to bank credit linkage. In some states, the regional offices are providing additional amounts. Since 5th August 2008, NABARD increased the promotional assistance to Rs.5,000 per SHG in hilly districts. The minimum stipulation relating to group size has also been reduced to 5 instead of 10 as per earlier guidelines. Normally the assistance should be sufficient to promote quality groups up to 1st credit linkage. As currently the banks are not so cooperative, the actual costs of SHG promotion (up to 1st bank linkage) may be higher than the provided amount. NABARD may review this amount and also consider providing integrated support to the promoters to promote SHGs and federations together. NABARD may also look at the coordination between promotional funds support and CB support.
- 8.9. Shortage of manpower is major problem in rural bank branches. Most of bank staff is not properly oriented about commercial value of SHG - banking. Some of the

- branches are yet to be computerized. The controlling office may take necessary steps on these points.
- 8.10. The banks could use SHGs and federations as Business Facilitators (BF) and Banking Correspondents (BC) benefiting mainly the banks. The banks should explore this wonderful opportunity seriously and invest in SHG promotion and strengthening.
 - 8.11. Answers to most of the problems of NGOs have to come from outside. The Government, NABARD, and funding agencies should make available sufficient funding support and adequate CB inputs to NGOs/ SHPAs. Considering the difficult geographic condition of North-East, SHPAs should be given at least Rs.12,000 to Rs.16,000 per SHG over a period of 3 to 5 years as practiced by donors like CRS and IGSSS. A separate fund could be established.
 - 8.12. One serious factor, which can affect adversely the SHG institutions, is mixing up of SHG promotion and own microfinance activity by NGOs/ SHPAs. These two should be separated completely.
 - 8.13. It is the responsibility of secondary stakeholders to provide proper environment and appropriate and adequate CB inputs to SHGs.
 - 8.14. Instructional development is the major CB need of SHPAs. SHPAs also need an interactive forum for learning from each other.
 - 8.15. SHGs also need exposure on regular basis.
 - 8.16. Setting up of APMAS kind of institutions for capacity building of SHPAs and obtaining a conducive environment for SHGs in three regions, viz. Brahmaputra valley, Barak valley and hill region is required.
 - 8.17. SHG federations should be promoted with major agenda of strengthening SHGs and addressing the issues, which SHGs can not address individually. To promote a truly member owned and member managed federations, the federations should be promoted by the SHPAs with a clear role transformation road map from the beginning.
 - 8.18. A “task force” could be set up to evolve a strategy for strengthening the SHG movement in Assam. The task force could consist of GOA, NABARD, IIBM, NEDFi, RGVN, and representatives of SLBC and NGOs.

Quality and Sustainability of SHGs in Assam

Chapter – 1: Introduction

1.1. SHG movement in India

Self help groups in India established themselves as credible institutions for financial inclusion, livelihood promotion and social development and cultural changes. As a result many official agencies, civil society organizations and corporate bodies are adapting, and/ or partnering with, SHGs in pursuing of their own agendas. Because of this all-round support from village level volunteers to the Government of India and from international NGOs to Multilateral and Bilateral Donors, SHGs are growing at an exponential rate. As on March 2007, 41.6 lakh SHGs have saving accounts with formal banking system, i.e. Commercial Banks, Regional Rural Banks (RRBs) and Cooperative Banks. There could be a number of SHGs with saving accounts with MFIs and NGO – MFIs. There could be another set of SHGs without any saving account because of logistic and other reasons. The number might have grown up significantly by this time.

1.1.1. SHG – banking and its impact

The SHG – bank linkage program has emerged as the largest microfinance program in the world. It has been growing exponentially since inception in 1992. By March 2008, over 34.78¹ lakh SHG got credit linkage (NABARD, 2008). As on 31st March 2007, about 29 lakh SHGs have loan outstanding of over Rs.12,366 cr. SHGs brought many real benefits to their members. Almost all studies on the impact of SHGs, unanimously pointed out that SHG - banking resulted in: (a) significant reduction in members' and their families' dependence on money lenders and informal sources of credit, and (b) significant decline in poverty levels among SHG members. Apart from these two economic benefits, there are a number of social gains, especially women leadership development.

A recent study by NCAER for GTZ and NABARD, pointed out that SHG - banking has resulted in a significant decline in poverty among SHG members. It also resulted in a significant decline in SHG members' dependency on money lenders and other informal credit sources (NCAER, 2008). Even studies of Nirantar, which are considered as most critical studies, pointed out that SHG - banking resulted in smoothening of basic consumption of the poor and helped members to tie over economic emergencies without jeopardizing their future (Nirantar, 2007a and 2007b). Another NCAER study in collaboration with the World Bank suggests that SHG - banking resulted in increase in the proportion rural household, who got institutional credit (Srivastava, Pradeep and Priya Basu, 2004). Macro data also indicate that AP, which accounts for one-fifth of

¹ It does not include SGSY groups in 2007-08

credit linked groups and two-fifths bank loan amount in the country, experienced a steep decline in rural poverty rates. According to the Planning Commission estimates, the rural poverty in AP has declined steeply between 1983 and 2003-04, compare to that of national rural and urban poverty. Rural poverty in AP at 10.85% is one of the lowest in the country vis-à-vis 28.27% of national rural poverty (Dev, S. Mahendra 2007). The SHG program/ Indira Kranti Patham (IKP) (formerly known as VELUGU), which is basically a rural based program, could be considered as one of the contributory factor for this steep decline of rural poverty in the state. Recent experience suggest that many official agencies, civil society organizations, banks and public sector and private sector companies are coming forward to do business, and to have partnerships, with SHGs and their federations (APMAS, 2007).

Evidence from many parts of the country suggests that the SHG – bank linkage not only helped the groups and members but also the banks, in optimum utilization of their vast network of rural branches (see e.g. Seibel, H. D. and Harishkumar R. Dave, 2002 and Harper, Malcolm and Manoj Nath, undated). According to RBI's internal report on RRBs, the over all performance of RRBs in terms of deposit mobilization, recovery rate, credit deposit ratio (CDR), non-performing assets (NPA), operational costs and profitability improved significantly in recent years (RBI, 2005). Quality lending was a big challenge for RRBs for many years but not any more. For all RRBs together the agricultural credit grew at an average of 33% annually during the period 2000 to 2004, while non-agriculture credit rose sharply by 126% annually, mainly on account of a sharper growth in credit to SHGs, SSIs and others (Ibid). A recent study by APMAS in Nizamabad district of Andhra Pradesh indicates that on average SHG linkage account for 6% of all loan accounts, 30% of loans and advances amount, 17% of loan outstanding, 38% of customers and 90% profit in rural bank branches. In one rural branch, SHGs share in total loans and advances in 2006-07 was 75%. (APMAS, 2007a)

1.1.2. Challenges of SHG movement

Though SHG movement is growing at a phenomenal pace and resulting in far reaching benefits to its members and also rural bank branches, it is facing a number of serious challenges. All these challenges could be summarized into two major challenges. These are:

1. Uneven growth of SHGs in different parts and states of the country.
2. Uneven quality of SHGs across the country and issues related to their sustainability.

Because of early start and proactive support of state governments in the southern states, the SHG movement has been far ahead of other states. In March 2001, 71% of the credit linked SHGs were from southern region consisting of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. Alarmed by the wide inter state/ regional variations, NABARD started special focus on 13 under served states in the western, north, eastern, central and north-eastern states. Because of the efforts of NABARD and respective state governments, the SHG movement in most of the under served states, has picked up admirably (Table – 1.1). By March 2007, the share of non-southern states in the cumulative credit linked SHGs, has increased to 48% from 29% in 2000-01. The state governments, in lagged states, have been

playing very active role in promotion of SHGs. Some of these governments have chosen SHGs as medium to implement their other programs.

At the same time, it appears that the state governments' support is leading to certain quality concerns in the SHG sector. The observance low average loan size and low proportion of repeat linkages in the lagged states, compared to southern states, suggests that the quality of SHGs in these states is below par.

Apart from the usual practices of government programs such as target approaches, delays, year end rush, less focused objectives, etc, the SHG movement is facing some serious state specific problems in each state. The state specific problems are quite different from one state to another because in each state a different department or agency is entrusted with the SHG program. E.g. in Andhra Pradesh, a separate society is formed to take forward the SHG movement centered development; in Rajasthan, the Department of Women and Child Development is entrusted the task and in Assam the Department of Rural Development is in-charge of SHG based development programs.

Table – 1.1: Progress of SHG Bank credit linkages in under served states and regions

State/ region	Mar-2001	Mar-2007
NE Region	477	91,754
Orissa	8,888	234,451
West Bengal	8,739	181,563
Bihar	4,592	72,339
Jharkhand	-	37,317
Uttar Pradesh	23,152	198,587
Uttaranchal	-	21,527
Rajasthan	5,616	137,837
Himachal Pradesh	2,545	27,799
Madhya Pradesh	5,699	70,912
Chattisgarh	-	41,703
Maharashtra	10,486	225,856
Gujarat	4,929	43,572
All India	263,825	2,924,973

1.2. NABARD and APMAS collaboration

The above description clearly indicates that the government support is resulting in emergence of a large number of poor quality groups in, hitherto, lagged states. APMAS and NABARD agreed to collaborate, to promote and manage the quality in the SHG sector in three of the lagged states, viz. Assam, Bihar and Madhya Pradesh. Under this agreement, APMAS would study the condition of SHG sector in these three states and prepare and execute an action plans to promote and manage the quality in SHGs. NABARD would provide funds for the studies and implementation of action plans.

1.3. The study

The present study of Assam is the first of three proposed studies in three lagged states.

1.3.1. Objectives of the study

The major objective of the study is to understand the critical factors that influence the quality and sustainability of SHG movement in Assam. The specific objectives of the study are:

- i. To know the quality and sustainability of SHGs promoted by various SHPAs;
- ii. To know the issues or challenges in strengthening SHG movement;
- iii. To assess the capacity building needs of SHGs and their promoters; and

- iv. To evolve strategies to improve the quality of SHGs and capacities of SHPAs

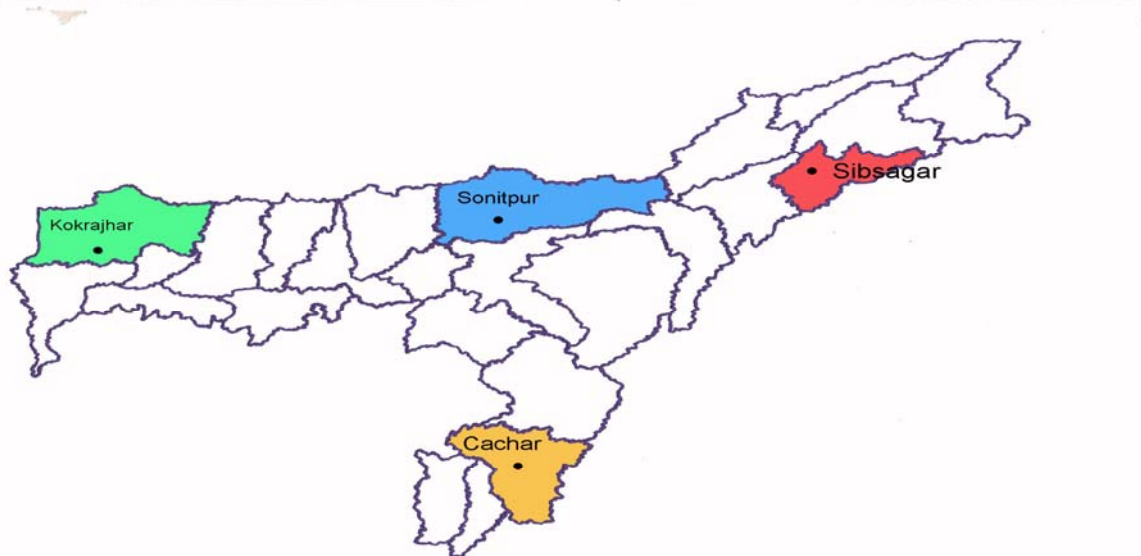
1.3.2. Sample

It was proposed to select 3 districts out of 27 districts. From each sample districts, three blocks were to be selected and from each block four villages and from each sample village, three SHGs were to be selected. While choosing villages, care was to be taken about the distance from block headquarters, operational areas of different types of SHG promoting agencies (SHPAs), viz. NGO, DRDA, other official SHPAs and banks. All the process was to be completed in consultation with NABARD, Regional Office, Guwahati.

1.3.2.1. Districts

In the consultations with this study team, NABARD suggested to take four districts instead of three districts. It was planned to reallocate sample blocks in such a way not to exceed the total number of blocks and villages and SHGs. NABARD wants inclusion of Sonitpur and Kokrajhar, where it has certain experiments and interest. These are included in sample. Though NABARD also suggested inclusion of Nalabari in the sample, it was not included to get geographical representation. There are two hill districts in the state, but these were not considered in the selection of sample because of security reasons. It is expected that Kokrajhar would somehow represent the Tribal character, apart from representing the Autonomous Council of Bodoland. The criteria used for selection of districts are (a) NABARD interest and requirement, (b) Geographical representation, and (c) Security concern of research team.

Map – 1: Sample districts in Assam state (Not to scale)



1.3.2.2. Block

In total 9 blocks were selected. Since Sonitpur has largest concentration of SHGs in the state, three blocks were selected and in other 3 districts two blocks each were selected (Table – 1.2).

Blocks, which situated in different directions of the block headquarters, were chosen. One sample block would be relatively closer to, and another would be far away from, the block headquarters.

1.3.2.3. Villages and SHGs

Perhaps Assam is only state, which posted details over 1.3 lakh SHGs on the internet. It gave the research team a wonderful opportunity to select the SHGs, well before the start of the field work. Before starting the field work six villages, including two reserved villages in each sample block and six SHGs, including three reserved SHGs in each selected villages were selected. Of the selected villages in every block, one is block headquarters. In the first district it was realized that selected villages are Gram Panchayats and the SHGs are widely spread in different habitations. Therefore, the number of GPs was reduced to three/ two in remaining three districts and number of sample SHGs was increased to 4 in each GP. Still, sample SHGs are too widely spread, resulting a lot of traveling. However, the sample SHGs turned out to be the most randomly selected groups. In first two districts, i.e. Sivasagar and Sonitpur, the block offices were used as nodal points by the study team. In remaining two districts, i.e. Kokrajhar and Cachar, the DDMs, NABARD acted as nodal points and arranged all logistics. In every block, every effort was made to identify a NGO and visit to their operational areas and their promoted SHGs. In the process a few groups in adjoining blocks were also included in the sample in a couple of locations. In total data/ information is collected from 115 SHGs. Leaving first six as they were collected as practice to the investigators, 109 SHGs data is used in the study.

1.3.2.4. Interviews and consultations with key stakeholders

Apart from 109 SHGs, the study team interviewed and interacted with about 50 key stakeholders at the state level, district level, block level and village level. The interactions were with resource organizations, NGOs, apex financial institutions, bank branches and Regional Offices of Banks and groups of SHGs. Details are given at Table – 1.3.

Table – 1.3: Details of interactions and interviews with secondary stakeholders and key resource persons

Place	Number	Details
State, (Guwahati)	6	NABARD, NEDFi, SIRD, IIBM, RGVN, Reach India
Districts	15	DC, ADC, DRDA – PDs, APMs – Credit, NABARD, Lead Bank Managers and Regional Offices of Banks
Block level	20	NGOs, Block Development Offices; Extension Officers – Credit and Bank Branch Managers
Village level	7	Focused group discussions with 4 to 7 SHGs in each location
Case studies	1	
Work shops/ meetings	2	1. Microfinance and rural enterprises, Guwahati 2. District level Bankers committee meeting, Kokrajhar

Table – 1.2: Sample districts and blocks

District	Block
Cachar	Borkhola
	Palonghat
Kokrajhar	Gosaigaon
	Shidli
Sivasagar	Amguri
	Demow
Sonitpur	Balipara
	Bihaguri
	Biswanath

1.3.3. Research tools

A detailed interview schedule was administered to 109 sample SHGs. It includes, NABARD's – Critical Rating Index (CRI), member-wise loan sheets, external loan details and loan details to non-members. This tool was prepared with a lot of discussions and review. It was tested in the field in Nalbari district and finalized. Apart from interview with SHGs, semi-structured interviews were conducted with secondary stakeholders using three different 'schedule cum checklists'. These are (a) state and district level officials' schedule, (b) SHPAs' schedule, and (c) bank branch managers' schedule. A separate checklist was used in the focused group discussions (FGDs).

1.3.4. Data collection

A two member team consists of the study coordinator and study supervisor visited Assam for more than 30 days between 10th December 2007 and 12th January 2008. Seven local researchers were selected and trained for five days. They were also guided and monitored intensively in the field. Field data was collected between 18th December 2007 and 10th January 2008.

1.3.5. Limitations of data

The sample SHGs were selected randomly from the list available on the internet. However, about 20% of sample has to be replaced in order to accommodate SHGs of NGOs and non availability of groups due to electioneering and other genuine reasons. Another 20% groups have to be replaced because of defunct and/ or non-existence of groups and inability of Gram Sevak to identify or locate the group. In this way the quality of groups obtained in this study has to be reduced by 20% to adjust non-inclusion of defunct and untraceable groups, which were in the first list of sample. On the other hand the quality levels of groups obtained in this study are not strictly comparable with that of the studies conducted in other states, where the SHPAs have significant influence in the selection of sample SHGs. Invariably, SHPAs ensure that their best groups are included in the sample.² As the study team decided to stick to originally selected sample list to the extent possible, it was realized at the late hour that Kokrajhar district was bifurcated a few years ago and the one of sample block, viz. Sidle is in Sidle Chirang district. Since it was quite late to change the sample, the team went ahead and collected data from Sidle, which was a part Kokrajhar until recently but not now.

Another serious limitation of the data is non-availability of loan repayment schedules. In order to calculate Portfolio at Risk (PAR)/ loan repayment rate, member wise current loan details were collected. But many groups follow a flexible repayment schedule, under which the groups collect interest regularly and principle at the convenience of the borrower. Under these conditions, it is not possible to calculate PAR/ loan repayment rate and assess potential risks in SHG banking.

Other limitations of the data are: (a) SHG movement is heavily poached on by the SGSY program. As a result, many new trends are emerging in the state, which one can not

² One practice adopted by many SHPAs in different parts of the country is that they provide a list of good quality SHGs to research teams to choose the sample SHGs. But in Assam, the internet list also includes the defunct groups.

expect in NABARD model. After field testing, the research tools were revised substantially by including a separate section on SGSY, questions related to lending to non-members, bribes, bank transaction details. Still the research team encountered some more unexpected trends. The major problem is that groups do not know about those trends. Therefore, the Principal Investigator of the study remained in the field for entire period of the fieldwork and observed the trends. (b) Government officials, by rule, do not speak against any on-going program, especially when they are involved in its implementation, even though they know about certain grey areas in the program. Though the truth is clearly visible, the research team can not change the answers given by the respondents. (c) Because of elections to Panchayat Raj Institutions and agitations the research team could not get enough time from officials and bank managers, even though the team spent more time in the field. Therefore a few formal interviews have to be reduced to brief interactions. To compensate the loss, if any, more number of interactions has been organized with key resource persons. (d) Normally APMAS members conduct focused group discussions with a number of SHGs in each location. Due to language barriers, the local researchers were trained and used for FGD and APMAS members participated and observed the process. Even the local researchers proved to be ineffective in Cachar and Kokrajhar, where local languages are different. Again to compensate the loss, more number of interactions with key resource persons and one case study were conducted. (e) It was planned to organize two interactive meetings with SHPAs and bankers to assess the capacity building needs of SHG movement in the state. Instead of organizing separate meetings, which involve a lot of logistics, APMAS team participated in one District Level Bankers Committee meeting at Kokrajhar and in workshop on Microfinance and Rural Enterprise organized by the Guwahati Regional Office of NABARD. In retrospect, it appears that participation in these two meetings proved to be more informative and beneficial.

1.3.6. Data analysis

The SHG schedules and secondary stakeholders' schedules were processed using Microsoft Excel. Grades of all sample groups were obtained through CRI score. The PAR was calculated, in those groups, which have repayment schedules. Cross tables of different parameters were prepared to understand the correlations and association among different parameters. Field notes were referred extensively in writing the report.

1.3.7. Structure of the report

In chapter 2, the profile of the state, districts, sample members, SHGs and SHPAs is described. In Chapter 3, the quality of groups and its association with different categories of groups is analyzed. The financial transactions of SHGs are covered in chapter 4. The governance and systems issues are discussed in Chapter 5. Chapter 6 discusses the impact of SHG program and SHG - banking. Various impediments for SHG movement and possible solution are discussed in chapter 7 and Chapter 8 outlines the action points.

Chapter – 2: Profile of the state and sample units

2.1. Assam, the land of opportunities³

Assam, the land of opportunities, is lying between the latitudes 24° N to 28° N and longitudes 90° E to 96° E and is situated in the north east corner of India. The State is quite isolated from the rest of the country bordering two foreign countries, viz. Bhutan and Bangladesh and seven Indian states. A narrow strip of about 25 km., which links the state with West Bengal, is the only land connection with rest of the country. The state has abundant natural resources like fertile plain and valley lands, plenty of water resources with mighty Brahmaputra river and over 2,700 mm rainfall, vast forest and green tracks and rich biodiversity and rich reserves of oil and minerals. Because of its rich natural resources, it had attracted a lot in migration and huge investments especially in oil and gas exploration and tea gardens and tea leaves processing units. On the negative side, the state is poor in infrastructure, especially in transport and communications, limited access to the outside world and markets. Because of prolonged law and order problems, the state Government apparently was not able to focus on development issues. However, in recent years, the Government has been attending proactively to the development needs of the state. Because of law and order problem, the private sector investment did not pick up compared to the potential of the state. Primary sector, especially the agri.-allied sector and household industries are major livelihood sources to majority of people.

2.1.1. Geographical area

Assam is the second largest State in terms of area in the north - eastern region of India. The geographical area of the state is 78,438 sq. km which accounts for about 2.4 % of total geographical area of the country. Physiographically, the State has three distinct natural regions, viz., Brahmaputra Valley consists of 71.64% of the state area, Barak Valley consists of 8.82% of area and the Hill Region in between these valleys covering 19.53% area. The State is divided into 27 districts, 54 sub-divisions, 203 development blocks and 2487 Gaon Panchayats. Out this, 2 districts, viz. N. C. Hills and Karbi-Anglong, 5 sub-divisions and 16 development blocks are hill areas and 4 districts, 8 sub-divisions are under Bodoland Territorial Council (BTC). It is predominately a rural state.

2.1.2. People

Because of its rich natural resources, Assam use to be an attractive destination for in migration. Because of in migration, Assam has very high diverse population. People live in relatively spacious houses, which are quite scattered from each other. The percentage of geographical area put under non-agriculture (i.e. residential and intuitional uses) use is 14%, which is on higher side compare to national average and with that of many states. The people apparently have relaxed attitude, enjoy their independence, leisure, food and music. The total population of the state is 2.66 cr. as per 2001 census. The population density in the state is 340 per Sq. km., which is higher than the national average of 324

³ Material for this section is drawn from Government of Assam publications – Draft Eleventh Five Year Plan (2007 – 12) and Annual Plan (2007 – 08); Human Development Index 2005 <http://www.undp.org.in/media/HDRC/shdr/Assam/highlights.pdf>; State statistical information provided on <http://ecostatassam.nic.in/>

per Sq. km. About 90% of people live in rural areas. The Scheduled Castes and Scheduled Tribes population account for 6.85% and 12.82% of total population in the State.

2.1.3. Economic development and poverty

The ratio of the state per capita income to the national average per capita has been continuously declining from over 100% in the early 1950s to about 50% in recent years. The sectoral composition of net state domestic product (NSDP) has rapidly changing. The share of agriculture and allied sectors has declined from 37% to 27.6 during last decade, i.e. 1996-97 to 2005-06. During the same time the contribution of Industry remained little over 22% and the share of service sector increased from 40.5% to 49.5%. There are wide inter-district variations in the levels per capita NSDP and its composition. Though the share of primary sector in the state domestic production has declined steeply, it remains source of livelihoods to over two-thirds of people.

The percentage of poor in Assam at 36.09% is the highest among the seven North East states and considerably above the national average of 26.10% (1999-2000). There is a wide rural-urban divide; four out of ten people in rural Assam are likely to be below the poverty line, while in urban Assam, the incidence is less than one in ten.

2.1.4. Social development

All demographic and other development indicators of the state also suggest that Assam is quite backward state in the country – with less life expectancy at birth (LEB) than national average, high infant mortality rate, less proportion household having access to safe drinking water. Diarrhea is a common cause of death among children in Assam. Assam still has very high morbidity due to communicable diseases. These are indicators of underdevelopment.

The workforce participation rates for both men and women are lower than those for India. The incidence of unemployment, measured as a percentage of the labor force is increasing in Assam. Unemployment rate in Assam at 4.6% in 1999-2000 is double of national average of 2.3%. Normally in under developed stage, the work participation rate used to be high. The observed low work participation rate could be because of laidback attitude of the people, which could be the result of rich natural resources coupled with autarky.

2.1.5. Agriculture

The net sown area (NSA) in the state is 31.14 ha, which accounts for a little over one-third of geographical area. The proportion of NSA is significantly less than that of national average. However, the proportion of area sown more than once at 43% is significantly higher than the national average. The higher proportion of multi-cropped area in the state is the result of fertile lands and abundant water resources. The state has 27.12 lakh holdings. Out of these 63% are marginal holdings of less than one ha, 21% are small holdings of 1 to 2 ha, and 13% are medium size holdings of 2 to 4 ha. Because of highly favorable agriculture conditions and autarky, the farmers grow almost all crops. However, Paddy is the principal crop accounting for three-fourths of NSA. Other

important crops are Rape & Mustard, Arecanut, Potato, Wheat, Jute, Banana, Sugarcane, and so on. The yield levels of all crops are quite low compare to national averages and its potential. There is vast scope for increase in productivity and value addition in the agriculture. The state is far behind the national averages in terms of agriculture mechanization.

2.1.6. Livestock

The state has over 1.2 cr. livestock. Out of this 66% are indigenous cattle, 24.72% are goats, 5.61% are buffaloes and 3.64% are crossbreed cattle. The state has over 2.16 cr. poultry birds, out of which 68.18% are Fowls and 31.82% are Ducks.

2.1.7. Gender

For causal visitor, gender equity appears to be high in Assam. Women appear to be more dynamic, outgoing and laborious. However the data presents a different picture. The sex ratio at 932 in the state is lower than national average of 933. However, the sex ratio in Assam is improving over the decades, whereas it is declining in the country as a whole. There is large gender gap in literacy rates – for men being as much as 71.93% and for women it is lower by more than 15% at 56.03%.

2.2. Financial scenario

The state has a network of 1,335 branches of 24 Commercial Banks (CBs), 2 Regional Rural Banks (RRBs) and Cooperative Banks in the state. There are 850 rural, 282 semi-urban and 203 urban branches in the State. NEDFi also cater to the credit needs of the state. State Bank of India is the Convener of State Level Bankers Committee (SLBC). The average population per branch in the State is 20,270 as per 2001 census compare to the national average of about 16,000. According to Dr. Rangarajan Committee report on Financial Inclusion, over 95% of adult population does not get banking services in almost all districts in the state (GoI, 2008).

Usury is widespread in the state. It reflects low availability of institutional credit vis-à-vis needs. E.g. as on March 31, 2007, the banking sector as a whole has Rs.27,041.79 Cr. as deposits and Rs.12,989.44 Cr. resulting the credit-deposit (CD) ratio of 48%. Though the CD ratio increased from less than 33% in 2004, it is significantly lower than national average and many states. It means that as on 31st March 2007 the banking sector has siphoned of about Rs.14,000 cr. from the Assam and lent a part of it in other states, most probably in advanced states and in mega cities. The CD Ration in the rural areas is significantly less than the state average. The credit to agriculture at 10% in the states is less than the national average of 12% (SBI, 2007). Given the law and order problems and other bottlenecks, this may be a normal phenomenon.

2.3. Microfinance

Because of relatively less banking infrastructure and availability of low bank credit, there has been wide gap between supply and demand for credit. The interest rate in informal transactions is in the range of 10% per month to 10% per day. To fill this wide gap, a number of models of informal lending evolved in different parts of the state. These include informal cooperatives, ‘Associated Savings and Credit Associations (ASCAs),

professional ‘money lenders’ like Kabuli Walas, part time money lending by many government/ corporate sector employees, especially the lower level employees, Churches, etc (a vivid description of these institutions could be seen in Sharma, A, 2007). The informal cooperatives and ASCAs, normally, mobilize savings from their members and lend primarily to outsiders and also to their members. Because of large scale emergence of local lending groups, the interest rate in informal sector has declined from about 10% to 3 to 5% in lower Assam (Sharma, A, 2007). In almost all informal credit, the normal practice is that the borrower pays interest regularly and principal at convenience. Modern microfinance institutions like SHGs and MFIs also adopted this practice, which could be a risky in the long run (Sharma, A, 2007).

2.3.1 Modern microfinance

Two modern microfinance models, viz. SHG model and MFI model started in the 1990s. Both were pioneered by the NGOs. There are about 306 NGOs, two RRBs, a handful of Farmers clubs and a few hundred volunteers are involved in SHG promotion. By March 2007, NABARD provided SHG promotional support to 73 NGOs to promote 9,520 SHGs. However, they could promote, 8,171 SHGs, get saving linkage to 7,692 SHGs and obtain credit linkage to 3,032 SHGs. NABARD also provided promotional support two RRBs and is in the process of providing support to more number of NGOs, bank branches, farmers clubs, etc. With the entry of DRDA in SHG promotion, the movement got big boost. The number of SHGs, promoted by DRDA has shot up from 177 SHGs in 2001 – 02 to 1,39,295 SHGs by August 2007. Unlike in many other states, male members and male groups and mixed groups constitute a significant part in SHGs in the state. It appears that the share of men and mixed groups is increasing in recent years (Table – 2.1). Many promoters complain that DRDA took over many SHGs promoted by NGOs and communities themselves. Strictly speaking DRDA’s SHGs are not conventional SHGs of NABARD model. According to the data provided by NABARD, Guwahati, 1,44,036 SHGs have saving accounts in banks as on 30th November 2007. These figures clearly indicate the predominance of DRDA and SGSY in SHG movement in the state.

Table – 2.1: SHGs promoted by Rural Development Department as on August 2007

Category	1999 to 07	In 2007 – 08	Total
SHGs formed	135,622	3,673	139,295
SHGs passed Grade - I	86,877	5,574	92,451
SHGs Passed Grade - II	34,919	2,505	37,424
SHGs taken up economic activities	25,797	1,547	27,344
Women SHGs formed	82,123	1,959	84,082
Women SHGs taken up economic activities		912	

As DRDA chocked SHG sector with SGSY program, almost all NGO promoters are switching over to commercial microfinance model. NEDFi and other wholesale MFIs like RGVN, FWVB, ASOMEE, etc are pushing the model aggressively. There are about 300 grassroots MFIs in the state. NABARD also supporting MFIs, as SHG model getting problematic because of SGSY poaching. NABARD, apart from providing funds for capacity building of MFIs and on-lending, is willing to provide equity capital.

2.4. Profiles of sample districts

The four sample districts have distinct features. Cachar is situated in Barak valley. As the valley is cut off from the Brahmaputra valley, the main land of Assam, by the inaccessibly hill range, it is deficit in infrastructure. The district is major trading centre not only in the Barak valley, but also to the adjoining hill states/ regions. It has common border with Bangladesh. It is a Bengali dominated area. Sivasagar is situated in Upper Assam, which is rich in natural and manmade capital. Various government departments and public sector companies like Indian Oil Corporation, ONGC, etc invest in the development of physical and social infrastructure. The people are relatively well off in this region. Sonitpur is situated in central Assam on the north bank of Brahmaputra. Though small in size, the district has about 15% of SHGs in the state. In this district DRDA and NABARD coordinated well until recently and developed a unique model called Sonitpur model (Box – 1).

Box – 1: Sonitpur model

In normal SGSY model, the groups would be formed with one day orientation and three days training on systems. After six month the groups would undergo 1st Grading. The groups, which pass the 1st Grading, get revolving fund (RF). After six months of RF, the groups would undergo 2nd Grading. The groups, which pass the 2nd Grading, get activity loans. The activity loan has subsidy component - maximum of 50% of the investment or Rs.1,25,000, whichever is less. This method is followed in all districts of the state. However, in Sonitpur, DRDA, at the behest of NABARD asked the groups to access the bank credit first and repay before proving the RF and activity support. In this process, it was expected that the groups get stabilized and understand the relevance of repayment. To promote groups on a large scale, DRDA provided SHG coordinators at the rate of 4 to 5 per Gram Panchayat. Each bank branch is also provided human resource support to handle the large volume of SHG business. Each coordinator is paid at the rate of Rs.10,000 per group. The payment schedule is – Rs.1,000 on formation, Rs.1,000 on completion of 1st Grading, Rs.2,000 on clearing of 2nd Grading and Rs.5,000 on repayment of SGSY loan amount. However because of changes in government functionaries and policies, the quality of groups is taking backseat even in this district. The SHG coordinators were withdrawn. It appears that the groups are treating first direct linkage (DL) is a part of the process to get RF and subsidy. The repayment rates in SGSY loans in the district are no better than that of other districts.

The fourth sample district is Kokrajhar. Situated in the north-western part of the state, it is the hinterland of Bodoland Territorial Council (BTC) area. It is a tribal district and has distinct culture. Because of their proximity to lower Assam both Kokrajhar and Sonitpur have some features of Lower Assam.

2.5. Profile of sample members

As a majority of the groups are randomly selected, the member profile is expected to reflect the real situation in the state. In 109 sample SHGs, current total members are 1,288. At the time of formation, the total membership was 1,405. Between formation and

now 126 members left from 41 groups and nine members joined into four sample groups. In total 64 groups do not have any change in their membership since their inception. In net total 117 members left the sample groups.

2.5.1. Gender Category wise members

In total 1,288 sample members, 1,153 (90%) are women and 135 are men. The proportion of women members is highest (97%) in Cachar and lowest (86%) in Kokrajhar (Table – 2.2.)

Table – 2.2: Gender category-wise sample members in Number

Gender category	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Men	10	52	39	34	135
Women	280	229	248	396	1,153
Total	290	281	287	430	1,288

2.5.2. Social category-wise distribution of members

In addition to standard five social categories, of ST, SC, BC, OC and minorities, one additional category – Other Backward Class (OBC) was included and STs were bifurcated as ST-Plain and ST-Hills in the questionnaire. No backward category member appeared in the sample members. Only one ST-hills group with 11 members was found in the sample. Therefore, the BC and OBC are clubbed together in the analysis and similarly ST-Plain and ST-Hills are clubbed together. In total, most of the members (36%) are OBC, followed by ST (24%), OC, SC and minorities in that order (Table – 2.3). However the distribution changes dramatically across four sample districts. In Kokrajhar, about three-fourths members are ST, whereas in Sivasagar 84% are BC+OBC. Sonitpur and Cachar have somewhat even distribution of members across five social categories. In Cachar OC with 31% membership is largest section and in Sonitpur BC+OBC is dominant category with 44% members. In both these districts SC is second largest group.

Table – 2.3: Social category-wise distribution of members in %

Social Category	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
ST	17	74	6	7	24
SC	25	5	1	19	13
BC+OBC	9	4	84	44	36
Minorities	18	4	6	14	11
OC	31	13	3	16	16
Total	100	100	100	100	100

2.5.3. Literacy levels of members

All sample members are distributed according to their education level and categorized as illiterates – who can not read or write, Neo-literates – who can just sign, primary level education – up to 5th class, upper-primary level – 6 to 8th class; high school – 9th and 10th class, and college – who passed 10th class. In total sample members, the largest set of members has high school education (26%), followed by 10th class passed category (20%). This is a surprising trend. No other study in different states of the country has such literacy profile of members. One of the possible reasons is that the promoters, especially

the DRDA, are encouraging each group to have a few members of high school educated or 10th pass so that the groups can manage their affairs, with minimum outside support. They can also maintain their books on their own. Inclusion of at least a couple of reasonably educated members in each group could be a positive feature, which may enable the members to develop a sense of ownership over their groups in a short span of time. The counter view is that educated members may dominate the group, jeopardize internal democracy in the group. The moot question is choosing between potential internal domination and external domination by the promoters and facilitators. In all aspects, internal domination is preferable, which could easily be controlled with proper systems. Other possible reason could be that majority of members appears to be young in their twenties and early thirties.⁴ Education profile of members has significant variations across the districts. In Kokrajhar, most of the members (29.2%) are illiterates. In Cachar 27.2% members have primary level education (Table – 2.4).

Table – 2.4: Distribution of members as per education in %

Education level	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Illiterates	5.2	29.2	1.7	2.3	8.7
Neo-literates	8.6	8.9	5.2	13.7	9.6
Primary	27.2	22.4	6.3	16.0	17.8
Upper Primary	22.8	9.3	15.7	20.7	17.5
High school	24.5	15.3	38.3	26.3	26.2
College	11.7	14.9	32.8	20.9	20.2
Total	100.0	100.0	100.0	100.0	100.0

2.5.4. Economic category wise distribution of members

Out of 1,288 sample members, 74.3% are below poverty line (BPL) category and rest from above poverty line (APL) category. However, the pattern is quite different across four sample districts. In Cachar 90% members are from BPL category. The same is 62.3% in Sonitpur (Table – 2.5). One possible reason could be that as the number of SHGs in Sonitpur is quite high compare to other districts, the promoter might have been covering APLs, after saturating BPLs.

Table – 2.5: Economic category wise distribution of members in %

Economic category	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
BPL members	90.0	84.0	67.2	62.3	74.3
APL members	10.0	16.0	32.8	37.7	25.7
Total	100.0	100.0	100.0	100.0	100.0

2.5.5. Ration Card-wise distribution of members

Ration card is another important indicator to know the economic status of the members. Surprisingly about 40% members do not have any card. Given the importance of ration card for household, especially the poor, it is sorry state of affair. Proportion of members without ration card is highest in Cachar (57.9%) followed by Sivasagar (54%). The authorities should look into the matter. In total only 37% members have Green (BPL)

⁴ Age of members was not collected in this study. In this context, it appears to be a serious omission.

card. The same is as high as 61.6% in Kokrajhar and as low as 20.2% in Sivasagar. In total 4.2% have other type of cards, mostly poorest of poor type cards (Table – 2.6).

Table – 2.6: Ration card-wise distribution of members in %

Type of ration card	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Green (BPL) Card holders	32.0	61.6	20.2	36.8	37.3
Pink (APL) Card holders	10.1	13.7	19.5	27.3	19.1
No card	57.9	17.3	54.0	32.3	39.4
Other card holders	-	7.4	6.3	3.7	4.2
Total	100.0	100.0	100.0	100.0	100.0

2.5.6. Member families' occupations

Members reported a number of occupations. For the sake of easy analysis, all these are clubbed into five major occupations. Nearly 50% of members belong to cultivators' families. Over a quarter members are from small business, which also include seasonal business, tailoring, weaving, etc. About 14% members are from daily wage labor category. Again it includes occupations like rickshaw pulling, working in Tea Estates, etc. Services include government jobs and organized private sector jobs. About 8% members belong to this category. Unlike all India and many Indian states, the proportion of labor is quite low in Assam and proportion of members engaged in small business is significantly high. In Cachar the members of labor category is largest 32.8% and cultivators are lowest 31.1%, whereas the cultivators are as high as high as 60.4% in Sivasagar district (Table – 2.7).

Table – 2.7: Occupation wise-distribution of members in %

Occupation	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Cultivation	31.1	53.2	60.4	50.9	48.9
Small Business	30.1	28.9	22.5	29.2	27.9
Labor	32.8	11.3	7.1	6.9	13.9
Service	3.7	6.7	6.4	12.5	7.9
Livestock	2.4	0.0	3.6	0.5	1.5
Total	100.0	100.0	100.0	100.0	100.0

2.5.7. Land holding

Only tiny proportion (2.1%) of members does not have land. In Kokrajhar, every member has land. About 85% of members have marginal holdings of less than one ha. and another 10.5% of members have small holdings of 1 to 2 ha. Marginal and small holding members consist of over 95% in the sample. This proportion is significantly higher than the state figure. It implies that the SHG program is mainly focusing poorer sections. In Cachar the proportion of marginal farmers is highest (92.8%). However in other three districts, a reasonable proportion of members have medium size holdings of 2 to 4 ha. (Table – 2.8). In Sonitpur, the proportion of medium size farmers is highest (17.3%). The possible reason could be, as mentioned above, coverage of APL families, after saturation of BPL families in the SHG program

Table – 2.8: Land holding-wise distribution of members in %

Land holding	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Landless	2.8	0.0	2.4	2.7	2.1
Marginal farmers	92.8	86.5	85.0	78.0	84.9
Small farmers	1.7	8.5	11.5	17.3	10.5
Medium farmers	2.8	5.0	1.0	1.5	2.4
Large farmers	0.0	0.0	0.0	0.5	0.2
Total	100.0	100.0	100.0	100.0	100.0

2.6. Profile of sample groups

Total number of groups in the sample is 109. These groups are cross tabulated according to eight parameters. These are size, district, promoter, social category, gender category, distance to bank; type of bank and age of the group. These are discussed briefly below.

2.6.1. Size of the groups

The average size of all the sample groups is 12. In Cachar and Kokrajhar also the average size of groups is 12. In Sivasagar the average size of groups is 11 and in Sonitpur, it is 13. Among four promoters, the average size of DRDA promoted groups is 11 and that of NGOs is 13. The average size of other two promoters is 12 (Table – 2.9).

Table – 2.9: District and promoter-wise average size of groups in no.

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	12		13		12
DRDA	11	11	10	11	11
NGO	12	13	10	15	13
Self/community	13	11	12	12	12
Total	12	12	11	13	12

2.6.2. District and size-wise distribution of groups

The minimum size of groups is 9 and maximum size of group is 20. In total, 9 members groups are 5 and 20 member groups are 3. Majority of groups are relatively small in size of less than 12. In total 46 groups have members of 9 to 10; in 34 groups the membership varies from 11 to 12 and 20 groups have membership between 13 and 15 and 9 groups have membership over 16. Almost all larger groups of 16 and above members are situated in Sonitpur (Table – 2.10).

Table – 2.10: District and size-wise distribution of groups in no.

Size	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Up to 10	8	8	16	14	46
11 to 12	12	10	5	7	34
13 to 15	4	6	5	5	20
16 and above	1			8	9
Grand Total	25	24	26	34	109

2.6.3. District and promoter-wise distribution of groups

Out of total 109 groups, 34 are from Sonitpur, 25 are from Sivasagar, 25 are from Cachar and 24 are from Kokrajhar. In the sample, most of the groups (43) are self/ community promoted groups, followed by NGO promoted groups (34) and DRDA promoted groups (28). It is a surprising finding. This data confirms the allegation that DRDA is taking over SHGs promoted by NGOs and self/ communities. Highest number of self/ community promoted groups is in Sonitpur – 17, followed by Sivasagar – 12 and Kokrajhar – 11. Highest number of NGO promoted groups is in Cachar – 16 followed by Sonitpur – 12. Highest number of DRDA promoted groups is in Sivasagar – 11, followed by Kokrajhar – 8. In the sample only 4 groups are bank promoted groups. They are in Sivasagar – 2 and Cachar – 2 (Table – 2.11). One of the reason for the presence of very high proportion of self/ community promoted groups in Sonitpur and sample is that many APL families have organized on their own in order to take benefits of RF and SGSY subsidy, most probably with tactical support of official. The field official/ workers might be supporting such emergence of groups in order to meet their own targets. These groups are also very active in accessing a number of incentives available to SHGs. As it can be seen at the end of this chapter that self/ community promoted groups got highest CB inputs compare that of other promoters. One of the reasons to get very high number of NGO promoted groups in Cachar is that research team deliberately chosen to cover about 10 groups promoted by Deshbandhu Club, which have their SB accounts with Deshbandhu Club – NGO – MFI.

Table – 2.11: District and Promoter wise distribution of groups in number

SHPAs	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	2		2		4
DRDA	4	8	11	5	28
NGO	16	5	1	12	34
Self/community	3	11	12	17	43
Total	25	24	26	34	109

2.6.4. Age and promoter-wise distribution of groups

The maximum and minimum of ages of sample SHGs is 12 and 0.4 years. The average age of SHGs is 4.4 years. This is relatively on higher side compared to many studies conducted on SHGs in different states and also overall development of SHG sector in the state. One of the possible reasons could be the selection of sample groups from the list placed on the internet about a year ago. The selection also served well the purpose of the study. In the sample, the largest group (49) of SHGs are of above 5 years of age, only nine are less than one year age, as many as 31 are in the age range of 3 to 5 years and 20 are in the range of 1 to 3 years of age. All four promoters' sample groups exhibited similar distribution, with minor variations. In the bank and NGO promoted groups, the proportion of '5 year plus' groups are higher (Table – 2.12).

Table – 2.12: Age and promoter-wise distribution of groups in %

Age of the group in years	Bank	DRDA	NGO	Self/ community	Total
Less than one year		1	4	4	9
1.1 to 3 years		6	7	7	20
3.1 to 5 years	1	10	4	16	31
Over 5 years	3	11	19	16	49
Total	4	28	34	43	109

2.6.5. Gender and social category

For gender category-wise classification of groups, a group is classified as women or men group, if and only if all members are women or men respectively. If a group has at least one member of opposite sex, it is considered as mixed group. But in social category-wise classification, a group is classified as a particular social category group if more than 50% of its members belong to that particular social category. E.g. in ST group the ST members could be in the range of 50% to 100%. In a group, if no social category has members of at least 50%, it is considered as mixed group. In the sample 109 groups, 93 are women groups, 10 are men groups and 6 are mixed groups. Among social categories BC+OBC have largest set of groups of 40, in the sample, followed by ST 25. There are no men groups in social categories of minorities, OC and SC. ST has the highest proportion of men groups among different social categories (Table – 2.13).

Table – 2.13: Gender and social category-wise distribution of groups in %

Gender category	Minorities	Mixed	BC+OBC	OC	SC	ST	Total
Men		2	3			5	10
Mixed	1		2	1	2		6
Women	11	2	35	14	11	20	93
Total	12	4	40	15	13	25	109

2.6.6. Type of bank and distance to bank

Out of total 109 sample SHGs, 67 have their saving account in RRBs, 29 have with commercial banks and 13 have with NGO-MFIs. All NGO-MFIs accounts are in Cachar district and with only one NGO-MFI, viz. Desbandhu Club. In the sample 3 groups have bank connection at 0 km, 24 have banking within 1 km, 35 groups have banks at the distance of 1 to 3 km range, another 35 groups have banks in the range of 3 to 10 km and 10 groups have bank in the distance of over 10. As habitats are fairly widespread within a village and within a habitat, houses are quite spread out; almost all groups within 1 km distance could be considered as having banks within the village. Some of groups in the distance of 1 to 3 km might also have banks in their own village. As one would expect, the relatively higher proportion of groups served by RRBs have banking service closer to their habitats compare to that of CBs (Table – 2.14).

Table – 2.14: Distribution of groups as per bank type and distance in number

Distance to bank	CBs	NGO-MFIs	RRBs	Total
0 km	1		2	3
Less than 1 km	5	1	18	24
1.01 to 3 km	8	8	19	35
3.01 to 10 km	8	3	24	35
10 & above	6		4	10
Distance not specified	1	1		2
Total	29	13	67	109

2.7. Profile of SHPAs

The state has a number and variety of self help promoting agencies (SHPAs). Traditionally NGOs have been in the forefront in the promotion. After the entry of DRDA in 1999 in SHG promotion, it emerged as the major player. RRBs also involved in the promotion. A few farmers clubs are also entering in SHG promotion in recent years. One of the interesting features in the state is that communities themselves have promoted a sizeable number of SHGs in the state. In fact self promotion is on significant scale in the state. E.g. in Kokrajhar, one SHG, known as Anjali Sukhati SHG Foundation, got registered as a NGO in 2000 and promoted about 1,600 SHGs in inaccessible areas in Kokrajhar and Sidle district during the peak Bodoland agitation period. Similarly a SHG federation known as MASK, promoted by a NGO – Gana Chetana Samaj, Balipara, Sonitpur, emerged as a fully autonomous and pioneering SHG federation in north east India and has been in forefront in sector development work not only in Assam, but also in other north-eastern states.

The research team interacted with about 20 SHPAs ranging from NGOs, BDO, Extension Officer Credit, Bankers and Farmers' Clubs. The average number of SHGs promoted by NGOs is 800⁵ and average number of SHGs promoted by Block is 1,500. The NGOs got Rs.500 to 600 per SHGs promotion from apex institutions like RGVN and around 2,000 from NABARD. The block officials do not have any fixed rates. However, the district level officials at Sonitpur said that they provided financial assistance to SHG coordinators at the rate Rs.10,000 per groups in installments such as formation - 500; first grading - , 1000, second grading – 1,500, grounding of economic activity – 2,000 and repayments of SGSY loan – 5,000.

Almost all promoters including NGOs and Block officials said that providing financial services is the major objective of their SHG promotion. Other objectives include promotion of livelihoods to the poor/ local area (block) developments, promotion of women empowerment, social justice dignity of life and culture. Almost all are covering all families in their operational area. Block officials are permitting APL families up to 30% in any group.

⁵ This is on higher side. Perhaps the presence of big NGOs like Gramin, Deshbandhu Club, Anjali Sukati, in relatively small sample could be the reason.

The sample 109 SHGs has four different promoters, viz. Bank, DRDA, NGO and Self/ community. Amount and kind of training given/ facilitated by the different promoters is discussed below.

2.7.1. Training to leaders

Out of total 109 sample groups, in 61 groups, leaders got training. On average 3 leaders got training from each of 61 groups. Perhaps it includes the changed leaders also. On average each trainee got 4.5 day training cum exposure, 3 days outside the village and 1.5 day within the village. More number of training outside the village implies that groups are getting training either at centralized place or on skill based training in specialized institutions and locations. The 'Self/ community' promoted groups got more number of trainings and training days especially in outside the village. DRDA provided trainings to higher proportion of leaders and more number of person days training both within and outside the village compare to NGOs (Table – 2.15).

Table – 2.15: Training inputs for leaders in person days by different promoters

Indicator	Bank	DRDA	NGO	Self/ community	Total
Total promoted groups	4	28	34	43	109
No. of groups in which leaders got training	1	18	17	25	61
No. of leaders attended trainings	2	53	70	72	197
No. of person days training within village		152	77	68	297
No. person days training outside village	6	167	84	316	573

2.7.2. Training to members

In 40% of sample groups, members got training or exposure. In over 50% of groups promoted by self/ community, members got training followed by DRDA - 43%; NGOs – 26% and bank – 25%. On average, in each trainee group, 10 members got training in bank promoted groups; 9 in DRDA promoted groups; 8 in self/community promoted groups and 5 in NGO promoted groups. Though smaller number of members got training in NGO promoted groups, they got intensive training. On average each trainee of NGO promoted groups got 9 days training outside village and 5 days within the village. Each DRDA trainee got 0.4 day training within the village but 4 days training outside the village (Table – 16).

Table – 2.16: Training inputs for members in person days by different promoters

Indicator	Bank	DRDA	NGO	Self/ community	Total
Total promoted groups	4	28	34	43	109
No. of groups in which leaders got training	1	12	9	22	44
No. of leaders attended trainings	10	107	43	169	329
No. of person days training within village		41	216	299	556
No. person days training outside village	30	426	372	540	1,368

The above suggest that DRDA and self/ community are providing more training inputs. However their focus appears to be on leaders. In NGO promoted groups, fewer groups and members are getting training, but more number of days of training. Perhaps this may be because large variations in the performance of NGOs in promotion of SHGs, i.e. some NGOs are providing good training and some NGOs are providing no or little training. The general observation confirms this finding that as number of SHGs is shifting to DRDA, NGOs are withdrawing from SHG promotion and focusing on commercial microfinance. .

2.7.3. Types of training

In the sample more number of groups (53) got training in livelihood promotion, 50 groups in SHG concepts, 39 groups in book keeping and 11 groups in social development. Among livelihood promotion, skill development is major component followed by agriculture and agri.-allied activities like animal husbandry. Under basic orientation, apart from group concepts and book keeping, training was provided in financial management and federation concepts. Under social development health is major area. Other topics include gender and women rights, nutrition given to one or two groups. While NGOs and banks focused on institutional development, DRDA and self/ community focused on livelihood promotion.

To sum up, the very fact that self/ community promoted groups got very high level of training inputs imply that there are funds and facilities in the state for SHG promotion and strengthening. What is needed is a coordinated mechanism to bring the balance between the supply and demand for funds and resources for strengthening of SHG movement in the state.

2.8. Conclusions

Assam is the land of opportunities with rich natural resources like land, water, forest, biodiversity, livestock, oil and minerals. Relatively high density of population and higher cropping intensity compare to national average indicate the richness of natural resources. However, isolation from the main land and resultant autarky and prolonged civil unrests prevented private investment and diverted the government attention away from the development. The spread of banking in the state is low compare to national average. Though the credit-deposit ratio has increased significantly in recent year and reached 48% in 2007, it is significantly low compare to the national average. Because of non/ low-availability of institutional credit, informal financial markets have been thriving for quite some time. Not only professional money lenders, but also local people such as government and public sector employees are lending on part time basis. Groups of women mobilize savings from the members and lend to outsiders. There has been variety of such institutions in different parts of the state.

Modern microfinance institutions of SHGs and MFIs began in 1990s and rapidly expanding in the current decade. Due to DRDA/ SGSY encroachment of SHG space, almost all NGOs, who were involved with SHGs, are shifting towards commercial MFIs.

The sample units are well represented the entire diverse conditions of state, with minor exceptions and SHGs, members, promoters and other stakeholders.

Members' profile appears that SHG program is sharply focusing on the poor. In Sonitpur, where the number of SHGs is too many, the program has covered a sizable proportion of non-poor members. In Cachar, where the number of SHGs is least among the four sample districts, the focus on poor is quite sharp. However the composition of members' literacy levels, occupations and land holding indicate that not so poor are covered in a significant scale in the SHG movement in the state.. The practice of deliberately including educated members in each group is an interesting feature. Other states could adopt this practice. Absence of ration cards could be one serious lacuna on the part of government. Issuing of ration card and supply of all essential commodities may lead to transformation of agriculture from subsistence to commercial agriculture.

Profile of groups suggests that all social categories are well represented in the program. Though it is women focused program in all over the country, a sizable men groups and mixed groups emerged in the state, because of deliberate efforts of DRDA and others. The groups have difficulties with b, especially with CB and linking themselves with MFIs. Majority of groups have banks within a reasonable distance.

'Self/ community' is a predominant promoter of SHGs in the state. It is an interesting feature. Predominance of this promoting mechanism indicates a sizable representation of non- poor in the SHG sector. DRDA and self/ community provided/ facilitated more training and exposure inputs to their groups compare to NGOs and banks. It seems there is wide variation in performance of different NGOs. This could be because that some NGOs have already shifted away their focus from SHG promotion and strengthening to commercial microfinance. Livelihood promotion is predominant theme of training programs, followed by concepts of SHGs and book keeping. The ability of self/ community to facilitate significant amount of training inputs to its groups indicates availability of funds and facilities for strengthening of SHG movement in the state. The promoters got financial support at the rate of Rs.500 to 600 per SHG from apex NGO-MFIs and around Rs.2,000 from NABARD. DRDA used to provide promotional support at the rate of Rs.10,000 per SGSY group. But it reduced, if not stopped, such practice.

Chapter – 3: Quality of SHGs

Quality is the major challenge that the SHG movement facing at this point of time in the country. To assess the quality of SHGs, NABARD developed a rating tool known as critical rating index (CRI) and advised all banks to assess the quality of groups using the CRI before every credit linkage. Every bank is using its own adapted version of CRI, while sanctioning loan and deciding loan amount. In this study, each sample SHG is rated using the NABARD's CRI. The CRI basically consists of two sets of variables, viz. governance and systems related variables and financial variables. Governance related parameters are periodicity of meetings, attendance in the meetings, decision making process in the meeting, observation of norms, saving and loan installment collection methods, lending procedure, rotation of leadership, book keeping, etc. Financial parameters include periodicity and regularity of saving, use of savings for internal lending, lending rates, lending norms, regularity in loan repayment, etc. CRI is aggregate of the points scored on above described parameters. According to the aggregate score, each group is assigned grades 'A', 'B' and 'C'. Grade 'A' groups could be given loans; grade 'B' groups need capacity building and grade 'C' imply intensive capacity building is required.

3.1. Grades of the groups

In total 109 sample SHGs, 2 are 'A' grade groups, 67 are 'B' grade groups and 40 are 'C' grade groups. These grades imply that the quality of groups in the state is very poor in the state. Strict sample selections, which may not be possible in other states/ studies, could be one of the reasons for observance low grades in the state. But it can't be a major reason. Further about one-third of SHGs in original sample list were replaced with new groups to accommodate a few NGO promoted groups and because of non-availability of groups due to genuine reasons and non-traceable/ defunct groups. Had the original sample list been strictly adhered to, the quality might have been even less. The research team's field observations and perceptions of many key stakeholders in the state are validated by the grades. According to many stakeholders, some of possible reasons for, and some possible implications of, such grades are:

1. Some of the bankers and almost all NGOs interviewed said that the DRDA is misdirecting the whole SHG movement, shifting people's attention towards easy money of RF and subsidies.
2. Even the grassroots functionaries of DRDA said that people's attitude, i.e. attraction towards short term gains is major hurdle in the program.
3. Many NGOs and even senior bank officials said that groups break down immediately after getting either RF or economic activity and start a new group with new set of leaders to get another dose of RF and/ or subsidy.
4. Since these practices are so open, that some (at least field level) officials must be thoroughly involved in these practices.
5. General practice in the state is collection of interest regularly and principal at the conveniences of the borrower (e.g. see Sharma, A. 2007). This practice leads to poor scoring in CRI.

6. Some banks and NGO-MFI are impounding the groups' savings and do not encourage/ allow internal lending. This again affects adversely the CRI scoring.
7. As many groups are SGSY groups; and some of them have taken up group level economic activity there are no lending to the members and hence no repayment. CRI does not have provision for this kind of practice.
8. A few very young groups of less than one year have been included in place of non-available groups. These groups might not have lent to their members, hence, no repayment and resultant low scoring.
9. One of the consequences of such low grades would be no/ low bank credit linkages. The banks, especially the commercial banks, are reluctant to lend to SHGs. In any case they are lending small amounts only. Repeat credit linkages at less than 1%, compare to 80% in Andhra Pradesh and about 40% in all India, is near to non-existence.

The above general observations justify the grades obtained in this study. Some of these issues would be discussed further in coming chapters. In the remaining part of this section, correlation between the grades of groups and different parameters is discussed.

3.2. Promoters and grades

Promoter and grade-wise distribution of groups is presented at Table – 3.1. In quality terms, bank and NGO promoted groups are ahead of the groups promoted by DRDA and self/ community. All four bank promoted groups obtained 'B' grade. In NGO promoted groups, three-fourths of groups of 'A' or 'B' grade quality. The same is 60% and 50% in self/ community and DRDA promoted groups. Though one of the DRDA group obtained 'A' grade, 50% of its groups are of 'C' grade quality. Given the predominant position of DRDA in promotion of SHGs in the state, it should take immediate and effective steps to improve the quality of its groups and SHG movement in the state.

Table – 3.1: Promoter and grade-wise distribution of groups in %

Grade	Bank	DRDA	NGO	Self/community	Total
A	-	4	3	-	2
B	100	46	71	60	61
C	-	50	26	40	37
Total in %	100	100	100	100	100
Total in number	4	28	34	43	109

3.3. District and grades

Among 4 sample districts, Cachar leads in terms of the quality of groups with 8% of its groups with 'A' grade, 84% of groups with 'B' grade and only 8% with 'C' grade. On the other hand Kokrajhar is last with no 'A' grade groups and only 33% of its groups with 'B' grade. Though Sivasagar and Sonitpur do not have 'A' grade groups, nearly two-thirds of groups are 'B' grade groups (Table – 3.2).

Table – 3.2: District and grade-wise distribution of groups in %

Grade	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
A	8	-	-	-	2
B	84	33	65	62	61
C	8	67	35	38	37
Total in %	100	100	100	100	100
Total in number	25	24	26	34	109

3.4. Age of groups and grades

Normally it is observed in many studies that quality decline with the age of groups. In the present sample also similar trend is observed from less than one year to up to five years of age. However, the quality is significantly higher in groups of five years and above age category compare to the groups of 3.1 to 5 year age (Table – 3.3). The possible reason is that only the fittest and serious groups would survive and function after 5 years of age.

Table – 3.3: Age and grade-wise distribution of groups in %

Grade	Less than one year	1 to 3 years	3.1 to 5 years	Over 5 years	Total
A	-	9	-	-	2
B	67	57	58	65	61
C	33	35	42	35	37
Total in %	100	100	100	100	100
Total in no.	6	23	31	49	109

3.5. Gender categories and grades

There is a sharp contrast in terms of quality between men's and women's groups. While 2% women groups are 'A' grade quality and 66% are 'B' grade, the same is 0 and 30% respectively in men's groups (Table – 3.4). In mixed groups exactly 50% groups are 'B' grade and 50% are 'C' grade.

Table – 3.4: Gender category and grade-wise distribution of groups in %

Grade	Men	Mixed	Women	Total
A	-	-	2	2
B	30	50	66	61
C	70	50	32	37
Total in %	100	100	100	100
Total in number	10	6	93	109

3.6. Social categories and grades

OC groups lead among all social category groups in terms of the quality with their 80% of groups with 'B' grade and only 20% groups with 'C' grade. BC+OBC groups are second in the quality ranking with 72.50% and 27.50% groups with B and 'C' grade respectively. ST groups exhibited least quality, though one out of two 'A' grade groups in the total sample belong to ST. As many as 64% of ST groups are 'C' grade groups (Table 3.5).

Table – 3.5: Social category and grade-wise distribution of groups in %

Grade	Min	Mixed	OBC	OC	SC	ST	Total
A	-	-	-	-	7.69	4.00	1.83
B	66.67	50.00	72.50	80.00	61.54	32.00	61.47
C	33.33	50.00	27.50	20.00	30.77	64.00	36.70
Total in %	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Total in no.	12	4	40	15	13	25	109

3.7. Banks and grades

Banks play an important role in the strengthening of SHGs. In a sense credit link is the essence of SHG movement. There is a big debate in the sector about the quality of groups and bank linkages. A prominent view is that any amount of bank loans would come in the way of SHG, if the groups attain and maintain certain minimum quality. The counter view is that groups improve their quality and functioning, if they get bank loans as per their needs. In Assam almost all non-bank stakeholders (both primary and secondary stakeholder) are highly disappointed with the banks. They complain that many banks, especially CB, are not cooperating even to open saving account. On the other hand banks are thoroughly disappointed with the quality of groups in the state. Given the importance SHG - banking, the correlation between banks and grades is examined in four ways, i.e. with the type of bank, distance to bank, time taken to carry one bank transaction and number of visits made to open a saving account.

3.7.1. Type of bank and grades

The sample SHGs has their SB accounts in three kinds of banks/ institutions, viz. CBs, RRBs and NGO-MFIs. The groups who have SB in MFI have highest quality with 92% of groups with 'B' grade and just 8% groups with 'C' grade. On the other hand groups with SB accounts with CBs have least quality with 48% 'B' grade and 52% 'C' grade groups (Table – 3.6). In the field almost all non-banking stakeholders said that CBs are last cooperative. In fact it was noticed that one CB has shifted from rural areas in Sonitpur district to the headquarters Tezpur. The stakeholders also said that though RRBs are not so positive, they are extending the cooperation within their limitations. One serious problem the banks, especially the RRBs, facing in the state, is acute shortage of personnel in the rural branches. The data at Table 3.6 clearly shows that the banks do have significant impact on the quality of SHGs. A little cooperative attitude on the part of banks would go a long way in improving the quality of SHGs and strengthening SHG movement in the state.

Table – 3.6: Type of bank and grade-wise distribution of groups in %

Grade	CB	NGO-MFI	RRB	Total
A	-	-	2.99	1.83
B	48.28	92.31	61.19	61.47
C	51.72	7.69	35.82	36.70
Total in %	100.00	100.00	100.00	100.00
Total in number	29	13	67	109

3.7.2. Number of visits made to open SB account and grades

One of the allegations against banks in the state is that the banks are not cooperating to open a SB accounts. It appears to be odd, as the evidence from different parts of the country suggests that SHG - banking also helped banks by optimizing existing banking infrastructure, good recovery, larger volume of business per transaction, mobilizing saving, etc. To investigate this allegation a question was included in the SHG tools about the number of visits made to open a SB account. About a quarter sample groups made more than 4 visits to open a SB account. In fact 6 groups made more than 11 visits to open a SB account. As many as 13 groups did not give the number of visits made. Had they given, the situation might be even more alarming. The quality of groups is cross tabulated with the number of visits made, which is considered as proxy to the attitude of bankers towards the groups and overall SHG – banking environment in the state. It appears that there is a negative correlation between number of visits made to open SB account and grades, i.e. fewer the visit made, higher is the quality of the groups. In groups, which made 1 to 3 visits to open a SB account, 3% are ‘A’ grade, 61% are ‘B’ grades and 36% are ‘C’ grade. On the other hand, in SHGs, which made more than 11 visits, 50% are ‘B’ grade and 50% are ‘C’ grade groups (Table – 3.7). However the relationship does not appears so strong and highly significant.

Table – 3.7: No. of visits made to open SB a/c and grades in %

Grades	1 to 3 visits	4 to 10 visits	11 & above visits	Not specified	Total
A	2.9	0.0	0.0	0.0	1.8
B	60.9	61.9	50.0	69.2	61.5
C	36.2	38.1	50.0	30.8	36.7
Total in %	100.0	100.0	100.0	100.0	100.0
Total in No.	69	21	6	13	109

3.7.3. Distance to bank and grades

Another important parameter related to banks, which may have a significant impact on SHG quality is distance to bank. The groups, which have banking service within the village, have highest quality with 100% ‘B’ grade groups. Whereas when the bank is located at more than 10 km, as many as 70% are ‘C’ grade groups (Table – 3.8). Similar trend was noticed in other states and studies. The reason cited was that, apart from easy transactions for groups, situation of banks within the village, enable the banks to monitor the groups rather closely.

Table 3.8: Distance to bank and grade-wise distribution of groups in %

Grade	Within village	< 1 Km	1.1-3 Km	3.1 to 10 Km	10.1 Km & above	Distance not known	Total
A	-	-	-	5.71	-	-	1.83
B	100.00	66.67	62.86	60.00	30.00	100.00	61.47
C	-	33.33	37.14	34.29	70.00	-	36.70
Total in %	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Total in No.	3	24	35	35	10	2	109

3.7.4. Bank transaction time and grades

At times distance to bank alone may not be so important, if there is good transport system and banks are highly efficient and cooperative. Therefore time required to complete one bank transaction including travel time may be another interesting parameter to look into. The time is given by the groups, which is an approximate and average figure for each of sample group. According to the data as the time increases per transaction, the quality of groups comes down. In the groups, which complete bank transaction within an hour, 3% are 'A' grade, 67% are 'B' grade and 31% are 'C' grades. When bank transaction takes more than 3 hours, as many as 57% groups are 'C' grade groups (Table – 3.9).

Table – 3.9: Bank transaction time and grade-wise distribution of groups in %

Grade	Less than an hour	1.1 to 3 hours	3.1 hours & above	Time not specified	Total
A	2.78	0.00	11.11	0.00	1.83
B	66.67	60.34	33.33	83.33	61.47
C	30.56	39.66	55.56	16.67	36.70
Total in %	100.00	100.00	100.00	100.00	100.00
Total in number	36	58	9	6	109

3.8. Distance to bus point and grades

Distance to bus point determines mobility level of groups, their interaction levels with outside world and their outlook. The groups, which have bus service within the village, have highest quality with 71.43% 'B' grade groups and 28.57% 'C' grade groups. Whereas when the bus service is available at more than 3 km, as many as 55.56% are 'C' grade groups (Table – 3.10).

Table 3.10: Distance to bus point and grade-wise distribution of groups in %

Grade	Within in village	Less than 3 Km	More than 3 Km	Distance not known	Total
A	-	1.35	-	20.00	1.83
B	71.43	59.46	44.44	80.00	61.47
C	28.57	39.19	55.56	-	36.70
Total in %	100.00	100.00	100.00	100.00	100.00
Total in no.	21	74	9	5	109

3.9. Distance to block headquarters and grades

Distance to block headquarters may influence the groups, as block official may provide more capacity building and monitoring inputs more regularly to groups close to the block office. But no clear pattern could be seen in the data. The quality of groups is highest in the groups, which situated in the range of 3.1 km to 10 km and least in the groups, which situated above 10 km distance (Table 3.11). One possible reason could, in the sample only a quarter of groups are promoted by DRDA. Therefore, proximity to block may not affect the quality and functioning groups, promoted by other SHPAs.

Table – 3.11: Distance to block headquarters and grade-wise distribution of SHGs in %

Grade	Less than 1 Km	1.1.to 3 Km	3.1 to 10 Km	10.1 & above	Distance not known	Total
A	-	-	2.13	-	25.00	1.83
B	66.67	57.14	68.09	54.84	50.00	61.47
C	33.33	42.86	29.79	45.16	25.00	36.70
Total in %	100.00	100.00	100.00	100.00	100.00	100.00
Total in No.	6	21	47	31	4	109

The above description suggests that though the quality of SHGs is low, it truly reflecting overall status of SHG movement in the state. But, being aggregate of many parameters, grades do not give insights about actions to be taken for improving the quality of groups. As mentioned in the beginning of this chapter, that grades are aggregate of two sets indicators, viz. governance and systems indicators and financial parameters. Detailed analysis of these indicators gives policy relevant insights. The economic performance of sample groups and their governance and systems issues are discussed in the next two chapters.

3.10 Conclusions

The quality of groups is quite low in the state compare to other states/ studies. Strict random selection of sample could be one of the reasons. Overall environment in the state and popular perceptions about the status of SHG movement in the state appears to be aptly reflected by the grades of the groups. In most other states/ studies, the quality of groups does not follow any definite pattern. However, in this study quality of groups consistently followed many plausible hypotheses. E.g. quality of groups is high among women groups compare to men groups; quality groups would be high if the banking service is closer; if the banks are cooperative; if bus point is closer; bank and NGO promoted group' quality would be high compare to that of government or DRDA; quality decline with the aging of groups; etc. Again strict random selection of overwhelming majority of groups could be one of the important reasons for such consistence correlations validating many plausible hypotheses.

Chapter – 4: Economic performance

Financial transactions are the core business of SHG. In fact SHGs could be considered as mini-banks⁶, accepting deposits from its members, augmenting funds with external borrowing and lending to its members. In Assam, lending to non-members is also quite prevalent. In this chapter the issues related savings, accessing funds from outside, lending members, collection from members, repayment of loans to others and fund management, etc are discussed.

4.1. Savings

Savings is cornerstone for any banking institutions. In SHGs also savings is the beginning of economic activities in the groups. Savings have great potential for strengthening the groups, providing economic security to the members, etc. However, savings remain a mere formality in SHG movement in the country. Groups are collecting only a fixed and compulsory amount at regular periodicity. Invariably, the thrift rate remains low in most of the SHGs and stagnant over the years. In this section the performance of sample SHG in relation to saving is analyzed.

4.1.1. Thrifts rates

All the groups have only compulsory, fixed and equal rate of saving. The sample groups follow three predominant thrift rates of Rs.20, Rs.30 and Rs.50 per month. A few groups have little variant saving rates. The distribution of sample groups as per their thrift rate is given at Table 4.1. Largest set of groups (40) are saving less than Rs.29, probably Rs.20 or Rs.25. In Sonitpur more than 50% of groups are saving less than Rs.29 per month. The same is over one-third in Kokrajhar. In Cachar majority of groups are saving in the range of Rs.30 to Rs.49, the predominant rate being Rs.30. In Sivasagar saving rates are on higher side. In Kokrajhar, two groups save as per convenience of members and three groups do not have any saving (Table – 4.1).

Table – 4.1: District and thrift rate wise distribution of groups in number

Thrift rate per month	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Up to Rs.29	9	9	6	16	40
Rs.30 to 49	15	3	10	7	35
Rs.50 & above	1	7	10	11	29
No fixed saving		2			2
No Saving		3			3
Grand Total	25	24	26	34	109

4.1.2. Changes in saving rate

In the total 109 sample groups, 64 do not have any change since their inception, 13 groups reduced their thrift rates and 27 groups increased their saving rate. Out of 13 groups, which reduced their saving rates 8 are from Kokrajhar, 2 from Sivasagar and 3 from Sonitpur. Among the 27 groups, which have increase in their thrift rate, as many as

⁶ DDM, NABARD, Sonitpur/ Tezpur, Mr. Talukdhar coined this phrase in the interview with the present research team in December 2007.

13 are from Cachar (Table – 4.2). The thrifts rates and changes in the rates vindicate the inter-district variations in grades discussed in the previous chapter.

Table – 4.2: District and change in thrift rate wise distribution of groups in no.

Change in thrift rate	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Saving reduced		8	2	3	13
No change	12	10	18	24	64
Increased	13	1	6	7	27
No fixed saving		2			2
No saving		3			3
Total	25	24	26	34	109

4.1.3. Cumulative saving

Sample 109 groups together saved cumulative amount of little over Rs.20 lakh as on 30th Nov 2008. The average saved amount per group is Rs.18,817. The average saved amount is highest among bank promoted groups – Rs.20,991, followed by NGO promoted groups – Rs.19,899 and least among self/ community promoted groups. Among four sample groups, Sonitpur has highest average saving amount of Rs.25,338 and least amount is in Cachar – Rs.13,565 (Table – 4.3). One of the reasons for low average cumulative saving amount in Cachar is that NGO promoted groups, which have SB account in NGO-MFI, are saving just Rs.20 and a few Rs.30 per month. The SHGs promoted by self/ community in the Cachar are also saving small amounts per month.

Table – 4.3: District and promoter wise average cumulative saving in Rs.

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	21,463		20,520		20,991
DRDA	23,385	15,816	19,990	17,696	18,831
NGO	10,833	15,016	22,100	33,838	19,899
Self/community	9,778	18,157	14,480	21,352	17,725
Total	13,565	16,722	17,472	25,338	18,817

4.1.3. Utilization of saving

Compare to over Rs.20 lakh cumulative saving, the sample groups together have about Rs.10 lakh in their SB accounts and Rs.1.18 lakh cash in hand. Against remaining Rs.9 lakh, the groups have distributed about Rs.4.3 lakh and loan outstanding with non-members is about Rs.2 lakh. This leaves less than Rs.3, which might be lent to their members. The groups together have over Rs.6 lakh as fixed deposits; most probably it is a part of loan amount and from interest income earned by the groups.

4.1.3.1. Bank balance

According to available data, the 102 sample groups have Rs.9.43 lakh in their respective saving accounts. The information is not available from 7 groups. If the average of 102 groups is considered as the average bank balance of seven groups, whose pass books were not available, the total bank balance would be over Rs.10 lakh. The average bank balance is Rs.9,151. It is highest – Rs.13,482 in bank promoted groups and least – Rs.7,606 in DRDA promoted groups. Among districts it is highest Rs.10,873 in Cachar

and least – Rs.6,851 in Kokrajhar. The proportion of average bank balance to average cumulative saving gives very interesting insights. The same is given at Table – 4.4. On average 47% of cumulative saving amount is in the banks. The proportion is highest (64%) in bank promoted groups and least – 40% in DRDA groups. It varies from 80% in Cachar to 31% in Sonitpur. In Cachar, bank promoted groups bank balance is equal to 104% of those groups cumulative saving amount. Perhaps, it might have included interest earned on the bank balance and interest earn on internal funds. Similarly the NGO promoted groups bank balance is equal to 93% of cumulative saving. It appears that in Cachar the NGO-MFI and a particular bank branch have impounded the total savings of their groups. Such practices are not uncommon in the state. If the groups funds in FDs, which is about Rs.6.19, the proportion of idle funds to saving would be even higher.

Table – 4.4: District and promoter-wise average bank balance in Rs.

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	22,254		4,711		13,482
DRDA	13,577	3,721	11,183	1,891	7,606
NGO	10,021	8,272	28,697	7,473	9,510
Self/community	4,228	8,788	9,426	11,017	9,473
Total	10,873	6,851	10,522	8,288	9,151
Average bank balance as % of average cumulative savings					
Bank	104		23		64
DRDA	58	24	56	11	40
NGO	93	44	130	20	45
Self/community	43	44	65	48	51
Total	80	38	60	31	47

4.1.3.2. Cash in hand

About half of the sample groups have cash in hand. Total amount of cash in hand is Rs.1,19,888. About half of it is with self/ community promoted groups and one-third is with DRDA promoted groups. Bank promoted groups have a nominal amount of Rs.360. More than half of the money is with groups of Sonitpur and Cachar groups have very less amount of Rs.3,618 (Table – 4.5). While average cash in hand is little over Rs.2,000, the same is around Rs.2,500 for DRDA and self/ community promoted groups. Compared to other states/ studies, the total cash in hand is on lower side. In only handful of the groups have the most of the reported cash in hand amount. It indicates very less intra-group manipulations.

Table – 4.5: District and promoter-wise cash in hand in Rs.

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank			360		360
DRDA	600	5,752	11,472	19,200	37,024
NGO	2,164	5,467	50	15,588	23,269
Self/community	854	11,737	20,220	26,424	59,235
Total	3,618	22,956	32,102	61,212	119,888

4.1.3.3. Saving distribution

In total 24 groups returned Rs.4,31,086. Out of every rupee returned, 75 paise was in Sonitpur, 18 paise was in Cachar and 7 paise was Sivasagar. In Kokrajhar, there is no returning of the saving. Out of each rupee returned, self/ community promoted groups returned 41 paise, followed by NGO promoted groups (31 paise) and DRDA groups (25 paise) (Table – 4.6).

Table – 4.6: District and promoter-wise returned saving amount in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank			-		-
DRDA	17	-	5	3	25
NGO	1	-	2	32	35
Self/community	-	-	0	41	41
Grand Total	18	-	7	75	100

4.1.3.4. Lending of internal funds

All members in 50 out of total 109 sample groups have taken at least one loan from internal funds. In all 876 out of total 1,288 sample members took loans from internal funds. These are healthy trends compare to other states/ studies. In total 412 members did not availed loans from internal funds. The major reasons for not availing internal loans are (a) impounding of savings by banks and MFIs, (b) no need, (c) kept the funds in the bank to get larger loans, (d) loans are being given in rotation and waiting for the turn, etc. Overwhelming proportion of members in NGO and bank promoted groups did not get internal loans, whereas relatively very high proportion of members of DRDA and self/ community promoted groups have internal loans.

4.2. Accessing external funds

Groups get funds in the form of grants, subsidies, loans and in a mix of subsidies and loans. Normally groups get grants from the promoters; revolving fund (RF) from promoters or government departments and subsidies from government departments. Most common are RF and SGSY subsidy from DRDA. Sometimes groups get subsidies from line-departments and corporation. Groups get loans normally from banks, NGO-MFIs, federations and others. In this section the sample groups' performance in accessing grants, subsidies and loans are discussed.

4.2.1 Grants and subsidies

In all, 70 sample groups got 102 grants and subsidies. Out of these, 65 are RF, 1 is grant from Federation, 25 are SGSY subsidies and 11 are grants from others (Table – 4.7). In total the groups got Rs.26.90 lakh in the form of subsidies and grants. Out of this over two-thirds is in the form of SGSY subsidy and one-fourth is as RF. Other departments and corporations

Table – 4.7: No. and amount of grants and subsidies received by sample groups

scheme	No.	Amount in Rs.
RF	65	627,000
Grant from Fed.	1	50,000
SGSY	25	1,806,013
Other	11	206,600
Total	102	2,689,613

provided over Rs.2 lakh as grants and subsidies.

Out of 70 groups, which accessed grants and subsidies, 27 are from Sonitpur, 24 are from Sivasagar and only 2 are from Cachar (Table – 4.8). Presence of 12 NGO-MFI linked groups in the district sample could be one of the reasons for less number of groups getting grants and subsidies in Cachar. Another plausible reason could be that Cachar being in Barak valley, which is geographically and culturally cut off from the Brahmaputra valley, may be getting relatively less state attention. It may be recalled that the quality of groups in Cachar is far ahead of the groups in other sample districts. It implies that less the subsidies and grants mania, high could be the quality of groups. In promoter wise, 82% (23 out of sample 28 groups) DRDA groups got subsidies and grants, followed by self/community promoted groups (70%), bank groups (50%) and NGO groups (44%).

Table – 4.8: Number of groups, which accessed grants and subsidies in no.

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank			2		2
DRDA	2	6	11	4	23
NGO		4	1	10	15
Self/community		7	10	13	30
Total	2	17	24	27	70

Out of Rs.26.9 lakh grants and subsidy amount obtained by the sample groups, 43% is obtained by self/ community promoted groups, 35% by DRDA groups, 17% by NGO groups and 5% by bank groups (Table – 4.9). It is clear that DRDA groups got relatively very high amount of grants and subsidies. Among the districts, Sonitpur leads with 41% of grants and subsidy amounts, followed by Kokrajhar 29%, Sivasagar 28%. Cachar got a paltry 2% of the grants and subsidies. It is odd that Cachar with relatively high quality groups got very little grants and subsidies. Predominant presence of NGO promoted groups in the sample could be one reason. Other plausible reason could be the State Government's less focus on the region because of its geographical isolation from main land, i.e. the Brahmaputra valley. Another and more critical reason could be that groups in Cachar must be averse to the corrupt practices.⁷ It implies that self/ community and DRDA promoted groups may be close understanding with officials.

Table – 4.9: Distribution of subsidy and grants amount in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	-	-	5	-	5
DRDA	2	14	17	1	35
NGO	-	3	0	14	17
Self/community	-	12	5	26	43
Total	2	29	28	41	100

⁷ In one of the Focus Group Discussions in Palaghat Block, the members were very critical of DRDA. They said sarcastically that DRDA means – Din Raat Dacoits' Agencies (Day and Night Dacoits Agency)

4.2.2. Loans

In all, 80 groups obtained loans either from banks or from NGO-MFIs. Out of these 80, 32 are self/ community promoted groups, 25 are NGO promoted groups, 19 are DRDA promoted groups and 4 are bank promoted groups. Comparing these numbers with number of groups, which obtained grants and subsidy gives interesting insights. While 25 NGO promoted groups got loans, only 15 got grants and subsidy. In contrast 19 and 23 of DRDA groups got loans and grants and subsidies respectively. This support the popular perception that DRDA groups are more focused in grants and subsidies. Perhaps, the self/ community promoted groups too are following same path.

4.2.2.1. Institution and linkage wise distribution

The total sample groups got 121 loans and cumulative loan amount is Rs.58,92,800, with the average loan size of Rs.48,701 (Table – 4.10). This is somewhat under reporting as some of the Deshbandhu Club groups could not give their loan details, because the NGO-MFI is providing individual loans and those were not entered in the SHG books. Out of these, banks provided 113 loans worth of Rs.55,29,300, with the average loan size of Rs.48,932 and NGO-MFIs provided 8 loans worth Rs.3,63,500. The sample SHGs has up to 5th linkage. Given relatively higher average age of group, 5th linkage need not be a surprising finding. In fact very few 4th and 5th linkages are unusual. However, given the average and poor quality of groups, one can not expect more repeat linkages. In the sample over 40% loans are repeat linkages. It is quite high compare to 1% repeat linkages in the state as a whole. One of the possible reasons for the observance very high proportion of repeat linkages in the sample could be that many groups might have treated RF as loan. One of the prevalent practices in Assam is that the RF is given as cash credit by many banks. In this way there is some overlapping between grants and subsidies and loan amount. Some of the groups have reported full SGSY amount as subsidy. In this way also there was some overlapping between loans and grants and subsidy amounts. However, all these overlapping are not so significant in amount and instances.

The average loan amount has increased from Rs.25,335 in the first linkage to Rs.86,083 in the third linkage and declined to Rs.82,500 and Rs.75,000 in the 4th and 5th linkages respectively (Table – 4.10). It is unusual trend. Probably the share of SGSY loans in total loans in each linkage may influence the average size of loan.

Table – 4.10: Institution and linkage wise no. of loans and amount Amt. in Rs.

		1st	2nd	3rd	4th	5th	Total
Bank	Number	64	34	10	4	1	113
	Amount	1,500,300	2,711,000	913,000	330,000	75,000	5,529,300
	Average	23,442	79,735	91,300	82,500	75,000	48,932
NGO ⁸	Number	4	2	2			8
	Amount	222,500	21,000	120,000			363,500
	Average	55,625	10,500	60,000			45,438
Total	Number	68	36	12	4	1	121
	Amount	1,722,800	2,732,000	1,033,000	330,000	75,000	5,892,800
	Average	25,335	75,889	86,083	82,500	75,000	48,701

4.2.2.2. Promoter and district-wise distribution of loan amount

Out of total Rs.58,92,800 loan amount, Sonitpur got 54% followed by Kokrajhar 22%, Sivasagar 18% and Cachar 5% (Table – 4.11). The inter-district variation is alarming and needs urgent corrective measures. It appears odd that Cachar with high quality groups has to content with loan amount, which is equal to one-tenth of Sonitpur. As mentioned earlier, that nearly one-half of sample SHGs in Cachar is NGO-MFI linked. Further, majority of these groups could not report the loan amounts as the NGO-MFI provided individual loans. In any case, even if these loan amounts are included, the overall Cachar share in the total loan amount would remain significantly low compare to other districts. Though complaints about non-cooperation of banks are widespread in the state, it was acute in Sivasagar. The relatively low share of Sivasagar in total loan amount vindicates the criticism against banks. Another plausible reason could be that groups and promoters may have major focus on grants and subsidies and less on bank linkage.

Table – 4.11: Promoter and district-wise distribution of cumulative loan amount in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	4	-	5	-	9
DRDA	2	8	9	2	22
NGO	-	3	0	22	25
Self/community	-	11	4	30	45
Total	5	22	18	54	100

4.3. Loan outstanding and repayment of external loans

Despite alleged non-cooperation of banks, SHGs have been able to access reasonable amounts of loans. This is possible because of SGSY program. The loan repayment pattern from groups to banks is difficult to assess as majority of groups do not have repayment schedules. According to secondary stakeholders, like DDMs, NABARD; Government officials; and a few branch managers the repayment from groups, especially on SGSY to banks is good. But the data made available by Lead Bank Offices in the districts, some Regional Offices of Banks and the State Lead Bank Offices suggest that

⁸ Full details of NGO – MFI loans are not available, as the NGO-MFI lent directly to the members. These transactions did not entered in groups' records.

repayment rates in SGSY are not only low (around one-third) but also declining further in recent years.

Out of 80 SHGs, which accessed external loans from banks and NGOs, 56 have loan outstanding as on November 2007. Another 6 – 7 groups might have loan outstanding, in which NGO lent directly to individual members. Out of these 56, 22 are from Sonitpur, 16 are Kokrajhar and Sivasagar has 10. Promoter wise distribution pattern follows the sample size and loans obtained pattern (Table – 4.12).

Table – 4.12: District and promoter-wise distribution of groups with loan outstanding in no.

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	2		2		4
DRDA		6	5	3	14
NGO	6	5		7	18
Self/community		5	3	12	20
Total	8	16	10	22	56

As on November 2007, these 56 groups loan outstanding amount is Rs.19,56,341, with average amount of Rs.34,935. Out of total loan outstanding of Rs.19,56,341, Sonitpur share is 47%, followed by Kokrajhar 24%, Sivasagar 21% and Cachar 8% (Table – 4.13). It appears that the groups in Sonitpur have repaid/ are repaying quickly/ promptly or prepaying their loans compare to their counterparts in other districts. The principal reason for this trend could be the Sonitpur model (see Box – 1 above). In Sonitpur, groups get direct loan first from the bank and on prompt repayment of the same they would get RF and SGSY. Compare to the shares in cumulative external loan amounts (see Table 4.11 above), it appears that groups promoted by banks and NGOs are little prompt in repayment compare to that of DRDA and self/ community promoted groups. It appears to be a bit inconsistency in NGO promoted groups in Cachar about loan amount and outstanding. This is because of individual lending practice of the concern NGO-MFI.

Table – 4.13: Distribution of loan outstanding amount in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	3	-	4	-	6
DRDA	-	11	11	1	24
NGO	5	4	-	15	24
Self/community	-	9	7	31	46
Grand Total	8	24	21	47	100

4.3.1. SHGs' funds in the bank versus banks' funds in SHGs

As on November 2007, all sample SHGs together have about Rs.10 lakh bank balance in their SB accounts and another Rs.6.19 lakh as fixed deposits. The total SHG funds in banks accounts for 83% of loan outstanding (Table – 4.14). Again the inconsistency in NGO promoted groups in Cachar is due to direct lending practice of concern MFI. Leaving aside this, it is as high as 98% in Sivasagar and as low as 40% in Kokrajhar. Among promoters, it is as high as 85% in self/ community promoted groups and as low

as 51% in bank promoted groups. If the backend subsidy is included the groups' funds in the banks would be more than the bank loan outstanding amount.

Table – 4.14: SHG funds in the bank as % of loan outstanding in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	78		28		51
DRDA		24	100	37	72
NGO	165	52		72	98
Self/community		56	95	88	85
Total	176	40	98	82	83

4.4. Lending to the members

So far only one-third groups provided loans to all their members. About⁹ 20 groups used the loan money for group activity. Nearly half of sample member did not get any external loans. This is not happy situation given the average age of groups of over 4 years and about 40% groups are of over 5 years. The reasons cited for not providing external loans to members are – not yet received external loans, loan amount used for groups activities (20 groups said this reason), members have internal loan outstanding (3 groups), no need of loan on the part of members (14 groups), less loan absorption capacity of members (5 groups) and less loan funds (5 groups). The responses – ‘members are not needed loans’ (14 groups) and ‘members do not have loan absorption capacity’ (5 groups) imply either intra-group politics or lack of investing environment or good scope for on lending to non-members at exorbitant rates of interests. The response of ‘loan amount is inadequate’ (5 groups) has policy relevance.

4.5. Income and expenditures

The sample groups earn a good amount of income of Rs.21,27,906 since their inception, the average being about Rs.20,000. Not in many states/ studies reported this kind of income. Out of total income of Rs.21,27,906, the groups in Sonitpur earned 64%, i.e. Rs.13,61,099, the groups in Cachar earned only 3.4%, i.e. Rs.72,948 and groups in Kokrajhar and Sivasagar earned about 16% each (Table – 4.15). Among the different promoters' groups, the groups promoted by self/ community earned over 50% of total income, the NGO groups earned 27.7% and DRDA groups 18.7% and bank groups 3.6%. This shows that self/ community promoted groups are far more active compare to other groups. Most probably they are from non-poor sections and want earn incomes through on lending to non-members and get benefits like RF and SGSY subsidy.

Table – 4.15: Income of sample groups since their inception in Rs.

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	10,710		64,943		75,653
DRDA	44,383	110,815	164,094	78,863	398,155
NGO	10,888	61,880	37,123	479,141	589,032
Self/community	6,967	168,554	86,450	803,095	1,065,066
Total	72,948	341,249	352,610	1,361,099	2,127,906

⁹ Information about 3 groups is not available.

4.5.1. Interest income

Major source of groups' income is interest earned on internal loans and loans given from external funds. The second most important source of income is profit earned from group activities. These two sources together accounted for over 91% of the total income. Out of total 109 sample groups, 88 groups reported interest income. Except in Cachar, over 80% of groups in each district reported interest income. In Cachar, only 50% of groups reported interest income. This may be because of the savings of NGO-MFI groups were impounded by the NGO-MFI, leaving the groups with no savings to lend. The total interest income earned by the groups is Rs.14,12,432. It accounts for over 66% of total income earned by the groups. This is possible because of prevailing very high rates of interests in the informal market. The groups have been lending their internal funds, at times a part of external funds to their members and non-members at exorbitant rates of around 35% to 37% to members and 70% to 80% to non-members (this point would be discussed further in the next chapter). Among districts Sonitpur leads with Rs.9,15,780 interest income followed by Kokrajhar Rs.2,41,281 and Sivasagar Rs.2,08,747. Cachar groups earned just Rs.46,624 (Table – 4.16). In total NGO promoted groups seems to be relatively ahead of other promoters' groups. The NGO promoter groups are particularly active in Sonitpur.

Table – 4.16: Interest income earned by the sample groups in Rs.

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	8,828		50,035		58,863
DRDA	30,642	67,461	63,699	67,025	228,827
NGO	2,666	47,868	33,789	452,731	537,054
Self/community	4,488	125,952	61,224	396,024	587,688
Total	46,624	241,281	208,747	915,780	1,412,432

4.5.2. Profit from group activities

The second most important source of groups' income is profit from group activity under SGSY program and also group activities taken up using RF and grants from other departments and corporations. Among the sample groups, 27 groups reported profit or loss from the group activities. Out of these 11 each are from Sonitpur and Sivasagar, 4 are from Kokrajhar and 1 is from Cachar. Among different promoter groups', 12 self/community promoted groups, 9 DRDA groups, 4 NGO groups and 2 bank groups reported profit or loss from group activities. It appears that NGO promoted groups are not active in group activities. All the 27 groups together reported Rs.5,35,799 as profit from group activities. Out of this, 79% is earned by self/ community promoted groups, followed by DRDA groups – 14%. NGO and Bank groups earned 4% and 3% respectively. Among sample districts, Sonitpur earned 74% of total reported profit, followed by Sivasagar 15%, Kokrajhar 10% and Cachar 1% (Table – 17).

Table – 4.17: District and promoter-wise total profit from group activities in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	-	-	3	-	3
DRDA	1	3	10	1	14
NGO	-	2	1	1	4
Self/community	-	5	2	72	79
Total	1	10	15	74	100

The total reported income of Rs.5.36 lakh from group activities by 27 groups, with average income of Rs.20,000 appears to be interesting. But it is not evenly distributed among 27 groups. It varies from loss of Rs.2,000 to profit of Rs.2.5 lakh. Out of 27 groups, which reported profit or loss, 1 group reported a loss of Rs.2,000; 10 group had profit of less than Rs.5,000; 5 groups reported a profit between Rs.5,000 and Rs.10,000; seven groups reported a profit between Rs.10,000 and Rs.20,000; three groups reported a profit between Rs.20,000 to Rs.50,000 and one group had a profit over Rs.50,000, in fact Rs.2.5 lakh.

4.5.3. Expenditure

Total expenditure of sample groups since their inception is about Rs.9.7 lakh. Out of this, major expenditure is on group activities, which accounts for over 50% of total expenditure. Another important item of expenditure interest paid on external loans, which account for about a quarter of total expenditure. Other items of expenditure are travel, stationary, etc. Another interesting item of expenditure is bribes paid by the groups to various officials (This point is elaborated in chapter – 7).

4.6. Balance sheet of sample SHGs

None of the sample SHGs has complete balance sheets. A couple of SHGs of NGO (Gramin) promoted groups in Sonitpur have near complete balance sheets. It is surprising to find such condition, when some NGOs like Monier Khal T.E Youth Club in Cachar, have been teaching importance of balancing of funds position in every meeting and some banks are looking for balance of funds, as indicator to assess the quality of groups.

The research team reconstructed balance sheets of all sample groups as on November 2007 with available data in records of each group and orally provided information. Out of 109 sample groups only 27 SHGs have balanced balance sheets (BS). Out of these, 18 are from Cachar district alone and 6 are from Kokrajhar. In Sonitpur only one group has balanced balance sheet (Table – 4.18). In 82 groups, which do not have balanced balance sheet, in 45 groups, the value of assets is less than the value of liabilities and in 37 groups, the value of assets is more than the value of liabilities. Assets deficit groups are more in Sonitpur and Kokrajhar and assets excess groups and deficit groups are exactly equal in Sivasagar and almost equal in Cachar.

Table – 4.18: District-wise no. of balanced and non-balanced sheets in no.

Indicator	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Balanced BS	18	6	2	1	27
Non-balanced BS	7	18	24	33	82
No. of asset deficit groups	3	12	12	18	45
No. of assets excess groups	4	6	12	15	37
Total	25	24	26	34	109

4.6.1. Promoter-wise balance sheets' distribution

Out of 27 balanced balance sheet groups, 13 are NGO promoted groups, 7 are DRDA promoted groups, 5 are self/ community promoted groups. Not only the number of asset deficit groups are more the magnitude of deficit is more compare to asset excess groups. In 2 self/ community promoted groups the deficit of assets is over Rs.50,000. In 6 groups the deficit is over Rs.20,000 (Table – 4.19).

Table – 4.19: Promoter-wise distribution of groups as per the range of variation in BS in no.

Range	Bank	DRDA	NGO	Self/community	Total
Less than - 50,000				2	2
- 50,000 to - 20,000	1	2	3		6
-20,000 to -10,000		1	1	1	3
- 9,999 to 1,000		7	5	9	21
- 999 to - 1		3	3	7	13
Total - asset deficit	1	13	12	19	45
Balanced balance sheet	2	7	13	5	27
1 to 999	1	4	1	8	14
1,000 to 9,999		3	6	10	19
10,000 and above		1	2	1	4
Total - asset excess	1	8	9	19	37
Grand Total	4	28	34	43	109

4.6.2. Aggregate balance sheet

The aggregate of 109 sample groups' balance sheets are given at Table – 4.20. The total value of liabilities is Rs.67,81,767. In the aggregation the value of assets is less than the value of liabilities by Rs.2,88,349 (Table – 4.20). In the total liabilities of Rs.67.82 lakh, 29.7% is the share of members own savings, closely followed by external loan outstanding 28.8%, profits constitute 22.5%, RF is 8.9% and other grants constitute 8.3%. In total assets, 51.4% is loan outstanding on members, bank balance is 14.7%, fixed deposits 9.1%, fixed assets 5.5%, suspense account is 4.3% and loans to non-members 2.9%, saving distribution 6.4% and RF distribution 3.6%.

Table – 4.20: Aggregate balance sheet of sample as on 30th November 2007 in Rs.

Liabilities	Amount	Assets	Amount
External Loans O/S	19,56,341	Loan O/S with members	34,82,474
Members' total savings	20,13,424	Savings in Federations	23,350
Revolving Fund (RF)	6,04,000	NGO/MFI – Savings/Deposit	29,496
Other Grants	5,62,874	RF distributed	2,45,700
Profit or Loss	15,23,830	Fixed Deposits	6,19,000
		Fixed assets	3,76,100
Reserve & other funds		Loan O/S to non-members	1,96,780
Others1	65,000	Savings distributed	4,31,086
Others2	10,200	Cash in hand	1,19,888
Others3	6,853	Bank Balance	9,97,444
Suspense Account		Suspense Account	2,88,349
Total	67,81,767	Total	67,81,767

4.7. Loans to members

In this section, issues like number of groups lending to the members, number of members, availed loans from their groups, number of loans for members, average cumulative loan amount, current loan outstanding, etc would be discussed.

4.7.1. Number of groups provided loans to the members

Out of 109 sample groups, 97 groups lent to their members. In total 89% of groups provided loans to their members either from the own funds or bank funds or other funds like NGOs, MFIs, corporations, etc. Among the four sample districts, Sonitpur leads in this regards with 97% groups, which provided loans to the members. But in Cachar only 76% groups provided loans to the members. Among four SHPAs, 100% of Bank promoted groups provided loans to their members followed by Self/community promoted groups (93%), (Table – 4.21). Major reason for not providing loans to members is the 'age of group'. A few new groups, whose corpus is small and who could not get loan either from bank or other sources; could not provide loans to their members. Another reason is that groups use the group corpus and loan amounts for group level income generating activities.

Table – 4.21: Promoter and district-wise number of groups, which lent to the members in number

Promoter \ District	Cachar	Kokrajhar	Sivasagar	Sonitpur	Grand Total
Bank	2		2		4
DRDA	3	6	10	5	24
NGO	11	5	1	12	29
Self/community	3	10	11	16	40
Grand Total	19	21	24	33	97
Percentage of groups lent to their members in %					

Bank	100		100		100
DRDA	75	75	91	100	86
NGO	69	100	100	100	85
Self/community	100	91	92	94	93
Total	76	88	92	97	89

4.7.2. Number of members availed loans from their groups

Out of total 1,288 sample members, 1,016 members availed loans from their groups. Apart from above mentioned reasons for not providing loans to members, focus on lending to non-members by a few groups could be one reason. Though, on average 79% of members, availed loans from their groups, there are significant variations across the districts and SHPAs. Among four sample districts, as many as 87% members got loans from their groups; but the same in Cachar is 63% only. While, as many as 96% of members of Bank promoted groups got loans; only 74% of members of NGO promoted groups got loans from their groups (Table – 4.22). One of the reasons for relatively less percentage of members of NGO promoted groups in Cachar district is that most of these groups are linked to NGO-MFI. It indicates that MFIs are not so liberal or competent in lending to SHGs vis-à-vis banks.

Table – 4.22: Promoter and district-wise number of members availed loans from their groups in number

Promoter \ District	Cachar	Kokrajhar	Sivasagar	Sonitpur	Grand Total
Bank	21		25		46
DRDA	30	68	97	54	249
NGO	106	54	9	158	327
Self/community	25	90	115	164	394
Grand Total	182	212	246	376	1,016
Percentage of members availed loans from their groups in %					
Bank	91		100		96
DRDA	71	76	86	100	84
NGO	57	81	90	89	74
Self/community	66	72	83	83	79
Total	63	75	86	87	79

4.7.3. Total and average number of loans for members

As mentioned above 97 sample groups provided loans to their 1,016 members. These groups provided 3,253 loans to their members at the average of 2.7 loans per loanee member. There are significant variations across the groups. One DRDA promoted group in Cachar provided over 20 loans to each of its members. At the same time many groups provided just one loan to their members. Cachar leads in terms of average number of loans per member closely followed by Sonitpur and Sivasagar. Bank promoted groups

provided 3.1 loans to their members and Self/community promoted groups provided only 2.3 loans to their members (Table – 4.23).

Table – 4.23: Total and average number of loans for members in number

SHPA \ District	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	62		115		177
DRDA	256	111	248	155	770
NGO	195	133	155	642	1,125
Self/community	57	193	323	608	1,181
Total	570	437	841	1,405	3,253
Average number of loans per loanee member in number					
Bank	3.0		3.1		3.1
DRDA	8.8	1.5	2.5	2.2	2.8
NGO	1.8	2.3	15.5	3.3	3.0
Self/community	2.3	1.6	2.3	2.7	2.3
Total	3.1	1.7	2.9	2.9	2.7

4.7.4. Cumulative loan amount to members

In total the sample groups provided over Rs.9 million worth loans to their members. There are significant variations among 4 sample districts. The groups of Sonitpur alone provided over Rs.5.15 million worth loans to their members. Kokrajhar and Cachar groups provided just over Rs.1.1 million and Rs.1.2 million worth loans. Among the four types of SHPAs, the NGO promoted highest amount – over Rs.3.88 million worth loans followed by Self/ community promoted groups – over Rs.3.26 loans. The average cumulative loan amount per sample loanee member is Rs.7.370. It is highest - Rs.10,560 in Sonitpur and least - Rs.4,374 in Kokrajhar. The NGO promoted groups provided highest average loan amount of Rs.10,446 and DRDA groups provided least average loan amounts – Rs.4,981 (Table – 2.24).

Table – 4.24: District and SHPA-wise cumulative loan amount for members in Rs.

SHPA \ District	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	207,500		256,100		463,600
DRDA	459,900	214,650	542,950	207,200	1,424,700
NGO	412,500	313,650	246,800	2,912,780	3,885,730
Self/community	47,100	587,055	593,500	2,033,377	3,261,032
Total	1,127,000	1,115,355	1,639,350	5,153,357	9,035,062
Average loan amount per loanee members					
Bank	9,881		6,922		7,993
DRDA	15,859	2,824	4,848	3,003	4,981
NGO	3,892	5,228	24,680	14,861	10,446
Self/community	1,884	4,933	4,150	9,118	6,394
Total	6,227	4,374	5,428	10,560	7,370

4.7.5. Current loans and purpose

Currently 849 members, of 92 sample groups, have loan outstanding. Out of these 92 groups, 30 are from Sonitpur, 24 are from Sivsagar and 19 each from Cachar and Kokrajhar. SHPA wise, 36 are self/ community promoted groups, 29 are NGO groups, 23 are DRDA groups and 4 are bank promoted groups. The total loan outstanding is over Rs.2.68 million. The total amount of current loan was over Rs.3.72 million. Out of this amount 42% was taken for business purpose, 24% was taken without stating any purpose and another 15% was taken for animal husbandry. Unlike in many other states, dairy is not predominant activity under animal husbandry. Piggery and small ruminants are predominant activities. Agriculture accounts for 6% (Table – 4.25).

Current loans include loans, old loans, which were given as early as 2003. In many groups members repay only interest regularly and repay principle in bullet payments. Out of Rs.3.73 current loans, 28% was repaid. Purpose wise highest rate of repayment could be seen housing (40%), followed by animal husbandry (33%), no purpose (31%) and business (29%). Least repayment rate was observed in wedding (8%), health (11) and others (11%). These repayment rates are just illustrative calculations as these were not based on actual repayment schedule. Correct repayment analysis is discussed below under 'Portfolio at Risk' (PAR).

Table – 4.25: Purpose wise number and amount of current loans and loan outstanding in number and Rs.

Loan Purpose	Number of loans		Current loan amount		Loan outstanding	% of loan repaid
	Number	%	Amount	%		
Business	259	31	1,554,754	42	1,105,419	29
No purpose mentioned	217	26	901,550	24	621,831	31
Animal Husbandry	126	15	567,350	15	379,678	33
Agriculture	56	7	228,750	6	184,182	19
Consumption	44	5	160,800	4	127,313	21
Health	60	7	114,850	3	101,780	11
Weaving	49	6	64,700	2	51,600	20
Land purchase	4	0	31,000	1	26,000	16
Education	18	2	26,500	1	22,100	17
Others	6	1	26,500	1	23,600	11
Poultry	5	1	22,250	1	19,250	13
Wedding	3	0	14,500	0	13,300	8
House construction	1	0	10,000	0	6,000	40
Fishing	1	0	2,000	0	2,000	-
Total	849	100	3,725,504	100	2,684,053	28

4.7.6. Portfolio at Risk (PAR)

Out of 92 groups, which have current loan outstanding, the 'portfolio at risk' (PAR) could be calculated for only 40 groups. The major reason for not calculating the PAR for remaining groups is that those groups have flexible repayment schedule. In these 40 groups, whose PAR was calculated, some groups have flexible repayment schedule for some loans (say internal loans) and fixed repayment schedule for some loans (say bank

loans). For the same kind of loans, some groups have flexible repayment schedule for some members and fixed repayment schedule for other members. After deducting the flexible repayment loans and members the PAR was calculated. Out 40 groups, whose PAR was calculated, 12 are from Cachar, 10 is from Sonitpur and 9 each from Kokrajhar and Sivasagar. PAR calculated groups as percentage of sample SHGs with current loan outstanding is 43%. It is highest in Cachar (63%) and least (33%) in Sonitpur. The same is highest (55%) in NGO promoted groups and least (33%) in self/ community promoted groups. The variations are quite wide in Sivasagar, where while all NGO promoted groups' PAR could be calculated but only 18% of self/ community groups' PAR could be calculated (Table – 4.26).

Table – 4.26: District and SHPA wise number of groups, whose PAR could be calculated in number

SHPA \ District	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	1		1		2
DRDA	1	4	5		10
NGO	8	2	1	5	16
Self/community	2	3	2	5	12
Grand Total	12	9	9	10	40
% of Sample SHGs with loan outstanding, whose PAR is calculated					
Bank	50		50		50
DRDA	33	67	50	-	43
NGO	73	40	100	42	55
Self/community	67	38	18	36	33
Total	63	47	38	33	43

Out the 40 PAR calculated groups, 13 groups have zero PAR, 3 groups have PAR in the range of 0.01% to 25%, 6 groups have 25.01% to 50% PAR, 11 groups have 75.01% to 99.99% PAR and 4 groups have 100% PAR (Table – 4.27). In normal situation this is an alarming scenario. Some scholars believe that PAR may not be most appropriate tool for SHG loan analysis (See e.g. APMAS and CmF, 2006). Even after discounting the appropriateness, it is not a healthy scenario. PAR range and District and SHPA wise distribution of groups are given at Table – 4.27 and Table – 4.28.

Table – 4.27: PAR range and SHPA wise distribution of groups in number

Range of PAR > 90 days in %	Bank	DRDA	NGO	Self/ community	Total
0		3	7	3	13
0.1 to 25	1	1		1	3
25.1 to 50		1	3	2	6
50.1 to 75		3	4	4	11
75.01 to 99.99	1	1	1		3
100		1	1	2	4
Total	2	10	16	12	40

Table – 4.28: PAR range and district wise distribution of groups in number

Range of PAR > 90 days in %	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
0	5	5	3		13
0.1 to 25	1		1	1	3
25.1 to 50	2	1	1	2	6
50.1 to 75	2	3	1	5	11
75.01 to 99.99	1		2		3
100	1		1	2	4
Total	12	9	9	10	40

To sum up, despite severe non-cooperation of banks, the groups were able to provide loans in reasonable number and size thanks to SGSY and other governmental programs and own corpus, which was multiplied through higher rate of interest. About 42% was invested in business and only 6% was invested in agriculture, which has good potential. It may be due to higher rate of interest. One of the reasons for prolonged and flexible repayment schedule adopted by many groups may be the low demand for loans from the members. Low demand may be the result of high rate of interest charged by the groups. To increase the demand for loans and boost the investment in agriculture and asset creation, the groups may reduce the interest rate they charge. PAR analysis points out the need for a thorough capacity building and orientation program for the groups and members.

4.8. Loans to non-members

One of the not so healthy practice SHGs in Assam is lending to non-members.¹⁰ Groups from almost all states are practicing this unhealthy practice in different degrees. But groups in many states do not admit the practice. However, 23 out of 109 sample groups not only admitted about lending to non-members, they gave details of those lending. Perhaps some other groups may be lending to non-members under the cover. Out 23 Sample SHGs, which lent to non-members, 9 each are from Kokrajhar and Sonitpur. 3 are from Sivasagar and 2 are from Cachar. On average 21% of sample groups lent to non-members. There were wide inter-district variations. As many as 38% groups in Kokrajhar reported lending to non-members, followed by Sonitpur (26%). In SHPA, 25% of DRDA groups lent to non-members followed 23% of SHGs of self/ community promoted groups. None of 4 sample bank promoted groups lent to non-members (Table – 4.29).

Table – 4.29: Districts and SHPA wise distribution of groups, which lent to non-members in number

SHPA \ District	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
DRDA	1	5		1	7
NGO		3		3	6
Self/community	1	1	3	5	10

¹⁰ Many consider lending to non-members as bad practice. E.g. Myrada' groups do not allow their members to use loan amount for (a) on lending and (b) liquor business. Presentation made at Kollegal project on 27th August 2009 for visiting team, which also including the present author.

Grand Total	2	9	3	9	23
Districts and SHPA wise % of groups, which lent to non-members					
Bank	0		0		0
DRDA	25	63	-	20	25
NGO	-	60	-	25	18
Self/community	33	9	25	29	23
Total	8	38	12	26	21

4.8.1. Number of loanee non-members

The sample 23 groups have lent to 89 non-members. In this Sonitpur groups lent about half of the non-members (44) closely followed by Kokrajhar (36). Similarly self/ community promoted groups lent about total non-member loanees followed by DRDA groups (29) and NGO groups (17). The distribution of loanees is more skewed than the of groups (Table – 4.30).

Table – 4.30: SHPA and district wise number of non-member loanees in number

SHPA \ District	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
DRDA	1	25		3	29
NGO		6		11	17
Self/community	1	5	7	30	43
Grand Total	2	36	7	44	89

4.8.2. Number of loans for non-members

Lending to non-members is not a one time business. Some groups lent second time also to a few members. In total the sample 23 groups provided 105 loans to 89 non-members. Sonitpur groups lent over 50% of those loans and self/ community promoted groups lent about 50% of loans to non-members (Table – 4.31).

Table – 4.31: SHPA and district wise number of loans to no members in number

SHPA \ District	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
DRDA	2	27		3	32
NGO		6		15	21
Self/ community	2	5	10	35	52
Total	4	38	10	53	105

4.8.3. Loan amount to non-members

In total the 23 sample groups lent Rs.406,550 to non-members. Sonitpur and Kokrajhar groups lent about one-half and over one-third of the total amount respectively. Similarly self/ community promoted groups and DRDA promoted groups lent about 50% and 40% of total amount (Table – 4.32).

Table – 4.32: SHPA and district wise loan amount for non-members in Rs.

SHPA \ District	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
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DRDA	45,000	105,950		5,000	155,950
NGO		19,900		29,600	49,500
Self/community	1,000	9,500	26,000	164,600	201,100
Total	46,000	135,350	26,000	199,200	406,550

Out of total Rs.406,550 lent to non-members, Rs.219,950 was from bank funds, Rs.174,600 was from own funds and Rs.12,000 was from other funds, including mix of both bank and own funds.

To sum up that though 21% of sample groups lent to non-members. The number of loans and amount for non-members appeared to be not so significant. The total lent amount to non-members is less than 5% of cumulative loan amount provided to members. Further, it appears to be a local phenomenon occurring in certain districts like Sonitpur and Kokrajar districts.

4.9. Conclusions

Unlike other states, the groups in Assam are flushed with funds. The groups have retained over three-fourths of total saving of about Rs.20 lakh with them and earned about Rs.15 lakh as interest income. The groups accessed about Rs.26.9 lakh as grants and subsidies and over Rs.58 external loans. However banks appear to be sucking funds from groups. Banks retained over 80% of loan outstanding amounts in saving accounts and as fixed deposits. If the backend subsidy is added, banks might have more SHG funds with them than the loan outstanding amount. Given the poor quality of groups, banks can not act differently.

There are wide and unacceptable inter-district variations. Cachar district, perhaps the Barak valley as a whole, is overlooked especially in terms of grants and subsidies, (which turned to be blessing in disgust in terms of groups' quality). Members' reluctance to involve in corrupt practices could another reason in the district. The groups' bank linkage needs to be addressed urgently. Though the quality of groups in Cachar is relatively high, they are not getting bank linkage at desirable scale. MFI linkages appear to be not benefiting groups, as one would expect. The MFI linked groups are getting less grants and subsidies. The groups' savings are being impounded. As the loan transactions takes place directly between MFI and members, the role of groups is being undermined and the utility of groups' remained untapped. Widespread corrupt practices are in vogue, though directly reported cases and amounts are less. The self/ community promoted groups appear to be in the forefront of various corrupt practices, followed by DRDA groups. The groups are getting very high (usury) rate of interest from members and especially from non-members implying that groups may be exploiting, at least a part of, hardcore poor in the state. As the whole SHG movement is directed towards SGSY, these kinds of corrupt and manipulations are expected. To save groups from these corrupt practices and to strengthen SHG institution, which can have multiple and lasting benefits, the SGSY program has to be separated totally from normal SHG bank linkage program.

Chapter – 5: Governance and systems

Governance and systems issues include members' awareness levels, decision making processes, meetings, collection of savings and loan installments, process of providing loans to members, book keeping, rotation of leaders, members involvement in group activities, etc. In this chapter these issues are discussed.

5.1. Members' awareness

In the interactions, it was observed that the members have good common sense and innate knowledge. The composition of members in terms of literacy levels also indicates this observation. However, it was strongly felt that members got limited awareness about the SHGs in general and different systems. It was noticed that in some groups, members have entered saving collection in a register as per month and member for 3 to 4 years. But they never totaled it either member-wise or month-wise. As a result they could not tell the cumulative saving amount of the group or a particular member. Given the members' reasonable levels of basic knowledge, the groups would have totaled the savings every month and also member-wise, had they been told to do so. The interaction with the secondary stakeholders also indicates that very little awareness inputs were provided to the groups. The district level officials said that each SHG/ group of SHGs would be given one day orientation, three days training in systems like book keeping, and one month training on economic activity. However, the field level staff said that the field workers inform the women informally about the benefits of SHGs and if they are interested they can form into groups and all such formed groups could assemble on a particular day for training. The Block level officials attend such meeting and provided the training for all the assembled women about SHG systems. Then the groups start their functioning. Such inadequate training/ awareness inputs, naturally, leads to lack of clarity about the vision and business plan on the part of groups and inappropriate and inadequate systems in the groups' function.

5.1.1. Groups awareness about the purpose of the groups

Major purpose of SHG, according to 69% of groups, is 'to save' (Table – 5.1). As only 18% groups said that their purpose is to provide loans, the purpose of saving could be other than lending for 51% of groups. Most probably the purpose of saving for these groups could be to fulfill the process or use it as bait to get bank loans and grants and subsidy. Second most popular purpose is to improve livelihoods as per 62% of sample SHGs. Only 26% of groups said that accessing bank loan is their purpose. All this clearly show that groups' major focus is not on financial inclusion, but on livelihoods and other issues. No doubt that the livelihood promotion is very important issue, but without strengthening the SHGs as institutions, with clear vision and strong internal systems, using them to address higher order issue like livelihood promotion could be counter productive.

Table – 5.1: Promoter-wise groups awareness about the purpose of SHGs in %

Indicator	Bank	DRDA	NGO	Self/community	Total
To unite women	50	36	41	42	40
To improve livelihoods	25	50	59	77	62
To provide loans	25	36	24	2	18
To get bank loans	25	25	29	23	26
To save	25	57	88	65	69
To get matching grant	-	4	-	-	1
To get subsidy	-	4	-	2	2
To market members' products	25	14	9	7	10
To promote members' mE	-	14	3	7	7
To start group mE	25	-	6	2	4
To get government programs	25	14	6	5	8
To do something new	-	-	3	2	2
Total	100	100	100	100	100

5.1.2. Awareness about grading

Out of 109 sample groups, 62% groups heard of grading. This percentage is highest in Sivasagar - 69%, closely followed by Sonitpur – 68% and least (50%) in Cachar (Table – 5.2). Less predominance of grants and subsidy culture in sample SHGs in Cachar could be one of the reasons for less awareness about grading in that district.

Table – 5.2: District-wise awareness about grading in %

Heard about grading	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
No	50	42	31	32	38
Yes	50	58	69	68	62
Total	100	100	100	100	100

5.1.2.1. Benefits of grading

Out of 67, groups, which have some idea about grading, 46 said that bank loans would be obtained through grading. Grading contributes to improvement of the group quality according to 10 groups; it enhances the members' awareness levels as per 6 groups and it enables the groups to access grants and subsidies.

In all 58 (a little over 50%) know that their groups were graded. Out of these 21 are from Sonitpur, 16 are from Sivasagar, 15 are from Kokrajhar and 6 are from Cachar. In Cachar and Kokrajhar majority of grading is done by the banks and in Sivasagar by the promoters. In Sonitpur both banks and promoters graded almost equal number of groups. Though 80 groups got bank loan or external assistance, only 58 groups knew that their groups were graded. Even worse is that 38 of these 58 graded groups, do not know what grade they got. In remaining 20 graded groups, 17 said that they got 'A' grade and 3 said that they got 'B' grade.

5.2. Book keeping

Proper book keeping is paramount important for effectiveness and sustainability of the groups. It is the single most important indicator for the quality of the groups. In this

section nature of books, number and type of books maintained, status of updating, completeness of the content are analyzed.

5.2.1. Nature of books maintained

Out of 109 sample SHGs, only 54% have standard printed or prescribed books; 3% have all in one note book and 44% have different note books for different purposes. In Cachar 72% sample groups have standard books, the same is only 42% in Sivasagar. In Sonitpur 47% groups have prescribed books (Table – 5.3).

Table – 5.3: District-wise distribution of groups as per nature of books in %

Nature of books maintained	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
All in one note book	-	4	8	-	3
Different note books for different purpose	28	39	50	53	44
Standard set of books/ printed books	72	57	42	47	54
Total	100	100	100	100	100

5.2.2. Number and type of records maintained

The sample groups have been maintaining 9 types of books/ records. However, every group is not maintaining all 9 types of records. Only minutes' book is being maintained by all sample groups (Table – 5.4). Saving ledger is the second most important document maintained by 92% groups, followed by loan ledger 89% groups, cash transaction by 70% groups and member pass book by 61%. Relatively fewer groups are maintaining general ledger (10%); receipts and payments (8%); profit and loss account (4%) and balance sheet (3%). In overall terms the number of records maintained by the sample groups is impressive compare to other states/ studies. As all groups are maintaining minutes book and given importance of member pass book in member awareness, the status of these two books is analyzed further.

Table – 5.4: Proportion of groups maintaining each type of book/ record

Type of book	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Minutes book	100	100	100	100	100
Saving ledger	96	96	92	85	92
Loan ledger	68	96	96	94	89
Cash transactions	36	75	92	74	70
Member pass book	80	42	35	79	61
General ledger	20	21	4	-	10
Receipts and payment	8	8	8	9	8
Profit and loss account	-	-	-	12	4
Balance sheet	-	-	-	9	3
Total	100	100	100	100	100

5.2.3. Minutes-book

On average the updating of minutes-book is pending by 3.8 months among all sample groups. Among the districts, Kokrajhar has highest pending of 6.6 months and Cachar has least pending of 0.9 months. Among different promoters, the minutes-book of self/community promoted groups are pending for 4.8 months followed by DRDA groups – 4.5 months. In Kokrajhar, the self/ community promoted groups' minutes-book are pending for 9.2 months (Table – 5.5).

Table – 5.5: District and promoter-wise groups' pending of minutes book in months

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	-		2.0		0.7
DRDA	3.0	5.1	4.4	5.0	4.5
NGO	0.5	3.3	-	4.6	2.2
Self/community	-	9.2	3.5	3.4	4.8
Total	0.9	6.6	3.7	4.0	3.8

In 53% of total sample groups, the minutes-book is up to date; in 20% groups its updating is pending for more than 6 months and remaining groups, the minutes-book's updating has been pending for between 1 and 5 months. In Cachar 74% groups have updated minutes-book but in Kokrajhar only 25% have completely updated minutes-book. In Kokrajhar as many as 35% groups' minutes-book was not updated for more than 6 months (Table – 5.6). Sivasagar also has poor record in this regard.

Table – 5.6: Distribution of groups as per no. of months of pending of minutes book in %

No. of months pending	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
0	74	25	43	67	53
1	11	5	4	4	6
2	5	5	13	-	6
3	5	15	9	4	8
4	-	5	-	7	3
5	-	10	9	-	4
6 & above	5	35	22	19	20
Total	100	100	100	100	100

In any book keeping, the records should be not only updated time wise but also they should be completed with all necessary information. Many times the information entered in the records is incomplete. The research team looked into the records, whether all necessary information was entered in them are not. In 73% groups the minutes-book was complete with all the necessary information. Among four sample districts, 96% of Cachar groups' minutes-books have completed information wise; the same is only 54% in Sivasagar and 58% in Kokrajhar. Among 4 promoters only 46% of DRDA groups have completed minutes-books against 88% NGO groups (Table – 5.7). Though number-wise only 27% groups have incomplete minutes-books, it is a serious matter; the promoters should address the issue on priority.

Table – 5.7: District and promoter-wise % of groups with completed minutes books in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	100		50		75
DRDA	75	25	45	60	46
NGO	100	40	100	90	88
Self/community	100	91	58	81	79
Total	96	58	54	81	73

The status of saving ledger, loan ledger, cash transactions are almost similar to that of minutes-book. All these books are with the groups. Analysis of the status of all these books may not add value to this study. However, the member pass book would be with the members, and it enables the members to know about their financial transactions with the group. Presence of member pass book, completeness of its content and complete updating of it are separate and very important indicators for the assessing the quality of the groups. The status of member pass book in the sample groups is analyzed below.

5.2.4. Member pass book

In total 61% of groups have member pass book (Table – 5.8). On the whole it is a reasonable ratio. But inter-district and inter-promoter variations needs special attention. In Sivasagar, only 35% sample groups have member pass books, whereas in Cachar as high as 80% groups have member passbook. In Kokrajhar also only 42% groups have member pass books. Among different promoters 49% of self/ community promoted groups, 50% of bank promoted groups and 57% of DRDA groups have pass books. These promoters need to introduce member pass books in a focused manner. The inter-district variations are more glaring than inter-promoter variations. One of the reasons for not having member pass books in district like Sivasagar could be over emphasis on group activity. However, as members are saving regularly and getting loans also on regular basis at least from internal funds, member pass book, keeps the members informed about their transactions with the groups.

Table – 5.8: District and promoter-wise % of groups having member pass book in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	100		-		50
DRDA	25	63	45	100	57
NGO	100	20	100	75	79
Self/community	33	36	25	76	49
Total	80	42	35	79	61

In all groups, which have member pass books, the average pending period is 2.9 months. It is as high as 5.9 months in Kokrajhar, 5.2 months in self/ community promoted groups and 11 months in NGO promoted groups in Kokrajhar district (Table – 5.9).

Table – 5.9: Average pending of members’ pass books in months

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	-				-
DRDA	6.0	2.8	2.8	2.0	2.8
NGO	0.3	11.0	-	1.9	1.3
Self/community	-	8.5	-	5.0	5.2
Grand Total	0.6	5.9	1.8	3.5	2.9

Out of all the groups, which have member pass books, 64% have updated their books up to November 2007, the record date for the study. The inter-district variations are very high ranging from 40% in Kokrajhar to 81% in Cachar. In all 22% groups have pending of over 6 months, which again varies from 6% in Cachar to 30% in Kokrajhar and Sonitpur. In the remaining groups 7% have pending of just one month. If these are also considered as updated the overall updated groups are very impressive at about three-fourths in all sample and over four-fifths in Cachar and Sivasagar. Whichever groups have member pass books, they are updating regularly, except in Kokrajhar.

Table – 5.10: Distribution of groups as per no. of months of pending of minutes book in %

No. of months pending	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
0	81	40	50	65	64
1	6	10	33	-	7
2	-	-	-	4	2
3	6	-	-	-	2
4	-	10	-	-	2
5	-	10	-	-	2
6 & above	6	30	17	30	22
Total	100	100	100	100	100

Out total 66 sample groups, which have member pass book, 83% have complete information for which ever months they have updated. As mentioned above, it is a serious matter to have incomplete books albeit small percentage of groups. In Sivasagar, only 60% groups have complete information in their members’ pass book (Table – 5.11). Further in majority of groups, information about loans was not written in the members pass books. It is also needs to be corrected.

Table – 5.11: District and promoter-wise % of groups with completed member pass books in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	100				100
DRDA	-	80	60	80	69
NGO	100	-	100	89	93
Self/community	100	100	67	75	80
Total	94	80	67	81	83

5.2.5. Who write books?

In 53 sample groups, the promoters/ facilitators write books. In almost equal number of groups, the members (mostly leaders) themselves write books. In the state, the practice of deliberately including educated members, who can write books and manage group functions lead to the members to take charge of their groups. It appears that subsidies and grants also contributed towards the development of ownership stakes in the groups on the part of members. One positive benefit of this practice is that groups are able to write their books on their own. The block has facility to update the books in the office. The groups can take their books to the block office and get updated. In the sample a few groups are availing this facility.

5.2.6. Where the books are kept?

In 96% of sample groups, books are kept with the leaders; in one group in Sivasagar, the books are with a member. In total, only 3% of groups the books are kept with promoters/ facilitators (Table – 5.12). In contrast in majority of groups, books are kept with promoters/ facilitators in other states like Rajasthan and even in matured states like Andhra Pradesh (APMAS, 2005). E.g. in Rajasthan 28% of groups’ records are kept with promoters/ facilitators (APMAS and CmF, 2006). This indicates higher level ownership stakes of the members/ leaders on their groups in Assam. Another possible reason for very few facilitators keeping the books with them, in Assam, is their limited capacities to handle the books of large number of groups at a time. One disturbing practice noticed in the field is that books are being updated for 3 to 4 months at a time. Prewriting of books about future transactions is prevalent in some places.

Table – 5.12: Distribution of groups as per places where books are kept in %

Books are kept with:	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Facilitator	8	-	-	3	3
Leader	92	100	96	97	96
Member	-	-	4	-	1
Total	100	100	100	100	100

5.3. Lending norms and practices

As discussed in the previous chapter about two-third members got loans from internal funds and more than half of members got loans from external funds. Having more number of internal loans is a healthy practice in one sense. The practice of group activity might also have contributed for this situation. However, if it is the result of non-availability of external loans, it should be a cause for concern. In addition to members, about 100 non-members were provided loans by the sample groups. In this section group norms and practices in terms of criteria used to decide about loan sanctioning, loan amount, repayment period, terms of repayment, interest rate charged, collateral, etc are discussed.

5.3.1. Criteria for deciding about loans

In total 74 sample groups report that their main criterion for sanction of loans, from internal funds and decides the loan size, is ‘purpose or needs of member’. In case of external funds also most of the sample groups (49 groups) consider ‘purpose of loan or needs of member’ to sanction loan and decide about loan amount. This is truly a ‘need

based lending', which is highly desirable according to the experts in the sector. Equal distribution, especially external loans, which was widely prevalent in other states, is not so prevalent in Assam. Only 3 sample groups give loans from internal funds on equal basis and only 21 present sample groups adhere to 'equal basis' while lending external funds.

Perhaps higher rates of interest charged on internal and external loans might have contributed to this trend. Other criteria employed in sanctioning loans are repaying capacity, savings of members, loan absorption capacity, previous loan outstanding, etc (Table – 5.13).

5.3.2. Rate of interest

Out of total sample of 109 SHGs, 96 responded to the question of interest charged to members on internal loans and 62 groups responded to question of interest charges on loans from external funds. The rate of interest charged varies from 12% to 60% in case of internal loans and from 8.5% to 60% in case of external loans.

Table – 5.13: No. of groups employing different criteria in sanctioning loans in no.

Criteria	Internal funds	External funds
Equal distribution	3	21
Loan absorption capacity	22	7
Based on saving	14	14
Repaying capacity	31	13
Purpose/ need	74	49
Additional funds to leaders	2	1
Members' loan outstanding	11	2
Group activity		4
Others		5
Total	109	109

Table – 5.14: Weighted interest rate charged

Interest charged per annum	Internal funds	External funds
Interest to members	37%	35%
No of groups involved	96	62
Non-members	73%	80%
No. of groups involved	29	16

The interest charged to non-members varies from 24% to 120% from internal funds and from 24% to 180% for external funds based loans. The weighted average charged by groups turn out to be 37% and 35% on internal and external loans

respectively to the members and 73% and 80% on internal and external funds' based loans respectively for non-members (Table – 5.14). Clearly the interest rates are on higher side, perhaps, reflecting the wide gap between supply and demand for credit in the state.

5.3.3. Repayment period

Out of 97, who responded to the repayment period for internal loans, 71 do not have any fixed time period to return the loan amount. Similarly in case of loans from external funds, 48 out of 70 responded groups do not have any fixed repayment schedule (Table – 5.15). In the remaining groups the internal loans have to be repaid within 6 months in case of 18 groups and in 8 groups the period is over 6 months. In case of external loans, the repayment period is over 6 months in case of 17 groups and in 5 groups, the period is less than 6 months.

Table – 5.15: Loan repayment period in no. of groups

Repayment period	Internal funds	External funds
Less than 6 months	18	5
More than six months	8	17
No fixed time period	71	48
Total	97	70

those transactions, collecting of interest regularly and principal at the convenience of the borrower was quite prevalent. The SHGs also apparently adopted this practice without considering the potential risks involved in it.

5.3.4. Installments frequency

As the majority of groups are following ‘no fixed repayment schedule’, analysis of issues like frequency of installments and mode of repayment, etc have little relevance. However, such analysis is carried, as it expected to reveal at least the collection pattern of interest and mode of collection of interest.

In total 96 and 67 groups responded to the question of installment frequency in internal and external loans respectively. Monthly installments is most common practice in the sample groups, which being adhered by 64 groups for internal loans and 52 groups follow for external loans (Table – 5.16). No fixed frequency is prevalent in 24 and 10 for internal and external loans respectively. Quarterly, annual and half yearly frequencies are in practice albeit in small number of groups.

Table – 5.16: Frequency of installments in no.

Frequency	Internal	External
Monthly	64	52
Quarterly	6	2
Half yearly		1
Yearly	2	2
No fixed period	24	10
Total	96	67

5.3.5. Mode of repayment

Table – 5.17: Mode of repayment in no.

Mode of repayment	Internal funds	External funds
Both P & I regularly	34	35
I regular & P at the end	52	21
P regular & I at the end	1	2
P & I at the end	3	2
Fixed installments	1	
No fixed amount	6	9
Total	97	69

P – Principal; I - Interest

followed by 6 groups. In case of external loans, majority of groups (35) follow ‘both P

Flexible repayment schedule adhered by overwhelming majority of sample groups, is not a healthy practice according to the experts. The state has long, large and versatile legacy of informal financial markets. In these markets, as mentioned in the second chapter, lending of groups to outside has been quite prevalent. In most of

In total 97 and 69 sample groups responded for the mode of repayment question for internal and external loans respectively. In case of internal loans, the option ‘I regular and P at the end’ is popular mode adopted by the 52 groups. The second most popular mode is ‘both P and I regular practiced by 34 groups and the third most popular option is ‘no fixed amount’

and I regular' mode, followed by 'I regular and P at the end' mode practiced by 21 groups and here also 'no fixed amount is adhered by 9 groups.

5.3.6. Surety

Regarding internal loans, out of 95 sample SHGs, which respond to this question, 47 groups do not have any surety; 44 have promissory note as surety, 2 groups have fixed assets as surety and 2 SHGs have other kind of sureties like livestock, crop, etc as sureties (Table – 5.18). Regarding external loans, out 63 responded groups, 26 do not have any surety, 28 have promissory note, 4 have fixed assets and 5 have others as sureties. Regarding surety from non-members, 28 sample groups have responded. Out of these 15 SHGs have promissory note as surety, 3 have fixed assets and 5 have other kind of sureties. Five SHGs do not have any surety.

Table – 5.18: Different surety methods by no. of groups

Nature of surety	Members		Non-members
	Internal	External	
No surety	47	26	5
Promissory note	44	28	15
Fixed assets	2	4	3
Others	2	5	5
Total	95	63	28

5.3.7. Delays and defaults

According to the groups, currently there are 1,360 loanees (including non-members). Out of these 828 borrowed from internal funds, 465 from bank funds and 67 from other (NGO – MFI) funds. Out of these 1,046 are regular, 302 are delaying due to genuine reasons and 12 are willful defaulters (Table – 5.19). Delays are on higher side compare to standard financial management norm. Given the flexible repayments schedules and high rate of interests, these could be expected. Major reasons for delays are health problems in the family; non-availability of work; natural calamities; migration; etc. Misuse of funds is cause for defaults in 5 groups (4 in Kokrajhar and 1 in Sonitpur).

Table – 5.19: % of loanees delaying/ defaults

Source	Regular	Delays	Defaults	Total
Internal loans	590	226	12	828
Bank loans	399	66		465
Other loans	57	10		67
All sources	1,046	302	12	1,360

5.3.8. Action against defaulters

Repeat visits to defaulter/ delayed borrowers' houses, is the strategy adopted by 17 groups. Penalties are imposed by 8 groups, two groups confiscated household articles of defaulters, one groups confiscated agriculture product of defaulter. Most of these actions are in Sonitpur district (19 groups); followed by Sivasagar (11 groups) and Cachar (6 groups). No group in Kokrajhar took action against delays and defaulters.

5.4. Group functioning

In this section the issues like meetings, members' involvement in group activities, group norms and practices and changes in the leadership are analyzed.

5.4.1. Frequency of meetings

In total, 73% groups are following monthly meeting, 14% are meeting weekly and 12% are meeting fortnightly. Among the districts, as high as 84% groups meet monthly in Sonitpur and as low as 59% groups in Cachar have monthly meetings. It is interesting to see that in Kokrajhar, the least quality groups' district, 32% groups meet weekly and in Cachar, the highest quality groups' sample districts, 23% groups meet weekly (Table – 5.20).

Table – 5.20: Distribution of groups as per frequency of meetings in %

Frequency	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Weekly	23	32	-	6	14
Fortnightly	18	-	23	9	12
Monthly	59	68	77	84	73
Grand Total	100	100	100	100	100

Among four promoters, as high as 76% and as low as 50% of self/ community and bank promoted groups respectively have monthly meetings. Weekly meetings are prevalent in DRDA (25%) and self/ community (18%) promoted groups and fortnightly meetings are more common among bank (50%) and NGO (22%) promoted groups (Table – 5.21).

Table – 5.21: Promoter-wise distribution of SHGs as per meeting frequency in %

Frequency	Bank	DRDA	NGO	Self/ community	Total
Weekly	-	25	3	18	14
Fortnightly	50	4	22	5	12
Monthly	50	71	75	76	73
Grand Total	100	100	100	100	100

5.4.2. Actual no. of meetings and transactions

During last six months, i.e. between June and November 2007, the number of meetings conducted, the attendance, saving collections, loan disbursements are collected and analyzed in this section.

During last six months, 76 groups have 6 meetings/ regular meeting, 81 groups have five meetings, 85 SHGs have 3 meetings, 87 groups have two meetings and 90 groups have only one meeting. In other words 19 groups did not conduct even a single meeting and 33 groups missed 1 of the 6 schedule meetings. Out of 654 possible meetings, only 500 meetings were conducted by the sample groups, i.e. about a quarter possible meetings were not conducted during last six months.

5.4.2.1. Attendance

During the last six months the sample groups together have a total of 500 meetings. In these meetings, the attendance is over 90% in 57% groups, between 75% and 90% in 23% groups and in only 4% groups the attendance is less than 50% (Table – 5.22). There is no trend on either direction in attendance during last six months. The attendance is healthy compare to the situation in many other states. These figures are related to the groups, which have meeting. If the members of groups, which did not have meetings, as absence, the attendance ratio would be significantly low.

Table – 5.22: Distribution of SHGs as per attendance in the meetings in %

Meeting	Less than 50%	50.01 to 75%	75-01 to 90%	Over 90%	Total
1st meeting	4.4	12.2	24.4	58.9	100.0
2nd meeting	5.7	16.1	21.8	56.3	100.0
3rd meeting	4.7	12.9	23.5	58.8	100.0
4th meeting	2.5	19.8	19.8	58.0	100.0
5th meeting	4.9	17.3	21.0	56.8	100.0
6th meeting	2.6	14.5	30.3	52.6	100.0
Average of all	4.2	15.4	23.4	57.0	100.0

5.4.2.2. Saving collection

During last six months over 90% of saving amount has been collected in the meeting by 86% of groups, which have meeting. In the remaining groups, 6% groups' saving collection is between 75% and 90% and each 4% groups' saving collections are between and 50% and 75% and less than 50%. There are no trends on either direction during last six months (Table – 5.23). These are healthy signs compare to other states. Again if the groups, which did not conducted meetings are considered, the picture would look grim.

Table – 5.23: Distribution of SHGs as per saving collection in %

Meeting	Less than 50%	50.01 to 75%	75-01 to 90%	Over 90%	Total
1st meeting	2	6	6	87	100
2nd meeting	1	5	8	86	100
3rd meeting	5	5	6	85	100
4th meeting	5	4	5	87	100
5th meeting	4	4	5	88	100
6th meeting	5	4	7	84	100
Average	4	4	6	86	100

5.4.2.3. Loans disbursements in the meeting

During last six months, 113 loans were sanctioned worth Rs.3,55,950, in 69 instances (Table – 5.24). On average 7% of sample groups have sanctioned loans worth Rs.70,000, in the meetings every month. This again is a reasonable performance compare to other states.

In the total, the sample groups' performance in the meeting in terms of attendance, saving collection and loan disbursements is impressive compare to other states. The only concern is non-conducting of meetings by about a fifth of groups.

Table – 5.24: Loan disbursement in meetings in no. and Rs.

Meetings	No. of instances	No. of loans	Amount
1st meeting	15	30	123,300
2nd meeting	9	14	59,800
3rd meeting	6	8	23,500
4th meeting	15	25	67,800
5th meeting	12	14	30,300
6th meeting	12	22	51,250
Total	69	113	355,950

This section analysis was carried on the information collected from the records of sample groups. It was noticed that the information recorded in the books is different from actual activities of the groups (this point is discussed further in the 7th chapter). Further about a quarter groups records were either not available or not updated. The performance of groups, including those groups, whose books are not available/ incomplete, as per oral information given by the sample groups is discussed in the next session.

5.5. Place of financial transactions

In 70% of groups, saving collection takes place in the meeting, in 15% groups it takes place at the leaders' house, in 5% groups saving is being collected through door to door collection method and in 8% groups, no fixed place is there to collect saving (Table – 5.25). Similarly loan installment collection also takes place at meeting in 70% of groups. It takes places at the leaders' houses in 20% of the groups. In 5% groups, door to door collection is employed to collect loan installment and in 6% SHGs there is no fixed place. However, loan disbursement does not take place in the meeting in majority of sample SHGs. Loans are disbursed at the leaders' houses at 30% of the groups and in 16% groups there is no fixed place. In some the groups' loans are disbursed at promoters' office at other places by the promoting agencies cum MFIs.

Table – 5.25: Distribution of groups as per the place of financial transactions in %

Transaction	Door to Door	leaders house	Meeting	No fixed place	Grand Total
Saving collection	5	15	72	8	100
Loan collection	5	20	70	6	100
Loan disbursement	6	30	48	16	100

5.6. Involvement of members in group functions

In 59% groups all members take part in arranging the group meetings, in 33 sample groups only leaders arrange the meetings and in 7% groups a few members involve in meeting arrangements (Table – 5.26). In 83% sample groups, all members involve in discussions, in 16% groups a few members take part in group discussions and in one group only leader speaks. In decision making, 88% of groups all members get involved, a few members take decisions in 6% and only leaders take all decisions in another 6% sample SHGs. However, all members carry bank transactions in rotation only in 30% groups, only leaders do bank transactions in 50% of the sample SHGs, in 12% groups and in 8% groups the promoters/ facilitators do bank transactions.

Table – 5.26: Distribution of groups as per member's involvement in %

Indicator	all	few	leaders	Others	Total
Arranging meetings	59	7	33	-	100
Discussion in the meetings	83	16	1	-	100
Decision making	88	6	6	-	100
Bank transactions	30	12	50	8	100

The involvement levels of all members in meeting arrangements, group discussions, decision making are impressive compare to other states. However, the members poor participation in bank transactions, lead to a suspicion over groups claims over broad based discussions and decision making at group level.

5.7. Group norms and practices

Table – 5.27: No. of groups having norms and practicing in no.

Function	Norm	Practice
Not attending meeting	35	21
Delay in saving	27	13
Loan repayment	22	11

In all 35 sample groups have norm for imposing fine for not attending the group meeting. Out of these 21 groups are implementing the norm (Table – 5.27). Regarding saving 27 SHGs have norms and 13 are practicing it and 22 groups have norms about loan

repayment and only 11 are implementing the norm. This situation is similar to states like Rajasthan.

5.8. Leadership rotation

Out of total 109 sample groups, 46 groups have leadership rotation. The leadership rotation is relatively high in Sonitpur, followed by Sivasagar, Cachar and Kokrajhar. The leadership rotation is highest in older groups of 5 year and above age compare to new groups of 1 to 3 years of age. The leaders have been changed in majority (58%) of NGO promoted groups, 50% of bank promoted groups, 40% of self/ community promoted groups and 29% of DRDA promoted groups. The reasons cited for not changing leaders are: (1) Other members are not educated and not able to handle the group work, (2) Other members are more preoccupied with their family and productive works compare to the leaders, (3) Leaders are good, handling the group work well, commands trust and respect from the group, (4) Members are not agreeing for change of leaders; (5) About half dozen groups are young, less than 2 years of age, (6) Banks are not permitting change of leadership, (7) Not getting good leaders, etc. The reasons for changing leaders are: (1) All members want to take up leadership in rotations; (2) All members want to learn group management; (3) Misuse of funds, (4) For not keeping books in order, (5) Family and personal problems, (6) Health problems, (7) Drop out from the group, (8) As per the group norm, (9) To involve all members in the group activities, (10) Migration and transfer, (11) Marriage, (12) Change in occupation, etc.

5.9. Conclusions

The analysis of book keeping; places, where books are kept; attendance in the meetings; proportion of financial transactions in the meetings; members involvement in group functions; etc indicate that the members have developed strong ownership stakes over their groups. This is a healthy sign.

There are a fifth to one quarter groups, which have not organized most of the meetings during last six months. It indicates that a sizable portion of groups are moving towards defunct status. The problem needs to be addressed on priority basis.

The interest rates charged by the groups and terms of repayment offered indicate that groups are functioning more like informal money lenders and less of modern community based microfinance institutions. The huge gap between supply and demand for credit is major reason for this trend. Without addressing this basic problem, any attempt to reform SHGs may not be fully successful.

Unlike in other states, the promoters, in Assam, are playing a limited role in day to day functioning of the groups. This, in a way, helped the members to take charge of their institutions. However, the promoters did not curtailed their role by design it happened by default. Almost all groups have moved away from their original promoters to DRDA in order to get RF and subsidy. The field officials of DRDA are happy to have so many groups with little initial efforts and investments. In this way they easily met the target given by the top officials. In fact they facilitated switchover of groups to DRDA with promises of RF and subsidies. But the DRDA field staff strength and the facilities they have do not permit an effective mentoring role in strengthening of SHGs in the state.

Chapter – 6: Impact

The groups mobilized sizeable funds through savings, surpluses on lending, grants and subsidies and bank linkage and lent to the members and non-members good amounts. How these loans in particular and SHGs in general contributed for the improvement of members financial and social conditions are examined in this chapter. This chapter also examines rather briefly the changes in informal money market and the impact of SGSY.

6.1. Changes in economic and social indicators

Response of all 109 sample groups to a set of impact related questions is summarized at Table – 6.1. Income of members increased in 86% groups, credit availability increased according to 91% groups, access to the formal credit increased in 82% groups and habit of saving has increased for 97% groups. An increase in expenditure on food is experienced by 54% groups, members of 70% of groups are spending more on education and 59% groups' members are spending more on health. Members of 86% groups felt that their leadership qualities have improved and 82% groups reported that their interactions with government officials have improved. About three-fourths groups reported decrease in their dependence on money lenders, same proportion of groups experienced decrease in interest burden and 70% felt a decline in family debts (Table – 6.1). A sizable number of groups did not experience any change in almost all these discussed indicators.

Table – 6.1: Impact of SHGs – Change in economic and social indicators in %

Indicator	Decreased	Increased	No change	Total
Income	1	86	13	100
Credit availability	-	91	9	100
Access to formal credit	-	82	18	100
Interest burden	75	8	18	100
Habit of saving	-	97	3	100
Expenditure on food	3	54	44	100
Expenditure on education	1	70	29	100
Expenditure on health	1	59	40	100
Dependence on money lenders	75	4	21	100
Family debt	70	8	21	100
Women leadership	2	86	12	100
Interaction with govt. officials	3	82	16	100

District-wise and promoter-wise groups experience on some of these indicators is discussed below. As most widely felt changes, say habit of saving, could be uniformly felt across the districts and promoters, a select indicators of less widely felt indicators were taken up for further analysis.

6.1.1. Access to credit

In total 82% groups experienced an increase in access to credit. But only 68% of groups in Cachar and 72% groups in Sivasagar have increase in the access to formal credit.

Among the promoters, 80% of self/ community promoted groups felt an increase in the access to formal credit. Only 33% self/ community promoted groups in Cachar have increase in their access to the formal credit (Table – 6.2). Perhaps these groups may be new groups and in the process of getting bank linkage.

Table – 6.2: Increase in access to formal credit – distribution of groups in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	100		100		100
DRDA	75	88	73	100	82
NGO	69	100	-	100	82
Self/community	33	82	73	94	80
Total	68	88	72	97	82

6.1.2. Interest burden

In total 75% of groups have decline in their interest burdens. However, in Cachar and Sivasagar only 68% and 69% groups experienced decline in their interest burdens. Only 69% of DRDA groups experienced decline in interest burden (Table – 6.3). Apart from the age of groups, lack of focus on bank linkage could be one of the reasons for less decline of interest burden. Another reason could be high interest rates charged by the groups.

Table – 6.3: Decline of interest burden – distribution of groups in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	100		100		100
DRDA	75	57	64	100	69
NGO	69	100	-	82	76
Self/community	33	82	75	76	74
Total	68	78	69	81	75

6.1.3. Expenditure on food

In total 54% sample groups reported an increase in their members' food expenditure or food intake. However, only 38% groups in Sivasagar reported an increase in food expenditure. Among the promoters 47% of self/ community promoted groups and 48% of DRDA groups reported an increase in their food expenditure (Table – 6.4). Only 27% of DRDA groups in Sivasagar have reported an increase in their food expenditure. It is a surprising result. Perhaps, the groups might have less financial assistance. Another reason could be that the groups might have reached saturation levels in terms of food requirement. As mentioned elsewhere in this report, Sivasagar, which is situated in Upper Assam, which is rich in natural resources and where poverty levels are significantly less than the lower Assam and other parts of the state. It indicates presence of non-poor in the sample and in the SHG movement in the state.

Table – 6.4: Increase in expenditure on food – distribution of groups in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	50		50		50
DRDA	75	50	27	75	48
NGO	56	80	100	75	68
Self/community	33	55	42	47	47
Total	56	58	38	61	54

6.1.4. Dependency on money lenders

In total 75% groups reported a decline in their dependency on money lenders. Among the four sample districts the decline is least in Kokrajhar, where only 63% groups reported such decline and highest number of groups (88%) in Sonitpur reported such decline. Perhaps SHGs might have replaced money lenders to some extent in Sonitpur. Among four promoters less number of self/ community promoted (70%) groups reported a decline in their dependence on money lenders (Table – 6.5).

Table – 6.5: Decrease in dependency on money lenders – distribution of groups in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	100		100		100
DRDA	75	63	78	100	76
NGO	75	80	100	82	79
Self/community	33	55	67	88	70
Total	72	63	75	88	75

6.1.5. Women leadership

In total 86% of groups reported increase in their members' leadership qualities. The increase is reported by relatively more number of groups in Sonitpur (94%) and Sivasagar (92%) and relatively less in Kokrajhar (73%) and Cachar (83%). Among four promoters relatively more number of bank (100%) and NGO (88%) groups reported increase in women leadership compare to DRDA (85%) and self/ community (85%) promoted groups (Table – 6.6).

Table – 6.6: Increase in women leadership – distribution of groups in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	100		100		100
DRDA	100	63	90	100	85
NGO	81	100	100	92	88
Self/community	67	70	91	93	85
Total	83	73	92	94	86

6.2. Changes in informal lending

Currently, the average rate of interest in informal market in the sample villages is 11.26% per month according to the sample groups. It has increased marginally by 0.16% points during last 5 years. It increased significantly in Sivasagar (2.94%) and in DRDA groups' areas (1.52%). It declined in Sonitpur by 1.5% and in Cachar by 0.7%; in bank groups' areas by 0.63% and NGO groups' area by 0.48% (Table – 6.7). Evidence from other parts

of the country also indicates that the microfinance has very little/ no effect on informal credit market because of its small size. In the sample areas the demand for the credit may be growing at faster pace than the growth of SHG lending. Further, banks are retaining significant amounts of SHGs funds, which are equal to about 83% of bank loan outstanding amount. This leaves insignificant bank funds with SHGs for lending, etc. Lack of focus on fulfilling the credit needs of groups/ members on the part of promoters could be another reason for an increase in informal interest rates in certain locations in the state.

Table – 6.7: Average rate of interest charged by money lenders and changes in %

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	10.00		10.00		10.00
DRDA	10.00	10.07	14.25	10.63	11.90
NGO	12.90	10.50	12.50	11.25	12.02
Self/ community	8.33	10.00	13.54	8.59	10.36
Total	11.67	10.16	13.50	9.71	11.26
Change in money lender rate of interest during last 5 year in % points					
Bank	(3.75)		2.50		(0.63)
DRDA	-	2.56	2.75	(2.50)	1.52
NGO	(0.77)	0.50	2.50	(0.75)	(0.48)
Self/ community	1.00	(2.50)	3.21	(1.71)	(0.13)
Total	(0.70)	0.26	2.94	(1.50)	0.16

6.3. SHGs' involvement in social and economic development

On the whole very few sample groups are involved in local economic development and social issues. More than 10 sample SHGs are involved in marketing of members products. Only about half a dozen groups are involved in issues like AIDS campaigns, health issues, housing, child labor, women rights, drinking water, etc. Almost all these groups are confined to Sonitpur and Sivasagar districts only.

6.4. Impact of economic activity

In the sample 29 groups got economic activities.¹¹ Out of these 17 are group based activities and 12 are individual based activities. District wise, 14 are in Sonitpur, 7 are in Sivasagar, 6 are in Kokrajhar and 2 are in Cachar. Promoter-wise 12 are self/ community promoted groups, 8 each are NGO and DRDA promoted groups and 1 is bank promoted group. Major activities chosen are goats (7 groups); Piggery (5 groups); Dairy (3 groups); Poultry (3 groups); Weaving (2 groups); one group each of fishing, agriculture, transport, tailoring, business, etc.

Out of 29 economic activities groups, 22 are making profit, 2 are in the loss and 5 are making no profit no loss. Members wise, out of 311 members involved in economic activities, 256 are making profit, 20 got loss and 35 got no profit or no loss (Table – 6.8). The reasons cited for success of economic activities are: (1) Cooperation of the banks, (2) emphasis on traditional activities, (3) timely corrective actions, (4) Intensive training, (5)

¹¹ It include a few programs given by other departments and agencies

Market support, (6) Concerted action of the SHPAs, etc. The reasons for failure are: (1) Delays on the part of the banks, (2) Retention of a part of loan as FD by the banks, (3) Conflicts within the group, (4) Short-sightedness on the part of groups, (5) Closer of economic activity, (6) Natural calamities, etc.

Table – 6.8: Economic activity beneficiaries

Units	Making profit	Loss making	No profit no loss	Total
Groups	22	2	5	29
Members	256	20	35	311

The beneficiaries played important role in selection of group activities in purchase of instruments/ livestock and other inputs. This is very encouraging sign. One not so encouraging sign is that out of 29 groups, which took up economic activities, 20 groups did not insure their assets/ livestock or they do not know whether their assets/ livestock were insured or not. Out of 29 groups, 13 groups have lost some livestock or assets due to death or floods. But only 3 groups got compensation for the loss from insurance companies. There are problems from insurance companies regarding insurance of certain activities like fishing. The field staff preoccupation with targets and other works could be another reason for not getting insurance of assets procured under SGSY/ other schemes. Lack of orientation and technical knowledge could be yet another reason.

6.5. Other impact

As a result of heavy investment in different income generating activities/ SGSY, support infrastructure is being developed by the private sector. E.g. A pig breeding unit came up in Dibrugarh districts, similarly a dye unit came up in Sivasagar district. Another positive feature observed in the state is that because of SHGs, many line departments get activated at least in some districts.¹² In a sense SHGs brought some convergence among the line-departments for the holistic development. At the same time, in a few places, there were complaints about non-cooperation from line departments.

6.5. Conclusion

The SHG program resulted in significant social and economic benefits. A minimum of 75% groups experienced increase in saving habit, credit availability, increase in income, increase in access to formal credit; decline in family debts, interest burden and dependence on money lenders. However, relatively a fewer groups reported increase in expenditure on food, education and health. Lack of necessity to increase expenditure on food could be one reason. It indicates somewhat wrong selection of participants in the program.

There is no change in interest charged by the money lenders in the sample villages, reflecting inadequate funds flows into villages despite of existence of SHGs in the villages for quite some time. Overwhelming proportion of SGSY participants have got/ are getting profits from their economic activities. A few are also incurred loss and a few are left with no profit and no loss. One of the reasons for loss or less profit was loss of

¹² Personal communication by Mr. Prabhat Konwar, ADC – Sonitpur and ex. PD, DRDA - Sivasagar

assets/ livestock. Majority of groups did not get insured their assets/ livestock. Only a fourth of groups, which suffered loss of assets/ livestock, got compensation from the insurance companies. This problem needs urgent attention.

Chapter – 7: Impediments to the SHG movement

7.1. All round support

The SHG movement has strong support from the State Government, NABARD, NGOs, RRBs and members. The State Government is proactive in promoting the groups. It is one of the few, if not the only, State, which placed the entire list of SHGs promoted/ supported by the DRDA on the online along with important details like, Gram Panchayats, date of formation, membership size and gender-wise distribution of membership, whether RF was provided or not, whether subsidy is provided, activity taken up/ proposed, etc. The groups, on the website, are organized as per Gram Panchayats and activity wise. Technical expertise from many resources institutions have been mobilized and deployed in the development of SHGs. The government entrusted the State Institute of Rural Development (SIRD) to promote over 7,000 model SHGs.

Marketing of SHG products is one of the priorities in the program. SHGs are encouraged and supported to participate in all kinds of exhibitions, *Melas*, etc at village/ block level, district level, state level and national level. Permanent market places have been developed and provided to SHGs at Guwahati, in all district head-quarters and many block head-quarters. One of the purposes of putting the details of SHGs on the internet apparently is to enlarge the market for SHG products. To reap the scale of benefits, some districts like Sivasagar have adopted ‘cluster approach’. E.g. Pigs are provided in a group of contiguous villages. Similarly weaving is developed in a group of contiguous villages. Common training, processing and marketing facilities were provided at many places. To reap the scale of benefits and other advantages of commodity aggregation, federations are being promoted in some districts like Kokrajhar and Cachar.

NABARD has been very active in promotion of microfinance in general and SHG in particular. During last year NABARD has intensified its activities in the promotion. Apart from proving funds for promotion, it is providing and facilitating training and orientation to many secondary stakeholders. It is working with banks to facilitate higher funds flow to SHGs. The district offices of NABARD are providing on-the-job support to the promoters and participating in all relevant review meetings, visiting many field sites and providing direction and critical feedback in all these meetings and sites. NABARD is also proving funds for variety of pilot programs.

There are about 300 NGOs involved in promotion of SHGs. Many NGOs brought in their own unique expertise in the promotion. Major NGO-MFIs, like RGVN, FWWB, etc; international NGOs like CRS and GSS, and financial institutions like NEDFi are actively supporting grassroots NGOs to promote SHGs and lend them. Many branches of RRBs are also thoroughly involved in promotion of SHGs. Apart from these traditional promoters; the state has a number community based organization like Farmers Clubs are in promotion of SHGs. The members themselves have promoted a significant number of SHGs.

Apart from banks, hundreds of NGO-MFIs and about 10 whole-sale MFIs are providing financial services, especially the credit services. The Government has been providing

liberally grants and subsidies. Out of total SHGs in the state about two-third have cleared 1st grading, implies got RF and one-fourth cleared the 2nd grading imply that they are about to get subsidy and a fifth of SHGs already started their economic activities. These proportions are very high compared to many other states in the country. The groups, by saving regularly and rotating the funds vigilantly, developed sizable amount corpus.

7.1.1. But gloomy situation

Despite all these positive factors, the status of SHG movement in the state is far from satisfaction. The grades obtained in this study reflect the quality of groups in the state. The low quality/ grade related bank linkage another big challenge. Some groups have visited banks more 10 times just open a saving account. Some groups have visited bank more than 50 times to get a loan. Some banks just released subsidy component and retained loan component as FD. The list of problems goes on. (Some of these were described in Chapter 3). The major reasons for the current state of SHGs in the State are discussed in the remaining part of this chapter and the way forward is described in the next chapter.

7.2. Incompatible integration

The major reason for the current problems of SHG movement in the state is ‘integration of two incompatible programs’, i.e. SHG - banking program and SGSY program. The SHG - banking program aimed at financial inclusion, i.e. providing financial services, hitherto un-reached and un-bankable sections, designed to run purely on commercial terms. Whereas the SGSY program is aimed at poverty alleviation through the promotion of entrepreneurship and self employment with capital subsidy, runs on state subsidy. The negative impact of SGSY on SHG banking is outlined briefly below.

7.2.1. Widespread corrupt practices

As the business of SHGs at the moment in the state involve RF of about Rs.10,000 to Rs.20,000 and subsidy up to Rs.1,25,000, all kinds of manipulations are taking place. E.g. in some parts of the state, some officials take about Rs.1,000 to form and register a SHG in the block office. Registration in the block office is mandatory to get RF and subsidy. In some places, the bank staff also takes about Rs.1,000 to route the RF through the bank. Taking other transaction expenses of the group, to get Rs.10,000 of RF, a group has to spend about one-third of the RF. Some groups wind up after getting the RF and the same members would start a new group with another set of leaders.¹³ Similarly to get the subsidy under SGSY, a group has to spend anything between one third and one half of the subsidy amount.

A casual visitor, whose purpose was not to unearth these manipulations, can easily notice them imply that the manipulations are in a noticeable scale. Some of the indicators for the manipulations are: (a) in balance sheets, which were estimated from the available records and oral information given by the members, the total value of assets is significantly less than the value of liabilities in some of the SHGs. Members could not explain or do not

¹³ Many NGOs and some top bank officials said that these kinds of practices quite prevalent in the state. The officials also admitted indirectly. As per the field officials, the groups are overtly focused on grants and subsidies and less on economic activities.

want to explain the reasons. (c) In some groups the books of accounts do not tally at all with the oral information given by the group members. E.g. in one group the members said that they are saving at the rate of Rs.20 per month; but in the books, the amount was shown as Rs.50 per member per month. In the same group the numbers of internal loans and repayment, etc are much more, as per the records, than what the members said.¹⁴ It implies that records are being maintained attractively to get large RF and SGSY grant quickly.

7.2.2. Bribes

The corrupt practices came to the notice of the research team in field testing itself. To assess the quantum and number of cases of bribes, a direct question was included in the questionnaire. However, one can not get an accurate answer to this question, especially in an on going project and when the facilitators were acting as link between the groups and the research team. Whatever reported cases and amounts are analyzed below. Total amount of bribes paid by the groups is Rs.89,986. In all 21 groups reported that they paid bribes. Out of these 12 groups are from Kokrajhar, 5 are from Sonitpur, 3 are from Sivasagar and 1 is from Cachar. Out of Rs.89,986 of total bribe amount, 80% i.e. Rs.71,500 was paid in Kokrajhar alone. Among different promoters, almost equal number of groups promoted by NGOs, DRDA and self/ community paid bribes. However, the group promoted by NGOs paid significantly less amount compare to other two promoters groups (Table – 7.1).

Table – 7.1: District and promoter-wise bribe amount in Rs.

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank			2,410		2,410
DRDA	5,000	29,000			36,000
NGO		6,000	500	1,900	8,400
Self/community		36,500		6,676	43,176
Grand Total	5,000	71,500	3,410	10,076	89,986

The above described bribe is the amount that the groups said that they paid bribes. There could be much more amount and cases of bribes, which are not admitted by the groups. Many resource persons and stakeholders, who were interviewed by the present research team, revealed that the practice of bribes is widely prevalent in the state. The analysis of balance sheet indicated in as many as 45 out total 109 sample groups' assets value is less than their liabilities. The total deficit amount is Rs.4.59 lakh. In Rs.4.59 lakh total assets deficit as much as Rs.2.77 is in Sonitpur, Rs.1.31 lakh is in Sivasagar and Rs.0.49 lakh in Kokrajhar (Table – 7.2). This could be one estimate of bribes in the sample groups. As the groups are earning good interest income, some of it could be used to pay bribes. Actual bribe amount could be even more.

¹⁴ The group name is Maidangshri SHG, Bikarompur village; Nwlwbari GP of Sidle block, Chirang district. The group SB account no. is 6035/2 at AGVB, Dengtol. A couple of groups with similar experience have been noticed in the same neighborhood. These kinds of manipulations are not isolated instances.

Table – 7.2: Sum of the value of assets over liabilities in 45 asset deficit groups in Rs.

Promoters	Cachar	Kokrajhar	Sivasagar	Sonitpur	Total
Bank	-		(22,162)		(22,162)
DRDA	(275)	(7,817)	(92,628)	(7,679)	(108,399)
NGO	(2,029)	(14,668)		(110,442)	(127,139)
Self/community	-	(26,398)	(15,907)	(159,124)	(201,429)
Grand Total	(2,304)	(48,883)	(130,697)	(277,245)	(459,129)

7.2.3. SHGs response

As mentioned above that majority, if not all, groups have to shell out one-third to one-half of the grant/ subsidy amount to get their grant/ subsidy. If the transaction cost of the groups to get the grant/ subsidy amount is considered, the group might not have got any benefit at all. To get their own share of easy money, some groups pocket the loan component and disband the group and start the process with a new set of leaders, often in consonance with local officials. It was noticed that in some groups, books are left totally blank after the group received the grant/ SGSY subsidy.

7.2.4. Consequences of corrupt practices

One of serious repercussions of group disbanding after getting RF/ SGSY grant is low loan recovery in the banks. As per the data given by the State Lead Bank that recovery rate in SGSY is not only low but further declining over the years. The rate has declined from 36.54 in June 2005, to 32.20% in June 2006 to 25.21% in June 2007.¹⁵ As a result the banks are reluctant to lend to SHGs and even to open a saving account, which eventually lead to credit linkage or matching loan to SGSY grant. In a few banks the manager is just releasing the subsidy component to the group and closing their accounts.¹⁶

Another serious repercussion is no/ very few number of repeat credit linkages, which often have larger size loans. As per the NABARD data, in 2005-06, number of new groups got loans is 25,215 and but only 112 groups got repeat linkages. The same at all India level were 6,20,109 and 3,44,502 respectively. While 25,005 new groups in the state were given loans, only 160 already credit linked groups were given loans (repeat linkages) in 2006-07. The same at all India level 6,86,408 was new groups and 4,57,410 was the repeat linkages.

7.3. Institutional level limitations

Apart from this fatal mix up, which vitiated the SHG movement in the state, each stakeholder has certain limitations. They are explained below

7.3.1. Department of Rural Development (DRD), Government of Assam

Mixing up of incompatible programs is the responsibility of the DRD/ the Government of Assam. It has to be reversed for effective progress of financial inclusion and development

¹⁵ SBI, 2007: State Level Bankers Committee, Assam: Agenda cum background paper, quarterly meeting for June 2007.

¹⁶ This point came for discussion the Kokrajhar District Level Bankers Conference on 10th January 2008, in which the present author participated.

of the entrepreneurship in the state. Apart from this major policy issue, the DRD has certain operational problems. These are:

1. Target orientation and less scope for process. Apparently to meet the targets set by the higher officials, the lower level officials are luring the members and SHGs promoted by NGOs and others with the promises of revolving funds (RF), SGSY subsidy. As a result almost all SHGs have shifted over to DRDA/ SGSY. Because of RF and subsidy attraction, many members are joining the groups, even if they do not need any credit or eligible for SGSY subsidy. Officials also are encouraging everyone to join, overlooking the eligible criteria, to meet their targets.
2. Field Officials work mechanically, according to many key resource persons.
3. Without investing properly on strengthening of SHGs as institutions, mounting them with second generation tasks of livelihood activities is another serious issue.
4. Inadequate field staff and facilities to them. According to the field staff that they get Rs.4.5 per day as traveling allowances. In SHG kind of program, which is focused on mobilizing and organizing of the women, the field staff needs to interact with the primary stakeholders rather intensively. Further condition of the public transport in the state is not very encouraging. There are a number of vacancies in the field posts.
5. The field staff was not provided with sufficient capacity building inputs. The field staff themselves do not see any need for such capacity building inputs. It appears that the field staff is not even remotely aware of its own limitations.
6. Often the focused income generating activities (IGA), especially animal husbandry, are less scope for value adding; mostly traditional; actually require less than sanctioned money and require less skill up gradation than the budgeted/ provided.
7. In many instances, marketing was not considered as an integral part of the whole process.
8. Less understanding about, and appreciation of the potential of the SHG federations.
9. No focus on the problems of the banks. Mostly complaining against the banks

7.3.2. NABARD

The promotional cost of about Rs.2,000 per SHG is inadequate according to some promoters. One NGO – Deshbandhu Club is reluctant to continue its partnership with NABARD in promotion of SHGs because the money is not sufficient to promote an effective SHG. Another area, NABARD can consider is the coordination between its capacity-building (CB) activities and providing promotional support. One such coordination was observed albeit on a small scale at Monier Khal T.E Youth Club, Cachar, which resulted in an excellent institutional development. Such coordination was not observed in desirable scale in many other places.

7.3.3. Banks

Given vitiated atmosphere of SHGs in the state, the banks are expected to be over cautious towards SHGs. In fact they are over cautious. Out of nine branches visited to collect the data and bankers' perspective about SHGs, seven branches provided their perspective and data. However, the data provided by the CBs is full of gaps. In total 3 CBs and 4 RRBs provided the data. In total the banks money with SHGs is exactly equal to the SHGs money with the banks. In fact, the RRBs, which provided the complete data, have more SHG money with them than their loan outstanding with the groups (Table – 7.3). Had all thee CBs provided the whole data; the situation in their case also might be similar to that of RRBs. The groups' data also support this finding; that is excluding the backend subsidy, the groups have their money in the banks, which is equal to 83% of bank loan outstanding with the groups.

Table – 7.3: Average bank branch business with SHGs in Rs.

Indicator	CB	RRBs	All
Total Loan outstanding to SHGs	8,454,000	11,438,000	19,892,000
Total saving in SB account of SHGs	1,000,000	7,005,000	8,005,000
Total backend subsidy in banks	4,500,000	7,437,000	11,937,000
Ratio of 'Bank funds with SHGs to SHGs' funds with Bank	1.54	0.79	1.00

In the total, in the banks' business, SHGs accounts for about 2 to 3% of savings and 6 to 7% of loans. However it is slightly higher in RRBs. Given the small size of business, banks are not focusing on SHGs as case in the south India. Poor quality of groups, poor awareness levels of SHG members about bank procedures and rules, lack of appreciation of their problems on the part of SHPAs, etc are some of serious problems faced by the banks

Other problems with banks include shifting of branches from rural areas to urban areas by some commercial banks, shifting of bank branches in insurgency areas to safe areas, shortage of staff, service area problems, frequent closer of banks to due to strikes, agitations, etc affecting adversely SHG - banking. Shortage of staff is one of the serious problems faced by the banks in the state owing to variety of reasons. Increasing the share of SHG - banking in total branch transactions could be one effective strategy to overcome the HR shortage. Further SHGs could be used as Business Facilitators and Business Correspondents. This has just begun in the state.

The analysis in chapter 3 indicates that there is a positive correlation between user-friendly atmosphere at the banks and the quality of groups. It implies that a positive approach on the part of banks would enhance the quality of groups. Banks should learn from the experience of the banks in the south India, i.e. the SHG - banking is profitable business opportunity, especially in the rural areas, not a charitable work.

It appears that only Assam Gramin Vikas Bank (AGVB) has realized the potential of SHG - banking and its branches are more positive with promoters and SHGs. The commercial banks are apparently not showing interest in SHG - banking. Discouraged by

the low recovery rates in SGSY loans, banks are shying away from participating in the program. Some branches are just releasing the subsidy amount¹⁷ immediately after receiving to the group and closing the account/ transactions with that group.

Most of the Banks are apparently adopting commercial MFI model increasingly and encouraging NGOs in their operational areas to take up mF activity and providing them bulk loans.

7.3.4. NGOs/ promoters

NGOs are getting insufficient funds for promotion and capacity building inputs. Most of the NGOs get just program cost or even less, which force them to cut their promotional costs. The NGOs are getting promotional support at the rate of Rs.500 to Rs.600 from apex NGO-MFIs and around Rs.2,000 from NABARD. Overwhelming majority of NGOs does not get funds for their own organizational development. According Sharma, A, (2007) CRS and IGSS provided not only program support but also institutional support to their partners, which resulted in development of excellent SHGs and federations.

As the SHGs are deserting them almost all NGOs including many prominent and committed NGOs like Deshbandhu Club, Anjali Sukhati are shifting towards commercial microfinance. Today almost all NGOs, who have interest, experience and expertise in SHG promotion and microfinance, have taken up commercial micro-finance. Meager promotional support they are getting from NABARD and apex NGO-MFIs also hasten their shift to commercial mF. It appears that many NGOs, who were involved in promotion of SHGs have forgotten the ‘science of SHG promotion’ or have stagnated knowledge. The newly emerged/ emerging NGOs apparently do not know alpha, beta..... of SHG promotion. Apart from stunted knowledge and experience in SHG promotion on the part of NGOs/ promoters, mixing up of SHG promotion with commercial microfinance has its own serious repercussion. It appears that NGO – MFIs knowingly or unknowingly using SHGs for furthering their own commercial interest (Box – 2).

Box – 2: Deshbandhua Club’s microfinance experience

Deshbandhu Club is one of the oldest, most respected and well intended NGO in Cachar district. It has been in SHG promotion since 1997 and promoted about 800 SHGs. Recently it entered into collaboration with NABARD to promote 500 SHGs in its operational areas. Its groups are well organized groups. In collaboration with State Handicraft Development Commissioner, Deshbandhu has been providing excellent training in skills development in different handicrafts to its groups and other primary stakeholders in its operational area. It also provided common workspace and marketing support to the groups and others. Because of problems with bank linkage, it has started its own MFI and started providing financial services to its members. But the groups and members are not getting similar benefits from their linkage with Deshbandhu’s MFI compare to normal bank linkage. Firstly the MFI is retaining the entire savings of the groups. Secondly the interest rate charged on MFI loans at 15% flat is about three times

¹⁷ This issue came for discussion on DLBC meeting at Kokrajar on 10th January 2008.

of bank interest rates. Thirdly the MFI provide loans individually. Even if one member default/ delay even due to genuine reasons, the entire group is block listed. The usual cushion that is available to members, who are in distress, in group lending is conspicuous by its absence in MFI linkage. Perhaps, Deshbandhu might not know full implication of its MFI practices.

Another serious limitation of NGOs/ promoters is shortage of quality staff vis-à-vis tasks to be accomplished.

Yet another serious limitation, the NGOs/ promoters facing, is that there is no interactive forum to learn from each other. Only one of the NGOs/ promoters, interacted by this research team, is a member in an all India NGO forum. Within the state no such forum is available. A few attempts were made but could not be followed up. The NGOs/ promoters have certain unique expertise. An interactive forum for different promoters at regional and state level may contribute immensely for the strengthening of SHG movement in the state.

7.3.5. SHG level limitations

The groups are operating with minimum CB inputs. E.g. a few groups do not know the utility of adding up all saving collected. Many groups do not balance the sources and application of funds. Groups apparently do not know the importance of financial inclusion and benefits of continuous business with the banks and other financial institutions. The groups' focus appears to be on getting grants and subsidies and earning high interest income through lending to members and non-members. Groups, apparently, are not focusing on meeting credit needs of members, especially the non-productive needs of the members, but focusing on earning high interest incomes.

One of the interesting features of SHGs in Assam, especially upper Assam districts like Sivasagar, is that in each group at least one educated members, who is capable of managing the books of accounts is included. As a result many groups are able to transact group activities on their own and maintain books of accounts without outside help. This practice is helping the groups to develop ownership stake within a short period. On the other hand, the same practice has the potential for intra-group inequalities and internal exploitation. However, the potential benefits of such practice are more compare to potential disadvantages.

The groups are facing serious problems of non-cooperation from the banks and vested interests of some promoters.

7.4. Limited capacity-building

Apart from above mentioned organization specific limitations, all the stakeholders including primary stakeholders have got limited and, in many instance, inappropriate capacity building (CB) inputs. All the CB related issues are discussed below.

7.4.1. SHG members

According to many key resource persons, at least 50% of SHGs did not get any CB inputs. As discussed in the chapter 2, as the major focus of SHGs at this point of time is on IGA, major focus of CB is also focused on livelihood promotion. Very little inputs are being given to SHGs in ‘institutional development’ or strengthening of SHGs. Almost all SHPAs, which were interacted said that the SHGs need training in basic issues like, SHG concepts, book keeping, group process, financial management, internal systems, etc. The major trainers so far are local NGOs, Block officials, line-department officials, bank officials and federations, wherever they are, farmers clubs, SIRD district centers. Funds and availability of quality CB institutions are major issues in CB of primary stakeholders. Exposure to good model institutions is also required for SHGs, according to the resource persons, who were interacted.

7.4.2. SHPAs

Qualified staff is a major bottleneck for many SHPAs. Vacancies in the field position are major concern for government SHPAs. Some of the field staff feels that they can master the art of SHG promotion by reading GOs and guidelines. It appears that their confidence is misplaced and they apparently do not aware of their limitations. In any case they got most of their CB in-house through guidelines, manuals, etc. However, NGOs and other CBOs, who are involved in SHG promotion, feel that they need a lot of CB inputs. Many senior NGOs got very good CB inputs on institutional building and livelihood promotion from many national and state level institutions (a list of training institutions, in which the SHPA staff got CB are given at Box – 3. However, most of the small NGOs and CBOs got their CB from local large NGOs, line-departments, Block officials, bank officials and NABARD. Funds and availability of quality CB institutions and work pressure are CB issues for most of the SHPAs. The themes in which CB inputs required are:

1. Step by step promotion of SHGs and federations,
2. Institutional building, include visioning, business plans, systems such as book keeping, financial management, monitoring, etc.
3. Skill development,
4. Product design
5. Marketing,
6. Insurance

SHPAs also need on-the-job support.

Box – 3: Training Institutions for SHPAs, as per SHPAs and state/ district level resource persons

- | | |
|------------------------|------------------------------------|
| 1. Local Block offices | 2. Local Bank officials |
| 3. EDI, Ahemdabad | 4. MASK (SHG Federation), Sonitpur |
| 5. NIRD, Guwahati | 6. NIRD, Guwahati |
| 7. IIE, Guwahati | 8. NIPCCD, Guwahati |
| 9. P & RD, Guwahati | 10. RGVN, Guwahati |
| 11. NEDFi, Guwahati | 12. IIBM, Guwahati |
| 13. NITTR, Chandigarh | 14. Sa-Dhan |
| 15. MYRADA | 16. BIRD, Lucknow |

17. FWWB	18. IRDP, Guwahati
19. AGVB	20. Kerala Coconut Board
21. Mission Justice Society	22. ISMW, Ahemdabad
23. SDO	24. SIRD, Guwahati
25. Staff training college, Guwahati	26. DRDA
27. Administrative staff college, Guwahati	28. Agriculture Training Centre, Naltoli
29. APMAS, Hyderabad	30. SIDBI
31. RMK	32. NABARD
33. Gana Chetana Samaj, Sonitpur	34. Social Forum, Guwahati & Shillong
35. RRTC, Shillong	36. SIRD Training Centre, Biswanath Charali

7.4.3. Banks

Banks may not need formal training about SHG - banking. But they need orientation. The point has to be driven is that SHG - banking is an attractive and profitable business activity, not a charity. NABARD is widely considered as CB provider by many stakeholders. The institutions, where some of the bankers attended the training are: IIBM, NIRD, NGOs, Gana Chetana Samaj, Block Office, SIRD, STC – Kolkatta, etc. Work pressure in the branch and lack of information about available training are a couple of issues in CB for the Banks. Most of the branch managers said that their Regional and Head Offices look after the CB needs of the staff.

7.4.4. Higher official

To correct the vitiated atmosphere, the higher level officials need orientation on SHG - banking. Sanctity and need to maintain the commercial aspect of SHG - banking need to be explained. Again NABARD has to play an important role. NABARD can take help of the resource organizations like APMAS in this vital task.

7.5. Other impediments

Apart from strengthening SHGs as institution, there is need to promote federation, which, apart from strengthening SHGs, take up the issues, which the SHGs can not take up individually. At the moment the state does not have many federations. The existing federations are more of commodity aggregators or unregistered producers companies.

7.6. Conclusions

Despite of all round support from the Government, NABARD, RRBs, NGOs and members themselves, the conditions of SHGs in the state is far from satisfaction. The major reason is the integration of two incompatible programs, viz. SHG - banking, which is a commercial activity and SGSY, which is a grants/ subsidy based program. In the SGSY to get grants/subsidy, the groups have to shell out one-third to one-half of grant/subsidy. Apart from these, the groups have to make a number of visits to the banks and promoting offices. The transaction costs too are substantial. To get their own share in the easy money, the members usually pocket the loan component and disband the group. Because of this reason, the recovery of SGSY loans is not only low but also declining further in recent years. Because of this reasons the banks are not positively inclined for SHG - banking. The state has less than a percent of repeat linkages, which is between 40% and 80% in many other states, especially in the south.

Apart from vitiated atmosphere, each stakeholder has certain limitations. These at DRD/ Government of Assam level include targets, less scope for process, shortage of field workers, inadequate training and orientation and facilities for the field workers, focus on second level issues (livelihood promotion) without addressing primary issues (SHG strengthening), not understanding the constraints of banks, not treating marketing as integral part of intervention, focus on low value addition products, etc. The same at bank level include poor quality of groups, not appreciation of their concerns by the officials and members, poor members' awareness levels, shortage of staff, daily commuting from home to branch, etc. The limitations at SHPAs level include, inadequate promotional support, not able to generate 'fee for service', inadequate training opportunities, inadequate funds for CB, non-cooperation of banks, primary members short sighted approach, etc. At SHG level, these include, inadequate CB inputs, non-cooperation of banks, vested interest on the part of some promoters and facilitators, intra-group dynamics, etc.

On the whole, all stakeholders got limited CB inputs. Funds shortage and non-availability of quality CB inputs, especially on institutional building are major problems at SHG and SHPA level. In addition SHPAs have work pressure. Among NGOs, big NGOs got very good training and exposure from national and state level institutions, but small NGOs have to be content with local CB inputs. Promotion and strengthening of institutions are major themes of training needed by the SHPAs. Bank need orientation on SHG – banking. Work pressure is one of impediment in their CB. Non-availability of quality CB in local area is another major impediment. The DRD/ government officials do need orientation.

Absence of SHG federations, which can work on strengthening of SHGs and take up the issues, which SHGs can not tackle individually is another serious impediment in strengthening of SHGs in the state.

Chapter – 8: Way forward

8.1. Financial inclusion, the real challenge in the state

Usury is widespread in the state. It reflects low availability of institutional credit vis-à-vis needs. E.g. as on March 31, 2007, the banking sectors as a whole has Rs.27,041.79 Cr. as deposits and Rs.12,989.44 Cr. resulting the credit-deposit (CD) ratio of 48%. Though the CD ratio increased from less than 33% in 2004, it is significantly lower than national average and many states.¹⁸ It means that as on 31st March 2007 the banking sector has siphoned of about Rs.14,000 cr. from the Assam and lent a part of it in other states, most probably in advanced states and in mega cities. The CD ratio in the rural areas is significantly less than the state average. The credit to agriculture at 10% in the states is less than the national average of 12%. Given the law and order problems and other bottlenecks, this is a normal phenomenon. It should be kept in mind that people do not take loans at exorbitant rates for normal activities like investment in agriculture, household industries, which give normal returns. It implies that usury reflects under investment stage in the development process. As mentioned elsewhere in this report that about 95% of adult people do not have Banking service in almost all districts in the state in 2005.

Andhra Pradesh experience suggests that the SHGs have good potential to reverse the adverse CD ratio and attain total financial inclusion. SHGs can perform three vital functions: (a) financial inclusion – can link the poor and marginalized sections, living in remote and inaccessible areas, with mainstream financial institutions. (b) Can help the Banks in reducing transaction cost of dealing with poor, ease the Bank operations and help the Banks in recovery of loans. (c) In this process SHGs can reverse the adverse CD ratio in the state in general and in rural/ backward areas in particular and contribute for enhancement of investment in productive sectors by private and household sectors. To attain such situation the SGSY program has to be separated from regular SHG – Banking program. Instead of tie up with Bank loans, the Government could give 100% subsidy directly to SGSY groups and leave the Banks and SHGs to transact on purely commercial lines. The Government may ask the participants to bring in their own margin money of 10% to 20% of investment from other sources, including SHG banking. To make the separation complete, the SGSY groups may be called by different names like common activity groups (CAG), common interest groups (CIG), etc.

To reach 95% of un-reached people, the banks should be allowed to operate freely. In fact Banks should be supported to carry SHG – banking on larger and ever increasing scale by creating, as mentioned in NABARD (2005), conducive climate for recovery of loans in order to facilitate ushering in prosperity in the rural Assam. Another measure, which can lead to good recovery in SHGs is interest subsidy scheme as being implemented in Andhra Pradesh. Under this scheme, the state government reimburses the

¹⁸ SBI, 2007: State Level Bankers Committee, Assam: Agenda cum background paper, quarterly meeting for June 2007

groups, three-fourths interest amount paid by them on their bank loan. This scheme is applicable to the regularly repaid loans/ groups only. The Assam Government could consider of similar scheme to promote SHG - banking program in the state.

Such radical changes need changes in the mindset. To get the mindset of officials and also some extent bankers changed, a massive training and oriented program is required. NABARD could take up this mammoth task, as it did in Andhra Pradesh in the late 1990s and early 2000s (Box – 4). Fortunately, now there are so many resource institutions, to whom, this task could be sub-contracted.

Box – 4: Extract from the speech of Mr. Aluru Sambhasiva Rao, CGM, NABARD, Hyderabad delivered at the National Conference on SHG Federations¹⁹

.... Referring the success of SHGs and federations in Andhra Pradesh, Mr. Rao said that the cooperation and support of the state government is the secret behind AP success. Mr. Aluru recalled his recent experience in Punjab and Haryana and said that the difference between the North and AP is the government support. Another important factor for the success of SHGs in AP is the change in mind set of officials and Bank staff. For this NABARD training program played an important role. He said that between 1996 and 2001, NABARD conducted extensive trainings for government officials from Block level officials to IAS officials, without leaving a single official. For the Bank officials the training was conducted from lowest level personnel to the chairpersons of Banks. The predominant theme of those trainings was ‘change of the mind set’ or ‘convincing the officials about the utility and importance of SHG - banking. On conclusion of each training program (usually of 3 days), the officials were told to implement the program **if and only if** they were convinced about the program. These are all factors behind the success of SHGs in the state. Without similar efforts and convictions no movement is going to succeed.

8.2. Strengthening of SGSY

Such separation also helps in SGSY program. Once freed from the frustrating bank tie up work, the field staff can totally focus on promotion of entrepreneurship and self employment of unemployed. With the separation, the problems of under-finance, untimely finance, etc would vanish. The field staff could focus on other pressing problems like marketing, product improvement, productivity improvement, backward and forward linkages, etc. To enhance the impact of the program, the DRDA could consider high value added products and services in their basket of economics activities, currently being promoted. Such activities are floriculture, cut-flowers, autos and jeeps to use for travel and transport of goods between villages and nearby markets/ towns, servicing of such vehicles, provision PCO, cell phone centers, their servicing, etc. Other measures, which can help the SGSY program is involvement of NGOs in the program and work on benefits of aggregate demand and supply of SGSY. Cluster approach adopted in district like Sivasagar may help in reaping the benefits of scale/ aggregation.

¹⁹ Jointly organized by the GoI, GoAP (SERP), NABARD, NNRO and APMAS at NIMSME, Hyderabad between 21st and 23rd March 2008

8.3. Suggestions to overcome the institution specific limitations

Separation of SHG-banking and SGSY would solve the major problem of SHG movement in the state. However, certain current limitations of each stakeholder should be addressed separately. These are discussed briefly below.

8.3.1. NABARD

Current promotional support appears to be inadequate in terms of money, time and CB inputs. Till recently NABARD used to provide support of Rs.2,000 per SHG up to bank credit linkage. Some states, the regional offices are providing additional amount. Since 5th August 2008, NABARD increased the promotional assistance to Rs.5,000 per SHG in hilly districts. The minimum stipulation relating to group size has also been reduced to 5 instead of 10 as per earlier guidelines. Normally the assistance should be sufficient to promote quality groups up to 1st credit linkage. As currently the banks are not so cooperative, the actual costs of SHG promotion (up to 1st bank linkage) may be higher than the provided amount. NABARD may review this amount and also consider providing integrated support to the promoters, to promote SHGs and federations together. NABARD may also look at the coordination between its promotional funding support and CB support.

8.3.2. Banks

Shortage of manpower is major problem in rural bank branches. Most of bank staff is not properly oriented about commercial value of SHG - banking. Some of the branches are yet to be computerized. The Controlling Offices may take necessary steps on these points. The banks could use SHGs and federations as Business Facilitators and Banking Correspondents benefiting mainly the banks. Banks should explore this wonderful opportunity seriously and invest in SHG institutional promotion and strengthening. Daily commuting by bank staff is another serious problem. The Controlling Offices may look into the matter and explore the possibility providing private transport or flexible working hours as per the local conditions.

8.3.3. NGOs/ SHPAs

Answers to most of the problems of NGOs have to come from outside. The Government, NABARD, and funding agencies should make available sufficient funding support and adequate CB inputs. NABARD, apart from reviewing its own funding and CB support, may also act as catalyst for adequate funds and CB inputs flow into the sector. One serious factor, which can affect adversely the SHG institutions, is mixing up of SHG promotion and own microfinance activity (APMAS and CmF, 2006 and Box – 2 above). These two should be separated completely.

8.3.4. SHGs

The SHGs in state are functioning with minimum and inappropriate CB inputs. As a result most of them are functioning as traditional informal group lenders, rather than institutions of financial inclusion and women empowerment. Again it is the responsibility of secondary stakeholders to provide proper climate and appropriate and adequate CB inputs.

8.4. Capacity building

8.4.1. Themes of capacity building needs

Stakeholder-wise themes of CB are given at Table – 8.1.

Table – 8.1: Stakeholder wise CB needs	
Stakeholders	Broad themes
Government officials and Bankers	Orientation on commercial value of SHG - banking
SHPAs/ field staff	(1) Step by step promotion of SHGs and federations, (2) Visioning and business development plans, (3) systems like book keeping, financial management, etc.
SHGs	Orientation and training on (1) governance, (2) systems, (3) self regulation, (4) accessing government programs, etc.

8.4.2. Interactive forum for SHPAs

In the state excellent models have been developed through dedicated work of a number of NGOs. In the process these NGOs got unique and valuable experience and expertise in promotion and strengthening of SHGs. By providing an interactive forum to these organizations, a rich cross learning could be facilitated. Similarly the primary members also need such interactive forums, at least at regional level in the beginning.

8.4.3. Setting up of CB institutions

The state needs at least three APMAS kind of institutions in three regions, viz. Brahmaputra Valley, Hill region and Barak Valley. NABARD and the State Government could collaborate on this.

8.5. Sustainability of SHGs

For sustainability and strengthening of SHG movement in the state SHG federations could be effective tool. The federations could promote SHGs in underserved pockets and communities in their operational area, could promote and manage quality in SHGs, through monitoring, auditing and introducing mechanisms for self regulation etc. Most of the existing federations promoted by the DRDA are more of producers' companies and less of true SHG federations. SHG federations should be promoted with major agenda of strengthening SHGs and addressing the issues, which SHGs can not address individually. For proper autonomy, federations should be promoted by the SHPAs with well laid down role change road map.

It should be remembered that SHGs are 'institutions', which are dealing with financial matters and money. Eventually they may deal with many important issues like marketing, livelihood promotion, women rights, implementation of government programs, social auditing of local development, etc. Therefore, adequate and appropriate institutional development inputs should be provided to SHGs and their federations. Various studies indicated requirement very high amounts of investment for promotion of SHGs vis-à-vis provided funds by major donors like NABARD. E.g. NCAER (2008) study indicated that

2006, the cost of promotion was Rs.3,575 for Bank-SHPAs, Rs.8,701 for NGO-SHPAs and Rs.4,010 for Government – SHPAs. Further SHPAs spent between Rs.964 to Rs.1,123 on maintenance of SHG (NCAER, 2008). Considering the difficult geographic condition of North-East, SHPAs should be given at least Rs.12,000 to Rs.16,000 per SHG over a period of 3 to 5 years as practiced by donors like CRS and IGSSS (See e.g. Sharma, 2007). A separate fund could be established. The Government and NABARD should collaborate on this vital task and also may consider involving other national and state level resources institutions in this crucial task.

To look into various issues raised in this the study and to evolve a strategy for strengthening the SHG movement in Assam, a “task force” could be set up in the state. The task force could consist of GOA, NABARD, IIBM, NEDFi, RGVN, and representatives of SLBC and NGOs.

8.6. Conclusions

Financial inclusion is the real and far more important challenge in the state. SHGs could be one of the best means to achieve such financial inclusion and enhance investment in productive sectors by private and household sectors. In order to create a conducive environment SHG – banking in the state, the SGSY program should be separated from SHG banking completely. The Government of Assam could also considered providing incentives, like interest reimbursement as in Andhra Pradesh, to encourage a larger and ever increasing SHG banking program in the state. Such separation may also enhance the impact of SGSY program. Other requirements include:

- a. a review on the part of NABARD about its promotion support amount and terms and conditions and coordination between funding and CB support;
- b. Collaboration between GOA, NABARD and Donors to make available more promotional funds and CB inputs for SHPAS;
- c. Understanding on the part of bankers that SHG banking is a business not a charity; and
- d. A complete separation of SHG promotion and own microfinance activity on the part of SHPAs.

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